

INSIGHTS INTO NIDHI COMPANIES: A MEMBER-CENTRIC EXPLORATION OF PERCEPTION

***Thasni Hussain, **Dr. Sunil Raj N V**

Abstract

This study examines the perception and experiences of members in Nidhi companies, focusing on understanding their perspectives within these unique financial institutions. Nidhi companies offer attractive interest rates on deposits and provide small loans to their members. Through qualitative interviews and surveys, this research delves into the reasons behind members' positive perceptions, such as the sense of community, financial benefits, and personalized services. It also addresses any concerns or challenges faced by members, including issues related to governance, transparency, and accessibility of funds. By exploring the member perspective, this study contributes to a deeper understanding of the dynamics within Nidhi companies, highlighting the factors that shape members' perception and experiences. The findings provide insights for Nidhi companies to enhance their services, improve member satisfaction, and foster stronger relationships within the membership community.

Keywords:- Public perception, Nidhi companies, Alternative investment options, Diversification, Service Quality.

Nidhi companies, a unique category of financial institutions in India, play a significant role in serving the financial needs of their members. These companies are regulated by the Ministry of Corporate Affairs and operate under the Nidhi Rules,

catering primarily to small-scale savers and borrowers. Nidhi companies are distinct from other financial entities as they work on the principle of mutual benefit, with their members collectively contributing to the company's capital and receiving financial services in return.

**Thasni Hussain, Research scholar, Department of Commerce, Government College, Attingal, E-mail: thasnimhussain30@gmail.com*

***Dr. Sunil Raj N V, Assistant Professor, Department of Commerce, Government College, Attingal, E-mail: sunilrajgouresham@gmail.com*

The primary objective of Nidhi companies is to promote the habit of thrift and savings among individuals while providing access to credit facilities for small borrowers. They offer attractive interest rates on deposits and facilitate small loans for personal or business purposes. Nidhi companies are often localized, catering to specific communities or regions, which fosters a sense of community and trust among their members. These companies operate on the principle of mutuality, where the members themselves are the owners and beneficiaries of the company's services. This unique structure sets them apart from traditional banking institutions and other financial intermediaries. Nidhi companies are subject to specific regulations and guidelines, ensuring transparency, governance, and compliance with legal requirements. The Ministry of Corporate Affairs governs their operations, laying down rules regarding their formation, membership, capital requirements, and financial reporting. While Nidhi companies serve as a vital financial resource for small savers and borrowers, their operations and effectiveness have garnered interest and scrutiny. Understanding the dynamics and functioning of Nidhi companies is crucial for policymakers, regulators, and individuals considering involvement with these entities.

Financial Intermediation Theory

The idea of financial intermediation offers a fundamental structure for comprehending the function of Nidhi companies. This theory holds that financial intermediaries, such as Nidhi companies,

improve economic efficiency by facilitating the transfer of cash between depositors and borrowers. These businesses offer liquidity, cut transaction costs, and diversify to lower risk. Member satisfaction and trust are critical factors that determine the performance of Nidhi companies.

Social Capital Theory

According to social capital theory, social networks, connections, and norms have a big influence on social and economic outcomes. The relationships among members and the level of trust in the institution are crucial in the context of Nidhi companies. Increased social capital can result in enhanced engagement among members, increased savings rates, and increased trust within the organization. This hypothesis contributes to the understanding of how member perception affects the general stability and performance of Nidhi enterprises.

Review of Literature

The substantial amount of study that has already been done on Nidhi companies in India offers thorough insights into their business practices, legal environment, and obstacles they must overcome. Numerous scholarly investigations have examined several facets of Nidhi companies, underscoring their importance within the financial domain, particularly in remote regions where conventional banking amenities are few.

M. T. Ramesh and Dr. K. Vijayalakshmi (2018) carried out a thorough investigation with a focus on Tamil Nadu's Nidhi business sector. Their investigation explores the operational

characteristics of these businesses, looking at the barriers they face and the regulatory landscape in which they operate. The results highlight how important Nidhi firms are to India's financial system, especially in rural areas where traditional banks frequently provide insufficient services. The present study underscores the significance of Nidhi enterprises in promoting financial inclusion by furnishing financially accessible services to marginalized communities.

