

Sustainability Of Mutual Benefit Nidhi Companies: A Financial Performance Analysis

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ABSTRACT

The financial viability of Mutual Benefit Nidhi Companies is a pressing issue in India's finance sector. These member-based companies serve a vital function at the grass roots and are typically less studied than the more established forms of finance. Analysis of the financial viability of Sri Karpaga Vinayagar Mutual Benefit Nidhi Ltd. in Kumbakonam, India is performed by exploring the impact of savings behaviour, loans, service quality and overall satisfaction on the company's financial performance, and consequently, its long-term viability. Primary data was gathered using a structured Likert-type questionnaire to evaluate 70 members of this institution. Statistical tools, such as mean analysis, Pearson correlation, one-way ANOVA and multiple regression, were conducted using Microsoft Excel software. Mean analysis indicates that the financial performance of this institution is of good repute, with a mean score of 12.61 which indicates a high degree of member support. Correlation analysis establishes a strong positive relationship between financial performance and sustainability ($r = 0.85$). Regression analysis found that 79.06% of the variance in sustainability is explained by the independent variables used in the study, and that overall satisfaction had the largest impact ($\beta = 0.497$). ANOVA demonstrated statistically significant differences among the variables of the study ($F = 3.61, p = 0.003$). The study findings suggest that Nidhi companies have long-term viability through the simultaneous completion of all four variables.

Keywords: Nidhi Companies, Financial Performance, Sustainability, Member Satisfaction, Savings Behaviour, Loan Facilities, Service Quality

INTRODUCTION

The Mutual Benefit Nidhi Companies are an essential part of India's financial structure, enabling members to develop savings habits and providing quick access to loans through multiple locations and sources. These organizations primarily operate at the local level and assist members, many of whom may not have easy access to the traditional banking system. Unlike most commercial banks, Nidhi companies operate on a mutual benefit model where members contribute to the institution and receive benefits from that institution.

Nidhi companies have experienced tremendous growth lately due to an increase in awareness of financial services, a rising demand for small loans, and an increase in trust-based lending among members of the same community.

While financially stable, Nidhi companies must be aware of their ability to provide satisfactory member experiences, good service quality, and operational efficiency if they wish to survive long term. Financial performance alone will not allow Nidhi companies to continue to exist; therefore, they must remain concerned

about customer satisfaction, manage loans effectively, contribute to or gain from both savings mobilization as well as provide quality service to customers.

Recently, Nidhi companies have faced increasing competition from both banks and non-banking financial institutions, which have created continuing challenges for sustainability. Therefore, it is increasingly important to conduct an analysis of the sustainability of these institutions, and this study is being conducted to assess the sustainability of Sri Karpaga Vinayagar Mutual Benefit Nidhi Ltd. by examining member savings behavior, member loan facilities, member service quality, member overall satisfaction, and other financial metrics.

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

To analyze the financial performance and its influence on the sustainability of Sri Karpaga Vinayagar Mutual Benefit Nidhi Limited, Kumbakonam.

SECONDARY OBJECTIVES

- Investigation into member savings behaviour and its relationship to organisation performance
- Investigation of the effectiveness of loan facilities offered by a Nidhi Company
- Evaluation of the service quality offered and impact on member retention
- Assessment of overall member satisfaction and its connection to sustainability
- Assessment of the combined predictive power of these variables with respect to organisational sustainability

NEED FOR THE STUDY

- Mutual Benefit Nidhi Co.'s are one of the most significant financial service providers at the local grassroots level; however, they are not getting as much academic research attention as traditional banks and non-banking financial companies.
- Most current studies predominantly examine their profitability and financial ratios; conversely, very few research studies have investigated member perceptions (i.e., savings behaviour, loan facility, service quality, and customer satisfaction).
- Nidhi Co. face challenges maintaining financial stability, trust with customers, and reliable and efficient operation of services in the highly competitive financial industry.
- This research will assist in identifying critical factors affecting sustainability and provide valuable input toward improving member satisfaction through operational performance improvements.
- Furthermore, the research focuses on a regional Nidhi Co., located in Tamil Nadu, where there is limited regional research; thus, its results will have utility to current management, creating economic models for policymakers, and development for future researchers to aid in the establishment of an optimal financial and service structure.

SCOPE OF THE STUDY

- The research analyses the fiscal performance and viability of Sri Karpaga Vinayagar Mutual Benefit Nidhi Limited, Kumbakonam.

- The research evaluates savings habits, loan services, service effectiveness, total satisfaction levels, fiscal performance as well as sustainability factors.
- The research is founded on empirical (primary) evidence collected via 70 structured responses (through a written questionnaire); however, more context has been added with secondary evidence taken from the company, including its own records and published journal/rate reviews.
- The geographical scope of this work has been restricted to the metropolitan area of Kumbakonam and nearby branch locations, but the results will give further clarity around how well Mutual Benefit Nidhi businesses are functioning and their viability.

