

A Study on Investors' Awareness Level towards Nidhi Companies (Benefit Funds)

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Abstract: Most of the investors are found to be unaware about investment avenues, rules and regulations. With the rising state of economy, it is the middle and lower middle class that are prone to bear the brunt of a financial burden. In such a situation, family breadwinners find it extremely difficult to save since most investment mechanisms cater to larger amounts. Banking and Non Banking Sectors helps especially the middle and lower middle income people to save and invest in a better way. Thus Nidhi companies one of the type of NBFCS' in India provide the easiest and most effective solutions for investment and savings with wide scope and potential for monetary growth. Thus this paper aims to study about the investors' awareness level towards Nidhi Companies.

Keywords: Investment Mechanisms, Save and Invest in a better way.

I. Introduction

The word "Awareness" refers to a consciousness of the existence of a particular truth, event or thing. Awareness is a course of action by which, one known's the existence of a new thing. However, he may not have a thorough knowledge of that thing. Acquiring the knowledge of the latest developments in a particular field also amounts to awareness and hence awareness is a continuous process. The sense of awareness of an investor towards savings and investment is created modified and shaped up by various external sources. The print and electronic media such as the dailies, weeklies, television, radio etc., and personal contact with friends, relatives, investment consultants etc, contribute a lot in creating awareness among investors. As the awareness of investors is considered to be indispensable while studying one's savings and investment pattern, a venture has been made to study the awareness level of investors' of Nidhi Companies

Nidhi Companies in India were created for cultivating the habit of small savings targeted at the lower and middle class. Its investment structure consists of realigning funds within a growing group of members who benefit from returns at fixed durations. Thus the contributions of funds generated in Nidhi investments are realized from its members (shareholders). Nidhi companies are minute when compared to the banking sector and promotes the cultivation of savings amongst a group of people

Objectives

- To study and analyze reasons with which attracts individual investment decision to invest in Nidhi Companies.
- To know the investors' preference for various Deposit schemes in Nidhi Companies
- To understand the investors' view about interest charged for loans, return on Investments, customer relations with respect to Nidhi companies
- To check the level of knowledge of investor about Technology Advancements in Nidhi Companies.

II. Need For This Study

Actually, investment is a kind of self-restriction from spending the entire income for genuine and self-protective reasons to stabilize the regular financial flow of income even during some inevitable brief-time hindrances. The reward for waiting for investment returns is subjected to economical progress of the investment plans and financial in-flow of the district, state and ultimately the nation. Therefore, an in depth knowledge of the investor about his/her capacity of investments, choice of right investments, attitude towards investments, factors that exhibit an upper hand over their investment plans become mandatory to predict the economical growth of a particular geographical area. Generally those who deal with Nidhi companies are residents of that locality and hence these institutions are really able to serve the local residents (S.Gopalakrishnan, Technical Adviser, Chamber of Nidhis)

Thus the underlying principle of the Nidhi companies is "MUTUALITY" i.e. a member (depositor) of the institution helping another member (borrower) of the same institution through the medium of the company. Realizing the need to address the financial requirements of some needy sections of the society and to liberate them from the high-handed indigenous lenders, fleecing the people with exorbitant interest rates, a group of public spirited, service minded and philanthropic individuals in a town or locality ventured to establish the Nidhi

companies. Nidhi Companies are identified under various names like Permanent Fund, Benefit Funds, Mutual Benefit Funds and Mutual Benefit Company, besides the very name of Nidhi. Since Nidhi companies helps the local people the researcher felt the need to know about how for the investors' are aware about their investments with Nidhi companies by taking into consideration with various factors.

III. Research Methodology

A research design must contain the clear statement of the research problem, procedures and techniques for gathering information, the population to be studied and the methods used in processing and analyzing data (Kothari, 1999).

Research Design:

The study is descriptive in nature since it describe about the current financial position of the company

Sample Size.

For the purpose of the study 70 Investors' of Nidhi Companies have been chosen on a randomly convenient basis in Trichi district. Out of 70 respondent 50 respondent provided full information which is required for the study

Method of Data Collection:

The data has been collected from primary sources. A well-structured questionnaire was prepared using different scales and the data was collected from the investors of Nidhi companies through survey method.