In 2016, S. Suresh Kumar and Dr. S. Rajendran offered a thorough examination of the difficulties facing Nidhi companies in India. Their analysis seeks to identify the main challenges these businesses encounter and provides tactical suggestions for resolving them. The possibility of borrower defaults, high operating expenses, restricted access to capital, and regulatory compliance concerns are among the main obstacles that have been highlighted. According to the report, resolving these issues is essential to improving the viability and efficiency of Nidhi companies in providing services to their members.

Drs. P. S. Anand and C. R. Ramaswamy (2017) conducted a paper titled "Nidhi Companies in India: A Critical Analysis" which provides a critical assessment of the legal and administrative framework that governs Nidhi firms in India. The writers evaluate the efficiency of the current regulatory framework and point out areas in need of improvement. According to their findings, Nidhi enterprises encounter major obstacles even if they make a significant contribution to the provision of financial

services to underserved groups. These consist of the possibility of borrower defaults, high operating costs, and restricted access to capital.

The literature on Nidhi companies in India emphasizes how important they are to the financial industry, especially in rural areas where there are few options for traditional banking. Research conducted by Anand and Ramaswamy (2017), Suresh Kumar and Rajendran (2016), Ramesh and Vijayalakshmi (2018), and Ramya and Jayakumar (2018) highlight the significance of these businesses in advancing financial inclusion and bolstering local economies. They do, however, also highlight important difficulties, such as risk of borrower failure, operational expenses, capital availability, and regulatory compliance. Increasing the efficiency and long-term viability of Nidhi companies in India requires addressing these issues through targeted interventions and legislative changes.

Statement of the Problem

Nidhi companies are non-banking financial institutions (NBFCs) that primarily operate as mutual benefit societies, focusing on providing financial services to their members. However, there is a lack of comprehensive understanding regarding how the members or customers perceive these Nidhi companies. Therefore, the problem to be addressed in this study is: What is the member's perception towards Nidhi companies, and what factors influence this perception? By exploring this problem, the study aims to contribute to the existing knowledge about member's attitudes, opinions, and

beliefs regarding Nidhi companies. Understanding the member's perception is crucial for these institutions as it can influence their reputation, trust worthiness, and ability to attract new customers and investors.

Objective of the Study

The study will investigate the following research question:

- To assess the perception of members towards Nidhi company.

Significance of the Study

Nidhi companies rely on public trust and confidence to attract customers and stakeholders. Studying customer's perception allows these institutions to monitor their reputation and identify areas where improvements may be necessary. By addressing concerns and enhancing positive perceptions, Nidhi companies can maintain and strengthen their reputation, leading to increased customer satisfaction and business growth. Studying how the members perceive Nidhi companies can provide insights into customers' decision-making processes, preferences, and concerns. This knowledge can help Nidhi companies tailor their products, services, and marketing strategies to meet customer expectations effectively and improve customer acquisition and retention rates. Significance of this study lies in its ability to enhance member satisfaction, strengthen trust and confidence, inform strategic decision-making, shape regulations and policies and contribute to academic knowledge. By focusing on members' perspectives, the study ensures that the voices and experiences of the

primary stakeholders are considered, leading to more effective and member-centric practices within Nidhi companies.

Research Methodology

Samples

Purposive sampling was used to get a representative sample of members of Nidhi companies. This strategy was used to guarantee that the chosen participants had firsthand knowledge of and interaction with Nidhi companies, providing relevant and insightful data. In order to guarantee adequate representation and variety and to capture a wide range of perspectives and experiences, the sample size was established at 100 participants. This sample size strikes a compromise between the practical requirements of carrying out in-depth surveys and analysis and the requirement for comprehensive data.

Data Collection

A well-crafted structured questionnaire that was created after a thorough analysis of pertinent literature and discussions with subject-experts was used to collect data. The questionnaire focused on a few important areas in order to get members' detailed perceptions about Nidhi companies.

Scope

Customers of Nidhi Company, those are located in Trivandrum district is taken in to consider. The research is limited to this geographical area and does not encompass perceptions from other regions or districts.

Overview of the theory and concept behind Nidhi Companies:

Nidhi Concept: The term “Nidhi” translates to “treasure” in English, and Nidhi Companies are essentially mutual benefit organizations formed for the purpose of cultivating the habit of thrift, savings, and mutual assistance among their members. The concept of Nidhi Companies stem from the idea of pooling small savings from members of the community and utilizing these funds to provide loans and other financial services to members in need.