PROBLEM OF THE STUDY

Other issues that Mutually Beneficial Nidhi Companies have to contend with include financial sustainability, operational efficiency, and member trust in a fierce competitive environment. Most previous studies examine banks and Non-Banking Financial Companies (NBFC) rather than examining banks/NBFC and Nidhi Company; therefore there is little information available regarding Nidhi Company sustainability performance and financial performance. Other studies that have examined these variables of sustainability have looked at them independently (in isolation) and not as interconnected variables that will impact the sustainability of these entities. This indicates the need to interrogate these variables collectively for their effect(s) on the financial performance of, and long-term sustainability of, Sri Karpaga Vinayagar Mutually Beneficial Nidhi Ltd.

REVIEW OF LITERATURE

Sustainable practices that improve an institution's ability to survive over time have gained interest from academic researchers from different sectors. A review of recent literature shows that sustainable practices will help improve an institution's resilience and long-term viability.

Buallay (2020) looked at how different types of sustainability reporting related to the performance of banks, and using a panel regression analysis found that there was a positive relationship between ESG reporting and profitability measures (ROA and ROE), with governance reporting being the most significant predictor of profitability. Additionally, Pujiningsih (2020) showed that comprehensive sustainability reporting is a positive factor for firm value and attracts confidence from investors.

Awaworyi Churchill (2021) examined financial sustainability in microfinance entities and found that long-term success for microfinance is strongly influenced by operational efficiency, capital adequacy, and portfolio quality - these findings are equally applicable to Nidhi companies. Nanayakkara and Colombage (2021) further found that when firms have transparency regarding their ESG activities, they will have a lower amount of financial risk and perform better in the marketplace than firms with less ESG transparency.

Baldi and Pandimiglio (2022) examined the impact of green certification on financial performance and found that green certification positively impacts profitability. Devine and McCollum (2022) examined sustainable bond instruments and found that the financial performance of a corporation with sustainable bond instruments is better in the long run than for corporations without them. Isa et al. (2023) performed a panel data analysis and found that there is a positive relationship between sustainability reporting and governance and financial performance.

Singh, Goel and Negi (2023) utilized a sample of microfinance institutions in India and found that there was a positive correlation between profitability.

RESEARCH METHODOLOGY

Your writing is well-done and I made some small adjustments in grammar, flow and one long paragraph that will make your work easier for your MBA project report because it helps to have it all in 1 concise paragraph where the same meaning as the original document exists.

This research employs a descriptive research methodology to analyze the financial performance of Sri Karpaga Vinayagar Mutual Benefit Nidhi Limited (SKVMN) by measuring the perceptions of its members with respect to their satisfaction and by measuring various indicators of sustainability. The descriptive methodology is appropriate for this research because it allows researchers to quantify the relationships between the variables tested using data obtained from respondents. This research is limited to members of Sri Karpaga Vinayagar Mutual Benefit Nidhi Limited with headquarters in Kumbakonam, Tamil Nadu and branches in Cholapuram, Thirunageswaram, and Melacauvery, Tamil Nadu. A convenience sampling method was used to select the sample; 70 respondents participated in this study via convenience sampling (a non-probability sampling method where researchers take samples based on accessibility to an individual and willingness to participate). The researchers collected primary data from the respondents using a structured questionnaire containing 53 Likert scale (strongly disagree - strongly agree) questions across six different categories: Savings Behaviour; Loan Facilities; Quality of Service; Overall Satisfaction; Financial Performance; Sustainability Factors. Secondary data was collected from company records, annual reports and from peer-review journals. Using Cronbach's Alpha to test the reliability of the instrument resulted in an alpha value of 0.889 indicating the instrument was highly reliable and valid.

DATA ANALYSIS AND INTERPRETATION

Demographic Profile

Out of a total of 70 individuals who filled out this survey, there were 40% under the age of 25, 29% in the 25–35-year range, 17% in the 36–45-year range, and 14% over the age of 45. As for gender demographics, females constituted 54% of total responses while males accounted for 46% which represents a fairly equal level of response among genders.

Mean Analysis

Table 1: Mean Values of Study Variables:

Variable	No. of Items	Mean Score
Savings Behaviour	10	10.83
Loan Facilities	9	10.37
Service Quality	8	10.10
Overall Satisfaction	8	10.20
Financial Performance	10	12.61

Sustainability Factors	8	10.59
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Members of the financial institution seem to have a high degree of confidence in the financial stability of their bank or credit union because the average score across all member responses about Financial Performance was 12.61 (highest average score). Although members had lower average scores in overall Loan Facilities, overall Service Quality, and overall Satisfaction than members did in their assessment of Financial Performance (10.83) and Sustainability Factors (10.59), these areas of service still received moderate scores from members, which means there is room for improvement.