IV. Literature Review

- 1) **K.Parimalakanthi and Dr. M. Ashok Kumar (2015)** studied that individual investor behavior have shown that they do not act in a rational manner, rather than several factors influences their investment decision. They want to analyze the determinants of individual investor's behavior in Indian financial market
- 2) **Mathivannan.S and Selvakumar.M (2011)** Savings and Investment Pattern of School Teachers – “A Study with Reference to Sivakasi Taluk, Tamil Nadu” Says the teachers are saving their money for the purpose of their children's education, marriage and other welfare expenses.
- 3) **Manish Sitlani, Geeta Sharma & Bhoomi Sitlani (2011)** observed that there is no association between demographic variables and investment choice of occupants of financial services industry.
- 4) **Bhushan Puneet (2014)** has carried out a study to analysis the awareness level and investment behavior of salaried individuals towards financial products. All those salaried individuals of Himachal Pradesh were considered as the population for this study. Also majority of the respondents park their money in traditional and safe investment avenues, due to their poor awareness

Table1: Demographic Profile

Variable	Particulars	Frequency	Percentage
Gender	Male	23	46
	Female	27	54
Age	Below25	2	4
	25-35	6	12
	36-45	11	22
	46-55	8	16
	Over 55	23	46
Qualification	Below 12 th Standard	6	12
	Graduate	24	48
	Post Graduate	7	14
	Professional	2	4
	Others	11	22
Variable	Particulars	Frequency	Percentage
	Government Employee	3	6
	Private sector employee	30	60
	Business person	7	14
	Self Employed	4	8
Annual Income	Others	6	12
	Below 50000	3	6
	50000-1,00,000	7	14
	1,00,000-1,50,000	26	52
	1,50,000-2,00,000	2	4
	Above 2,00,000	12	24

Source: Primary Data

Table2: Purpose of Savings

Objectives	Frequency	Percentage
Children's Education	6	12
Retirement	12	24
Emergency Expenses	23	46
Health Care	4	8
Others	5	10
Total	50	100

Source: Primary data

The above table infers that the majority of investors save money for the purpose of Emergency Expenses nearly 46 % of respondents save for this purpose, only 8% they save for Health care. Among investors 24% they save for retirement and 12% for Children's education The Other category who are 10% of respondents, they save for the purpose of Daughter's Marriage, jewelry purchase, and for asset creations.

TABLE 3: Investors' Preference For Different Deposit Schemes

Type of Deposits	Frequency	Percentage	Rank
Fixed Deposits	12	24	2
Cumulative deposits	5	10	5
Recurring Deposits	18	36	1
Special Deposit Scheme	8	16	3
Savings Deposits	7	14	4
Total	50	100	

Source: Primary Data

The above table depicts the preference by investors towards different deposit schemes in Nidhi Companies. Majority of investors prefers for Recurring deposits giving 1st rank. The second choice for Fixed Deposits. They give third, fourth, fifth rank for Special Deposit schemes, Savings deposits and Cumulative deposits respectively.

Chart 1: Investors' preference for different deposit schemes

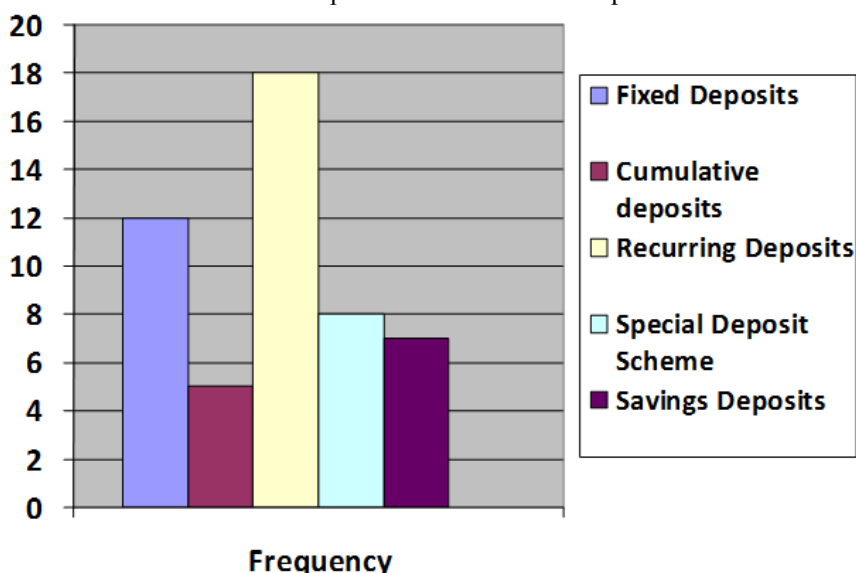


Table 4: Reason for Choosing Nidhi Companies For Investment

Particulars	Frequency	Percentage	Rank
Higher rate of Interest	17	34	2
Safety	4	8	4
Simple Procedures	19	38	1
Convenient Location	3	6	5
Diversification of Investments	7	14	3
Total	50	100	

Source: Primary data

The above table says the reason for which the investor chooses Nidhi companies for their investment. Majority of investors i.e. 38 % they feel the procedures followed in Nidhi companies are very simple. 34% they invest because of high rate of interest. Nearly 14% they invest as diversification of funds,8 % for safety reason and 6% invest because of convenient location.