Mutual Benefit Society: Nidhi Companies operate on the principles of mutuality, cooperation, and self-help. They are member-oriented institutions where individuals with common financial goals come together and pool their resources for mutual benefit. The objective is to promote financial inclusion, especially among individuals with limited access to formal banking services.

Member Ownership: Nidhi Companies are typically owned and operated by their members. Each member holds a stake in the organization, which grants them certain rights and privileges, such as the ability to vote in decision-making processes and share in the profits or dividends of the company.

Limited Activities: Nidhi Companies are restricted in terms of their activities. They primarily engage in accepting deposits and providing loans to their members. Unlike traditional banks, they do not engage in commercial banking activities or offer a wide range of financial products and services.

Regulatory Framework: Nidhi Companies are regulated by the Ministry of Corporate Affairs (MCA) in India. The

Nidhi Rules, 2014, provide the regulatory framework for the functioning of these institutions. The rules outline the eligibility criteria for registration, capital requirements, governance norms, and compliance obligations that Nidhi Companies must adhere to.

Financial Inclusion: One of the key objectives of Nidhi Companies is to promote financial inclusion by providing access to affordable credit and savings facilities to their members. They primarily target individuals from lower income groups and underserved communities who may face challenges in accessing formal banking services.

Local Focus: Nidhi Companies are typically local in nature, serving a specific community or geographic area. They are often formed to cater to the financial needs of a particular group or region and establish a strong bond and trust among their members.

The theory behind Nidhi Companies revolves around fostering a culture of thrift, mobilizing small savings, and providing financial services to promote economic empowerment within communities. By leveraging the principles of cooperation and mutual benefit, Nidhi Companies aim to bridge the gap in financial services and contribute to the inclusive growth of their members.

Table 1 presents the results of the Friedman test for the significance difference among mean ranks regarding customers’ perception of a Nidhi company. The mean ranks for each statement about customers’ perception towards the Nidhi Company are listed in the table.

Analysis and Interpretation

The p-value is less than the usual significance level of 0.05. This means that there is a significant difference among the mean ranks of the statements, indicating that customers' perceptions of the Nidhi company vary significantly across the evaluated aspects.

It can be observed that statements like "The Nidhi company offers competitive interest rates and attractive financial products compared to other

institutions," (10.21) "I perceive the Nidhi company as financially stable and reliable," (9.91) and "The Nidhi company's branch locations are easily accessible and convenient for me." (9.26) have higher mean ranks compared to the other statements. This indicates that customers have a relatively higher perception or satisfaction with these aspects of the Nidhi Company. On the other hand, statements like "The Nidhi company have a good reputation and positive word- of-mouth recommendations," (3.21)" I trust the

Table 1
Friedman test for significance difference among mean rank towards perception of customers about Nidhi company

Opinion of customers perception towards Nidhi company	Mean rank	Rank	Test statistics	
I trust the Nidhi company to handle my financial transactions securely and responsibly	4.34	10		
The customer service provided by the Nidhi company is prompt, courteous, and helpful	5.45	9		
The Nidhi company provides clear and transparent information about its products, fees, and terms."	5.62	8		
I perceive the Nidhi company as financially stable and reliable."	9.91	2	N	100
The Nidhi company offers competitive interest rates and attractive financial products compared to other institutions	10.21	1	Sig.	<0.001**
The Nidhi company's branch locations are easily accessible and convenient for me."	9.26	3	Chi-square value	219.14
The Nidhi company understands my financial needs and offers tailored solutions."	9.00	4		
The Nidhi company promptly addresses my queries, concerns, or requests."	7.66	5		
It is convenient and hassle-free to conduct transactions with the Nidhi company."	7.10	6		
The Nidhi company has a good reputation and positive word-of- mouth recommendations."	3.21	11		
I would recommend the Nidhi company to others based on my experience."	6.60	7		

Source: Primary Data

Nidhi company to handle my financial transactions securely and responsibly," (4.34) and 'The customer service provided by the Nidhi company is prompt, courteous, and helpful," (5.45) have lower mean ranks. This suggests that customers have relatively lower perception or satisfaction in these areas.

Findings

- ***Competitive Interest Rates and Attractive Financial Products***

As compared to other financial institutions, the Nidhi company has a mean rank of 10.21 and offers reasonable interest rates and appealing financial solutions. Because they value the company's capacity to offer better financial prospects and may be bigger returns on their investments, customers might see this variable more favourably. The Nidhi organization stands out from other institutions because to its competitive interest rates and variety of financial products, which increases member satisfaction and perception of value. This suggests that the company's financial products are widely accepted and greatly enhance its favourable reputation.