Correlation Analysis

Table 2: Pearson Correlation Matrix:

Variable	SB	LF	SQ	OS	SF	FP
Savings Behaviour	1.00	—	—	—	—	—
Loan Facilities	0.659	1.00	—	—	—	—
Service Quality	0.645	0.806	1.00	—	—	—
Overall Satisfaction	0.691	0.757	0.833	1.00	—	—
Sustainability	0.593	0.683	0.703	0.735	1.00	—
Financial Performance	0.672	0.799	0.825	0.847	0.846	1.00

Every variable is positively correlated together which is evidence that a sound and consistent measurement framework exists. Financial performance demonstrated the highest correlation to both sustainability ($r = 0.846$) and overall satisfaction ($r = 0.847$); while service quality demonstrated high correlations to both financial performance ($r = 0.825$) and overall satisfaction ($r = 0.833$). Therefore, these relationships indicate that the null hypothesis has been rejected in favour of H_1 .

ANOVA Analysis

Table 3: One-Way ANOVA Results

Source	SS	df	MS	F	P-value	F crit
Between Groups	305.93	5	61.19	3.61	0.0033	2.24
Within Groups	7013.36	414	16.94	—	—	—
Total	7319.28	419	—	—	—	—

The calculated F value (3.61) was greater than the critical value (2.24), and the p-value (0.003) was less than the 0.05 level of significance, resulting in rejection of the null hypothesis. Therefore, there is a significant difference between all the study variables, indicating that each of these variables has a unique and separate effect upon organizational sustainability.

Regression Analysis

Multiple linear regression was employed to quantify the combined predictive effect of savings behaviour (SB), loan facilities (LF), service quality (SQ), and overall satisfaction (OS) on sustainability (Y).

Table 4: Multiple Regression Results (* $p < 0.05$; * $p < 0.001$; NS = Not Significant)**

Regression Equation: $Y = 0.599 + 0.089(SB) + 0.306(LF) + 0.277(SQ) + 0.497(OS)$

Variable	Coefficient (β)	Std. Error	t Stat	P-value	Significance
Intercept	0.599	0.869	0.689	0.493	NS
Savings Behaviour	0.089	0.103	0.866	0.390	NS
Loan Facilities	0.306	0.124	2.469	0.016	*
Service Quality	0.277	0.141	1.959	0.054	Marginal
Overall Satisfaction	0.497	0.134	3.722	0.000	***

Most of the differences in how sustainable things are? Those come from the factors listed in Appendix B,

- pages five through six - about eighty percent. A number called adjusted R squared, sitting near seventy-eight, suggests the setup explains quite a bit. Big F score - sixty-one point three nine - and tiny p value, less than zero point zero zero one, means it did not happen by chance. Even when two aks were made, what stayed true was how those inputs linked to sustainability; that didn't waver.

Satisfaction stood out most clearly when looking at what drives staying power - results here were strong (.497, p below .001).

- Loans made a difference too; people who could access them tended to sustain better (.306=.016). Even if just barely within reach of confidence, service quality still played a role (.277, $p = .054$). Saving regularly seemed helpful on the surface, yet numbers did not confirm it alone (.39). Taken together, they form part of the picture explaining long-term success

FUTURE RESEARCH

- One way forward might be testing this approach on several firms scattered across Tamil Nadu or wider India. This could help identify which findings remain consistent across different regions while understanding sustainable growth paths for Nidhi companies. Broader geographical analysis may reveal deeper patterns that are not visible within a single location.
- Over time, significant changes gradually emerge in the functioning of Nidhi companies. Longitudinal observation of financial performance and member satisfaction can uncover hidden trends that may not be visible in short-term studies. Financial performance and customer satisfaction often influence each other, and studying them together over several years provides a clearer understanding of their relationship and impact on sustainability.

CONCLUSION

This research provides empirical support to show that the sustainability of Mutual Benefit Nidhi Companies is found along multiple aspects, including financial performance, member satisfaction, service quality, loan product design and strategies for mobilizing savings, due to the interrelationship of these factors. Through examination of Sri Karpaga Vinayagar Mutual Benefit Nidhi Limited, it has become evident that there is a great deal of member confidence in the financial management of this institution but there are also many opportunities for improvement with respect to delivery of services and promotion of savings.

The combination of an $R^2 = 0.79$ on the regression analysis / model and the ANOVA confirming significant variability between the independent variables collectively support that sustainability will not be a financial outcome by itself but rather, it will represent a multidimensional business outcome. The identification of overall satisfaction as the most powerful predictor of sustainability changes the way that the member experience is viewed from one of an ancillary concern to an important strategic objective in the management of Nidhi Companies.

For Nidhi Companies to exist and prosper in an ever increasingly competitive financial services market — where banks and NBFCs provide advanced technological product offerings — the road to sustainability is found by building trust with members, improving responsiveness of services to members and adjusting loan products to the changing needs of members. Institutions that can fulfil all three of these operational periods

while maintaining a sound financial discipline will be best able to provide their members with long-term value and will also be able to provide a significant contribution to the grassroots of India.

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