TABLE5: Loan Availed By The Member Of Nidhi Companies

LOAN	FREQUENCY	PERCENTAGE
Jewell Loan	13	59
Mortgage Loan	2	9
Loan against Deposit	7	32
Total	22	100

Source: Primary Data

The above table reveal the details of loans availed by the investor who are the members of Nidhi companies. Nearly 59% of members they availed Jewel loans,32% they avail loan against deposits and 9 % they availed Mortgage Loans.

CHART 2: Loan Availed By the Members of Nidhi Companies

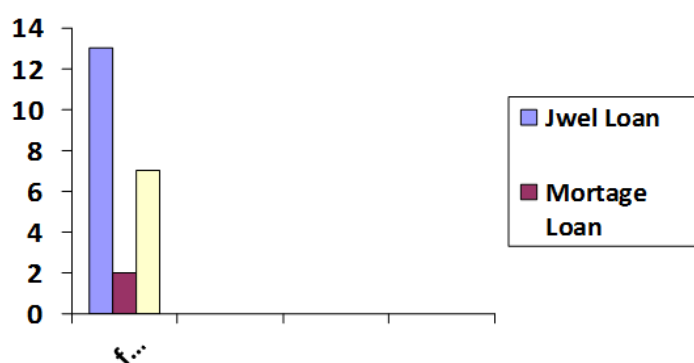


TABLE 6: Investor View about Nidhi Companies

Particulars	Highly satisfied		satisfied		Can be better		Poor	
	f	p	f	p	f	p	f	p
Return on Investment	18	36	20	40	7	14	5	10
Customer Relationships	18	36	23	46	6	12	3	6
Interest charged for Loan	5	10	14	28	3	6	-	-
Updating of Information	8	16	31	62	6	12	5	10
Knowledge about Technology used	15	30	28	56	7	14	-	-

Source: Primary Data

The above table depicts the Investors' view about Nidhi companies

- Regarding Return On Investment 40% says they are satisfied,36% says they are highly satisfied ,14% says can be better and 10% says the return are very poor
- With respect to customer Relationships 46% says they are satisfied; and 6% says they are Dissatisfied
- Regarding Interest charged for loan availed 10% says they are highly satisfied;28% they are satisfied and 6% feels it can be reduced
- with respect to updating of information 62% says they are satisfied and 10% says they don't get updated information
- With regard to knowledge about Technology used in Nidhi companies 56% says they are satisfied; 30% says they are highly satisfied; 14% feels they have to be updated with technology.

V. Findings

- ❖ Among 50 Respondents 46% are male and 54% are Female. Nearly 48% of respondents are graduate, 46% of respondents are over fifty five years; 60% of respondents are private sector employees and 12% are other category. i.e. like Auto drivers, petty shop owners etc;52% of respondents are earning between one lakh to one lakh fifty thousand p.a. and 24% are earning above Two lakh .p.a..
- ❖ 64% of respondents they don't have financial advisor and 86 % they have prior investment experience

- ❖ 46% of respondents they save money for the purpose of emergency expenses;24% they save to meet expenses after their retirement;10% save money for other purpose like daughter's marriage, asset creation etc;
- ❖ With respect to deposit schemes offered by the Nidhi companies 36% prefers Recurring Deposits,24% prefers Fixed Deposits
- ❖ Friends and Relatives and Financial Advisors influenced investors much , for choosing their investment with Nidhi companies,.
- ❖ Majority of respondents i.e 38% they choose Nidhi companies for their investments as they feel the procedure followed in those companies are very simple;34% they choose for high rate of return;14% they feel to invest as diversification of funds
- ❖ Out of 50 respondents only 22 availed loans from Nidhi companies. Among 22 respondent 59% availed Jewel loan.
- ❖ With respect to investors' point of view about Nidhi companies they are satisfied with return on investment, customer relationship, Interest charged on loan. They are also satisfied with updated Information furnished to them. They are also much aware of the technology used in the Nidhi companies.

Suggestions

- ✚ Steps to be taken to improve the system of updating information to investor regarding Various announcements by Ministry of Corporate Affairs, Reserve Bank of India , Income tax department etc
- ✚ Awareness to be created about Technology utility. Especially recent scheme of cashless Transaction forces the investor to learn Technology.
- ✚ Since Nidhi Companies can't advertise for their business, by improving their service to existing customers', they can increase their volume of business.
- ✚ Customer expects reduction in the interest charged for loan; The Nidhi companies can consider this issue. Utilizing the current economic condition Nidhi companies can earn more profit by improving deployment of funds.

VI. Conclusion

The most famous and successful investor of all time is Warren Buffett. Buffett has advised in numerous articles and interviews that a good investment strategy is long term and choosing the right assets to invest in requires due diligence. How and where the people invest their hard-earned money is an important decision. Investment is the application of money for earning more money. Thus Nidhi companies are one of the platform for the investors' to invest wisely. The Return on investment from Nidhi companies is reasonably good. As Nidhi companies are regulated by ministry of corporate affairs safety of funds also assured.

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