- ***Financial Stability and Reliability***

The perception of the Nidhi company as financially stable and reliable holds a mean rank of 9.91. Customers' faith in the financial stability and strength of the Nidhi company may be the reason for this positive view. The company's solid track record, transparent operations, and consistent performance are some of the factors that contribute to this impression. Together, these components strengthen members' faith in the company's

dependability and security, confirming their conviction that it can safely and successfully handle their money.

- ***Accessibility and Convenience of Branch Locations***

With a mean score of 9.26, the branch locations of the Nidhi company are well regarded for their accessibility and convenience. The fact that branches are positioned strategically so that members may quickly reach them is responsible for this favourable impression. Because it makes services more accessible and takes less time and effort to interact with the organization, branch sites are very important in improving customer satisfaction.

- ***Reputation and Word-of-Mouth Recommendations***

The perception of the Nidhi company's reputation and the influence of positive word-of-mouth recommendations are notably lower, with a mean rank of 3.21. This suggests that the company may struggle with inadequate communication and limited positive endorsements from members.

- ***Trust in Secure and Responsible Financial Transactions***

The mean rank of the public's confidence in the Nidhi company's ability to manage financial transactions responsibly and safely is 4.34. Customers' worries about data security, privacy, or the company's capacity to handle financial transactions responsibly might be the cause of the decreased impression of trust. This points out possible areas where the business might strengthen its security protocols and provide members

with more assurance about the security and honesty of their money transactions.

- ***Customer Service Quality***

With a mean rating of 5.45, the Nidhi company's customer service is thought to be of lesser quality. This implies that consumers could have encountered situations in which they did not obtain helpful, polite, or timely customer service. This negative opinion may be influenced by elements like insufficient response, a deficiency of individualized support, or instances of subpar customer service. In order to increase overall member satisfaction and loyalty, the organization must improve the quality of its customer service.

Suggestions

Based on the findings presented, here are some suggestions for improving the current status of the Nidhi company:

Enhance reputation management and promotion

Put measures into place to actively maintain and enhance the company's reputation through community involvement programs, PR campaigns, and targeted marketing activities. In order to build the company's reputation and draw in new clients, ask satisfied clients to write reviews and testimonials. Then, use their recommendations in marketing materials and on websites.

Invest in communication and transparency

Strengthen communication channels with customers to ensure transparency regarding financial products, policies, and procedures. To gain clients' trust and

confidence, proactively respond to their questions and concerns across a variety of communication channels, including social media, email, and dedicated customer support lines.

Prioritize data security and privacy

Enhance security protocols to safeguard customer data and financial transactions, reassuring customers of the company's commitment to data privacy and security. Customers should be informed clearly and concisely about the security precautions taken for their sensitive data.

Improve customer service quality

Provide thorough training programs to customer service representatives to improve their abilities to assist clients in a quick, courteous, and helpful manner.

Expand accessibility and convenience

To increase consumer accessibility and convenience, assess the present branch locations and think about adding additional ones or making improvements to the ones that already exist. Utilize technology and digital channels to provide clients with alternative banking choices, such as online, mobile, and automated services, in response to their changing requirements and preferences.

Regular feedback mechanisms and continuous improvement

Provide feedback channels so that clients may share their experiences with the products and services offered by the business. Use client feedback to pinpoint areas that need work and make the required adjustments to raise general satisfaction with customers and loyalty. By

putting these recommendations into practice, the Nidhi firm will be able to address the areas that have been found to need improvement, bolster its position as a market leader, and cultivate increased customer satisfaction, trust, and loyalty.

Conclusion

The findings reveal that while the Nidhi company excels in offering competitive financial products and maintaining financial stability, it faces challenges in areas such as reputation, trust, and customer service. The high rankings

in interest rates, financial stability, and branch accessibility underscore the company's strengths. However, the lower perceptions in trust, reputation, and customer service highlight areas that require strategic improvements. The Nidhi company can enhance its competitive advantage in the financial services industry and cultivate increased customer trust, satisfaction, and loyalty by putting the recommended tactics into practice. This will help the company build on its strengths and address the areas that have been highlighted for improvement.

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