MCA issues advisory - cautions public against high-return promises by non-compliant Nidhi Companies

Mandatory NDH-4 filing reiterated; only 395 firms declared as Nidhis to date

Deposits in Nidhi Companies not insured by DICGC

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MCA has issued an advisory to the common public about ‘Nidhi Companies’ and their functioning, warning against investment decisions without their proper background check, especially if there is a promise of high returns.

During examination of NDH-4 applications by MCA, it was noticed that many ‘Nidhi’ Companies are not complying with the applicable provisions of the Act and rules made thereunder in toto. It has also been observed that many of the companies functioning as Nidhi company have not submitted their NDH-4 application within the stipulated time frame prescribed under Nidhi Rules.

Every company desirous to function as “Nidhi” is required to file application in Form “NDH-4 “for getting itself declared/ updated as "Nidhi”.

It has come to the notice that many companies lure their members by promising unusually high returns. Hence, Members of the public are advised not to rely solely on promises of unusually high returns by agents or informal assurances while making financial decisions and to independently verify whether the company has been declared as a Nidhi by the Central Government and should carefully consider the term.

It is to be noted that, the deposits accepted by Nidhi Companies are NOT insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC). If the company fails or faces fraud, recovery of deposited money can be very difficult or incomplete.

The Nidhi companies are mutual-benefit companies regulated by the Ministry of Corporate Affairs (MCA) under the Companies Act,2013 and Nidhi Rules, 2014,which can accept deposits and give loans only to their members.

Under the provisions of Section 620A of erstwhile Companies Act, 1956, companies desirous of functioning as Nidhis used to be declared as "Nidhis" by the Central Government. Under Section 406 of Companies Act, 2013, initially a company could get itself incorporated as a Nidhi and function as a Nidhi but were required to follow various Rules under Nidhi Rules, 2014.

However, Section 406 and Nidhi Rules, 2014 were amended w.e.f 15.08.2019 and the need for declaration of a company as Nidhi by the Central Government was reintroduced on the lines of Companies Act,1956.

A list of 395 companies declared as Nidhis by the Central Government under this provisions of Companies Act, 1956/2013 as on date is already placed on MCA Website for information of general public. Following is the link for the List of active Nidhi Companies published on MCA portal on 03.11.2025, (https://www.mca.gov.in/bin/dms/getdocument?mds=J1d7pR2ZnYPDVBpl1gFu4w%253D%253D&type=open), which can be accessed for further information.

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