



MCA Issues Advisory Cautioning Public Against High-Return Promises by Non-Compliant Nidhi Companies

The Ministry of Corporate Affairs (MCA), vide press release dated September 24, 2026 (PIB Release ID: 2314436), has issued an advisory to the public regarding Nidhi Companies and their functioning. The advisory cautions against making investment decisions without a proper background check, particularly where high returns are promised. It also reiterates the mandatory requirement for Nidhi Companies to file Form NDH-4 and highlights that deposits in Nidhi Companies are not insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC).

Analysis

- Nidhi Companies are mutual-benefit companies regulated by the MCA under the Companies Act, 2013 and the Nidhi Rules, 2014. They may accept deposits from, and give loans to, their members only.
- Under Section 620A of the erstwhile Companies Act, 1956, companies desirous of functioning as Nidhis were declared as such by the Central Government. Under Section 406 of the Companies Act, 2013, a company could initially incorporate and function as a Nidhi, subject to compliance with the Nidhi Rules, 2014.
- Section 406 and the Nidhi Rules, 2014 were amended with effect from August 15, 2019. The amendment reintroduced the requirement of declaration by the Central Government, on the lines of the Companies Act, 1956.
- Every company desirous of functioning as a Nidhi is required to file an application in Form NDH-4 to be declared or updated as a Nidhi.
- While examining NDH-4 applications, the MCA noticed that many Nidhi Companies are not complying with the applicable provisions of the Act and the rules made thereunder in toto. Many companies functioning as Nidhis have also not filed their NDH-4 applications within the time frame prescribed under the Nidhi Rules.



- The MCA has observed that many companies lure members by promising unusually high returns. The public is advised not to rely solely on such promises by agents or on informal assurances, and to independently verify whether a company has been declared as a Nidhi by the Central Government.
- Deposits accepted by Nidhi Companies are not insured by the DICGC. If the company fails or faces fraud, recovery of the deposited money may be very difficult or incomplete
- Only 395 companies have been declared as Nidhis by the Central Government under the Companies Act, 1956 and 2013 to date. The list of active Nidhi Companies, published on the MCA portal on November 3, 2025, is available on the MCA website for public reference.

Key Takeaways

- The MCA has cautioned the public against investing in Nidhi Companies without proper background checks, especially where unusually high returns are promised.
- Filing of Form NDH-4 is mandatory for every company desirous of functioning as a Nidhi, and the MCA has noted widespread non-compliance and delayed filings.
- Since the amendment effective August 15, 2019, a company must be declared as a Nidhi by the Central Government, and only 395 companies have been so declared to date.
- Deposits in Nidhi Companies are not insured by the DICGC, so depositors bear the risk of loss if the company fails or commits fraud.
- Investors should verify a company's status against the list of declared Nidhi Companies published on the MCA website.
- The advisory has been issued in the context of Section 406 of the Companies Act, 2013 read with the Nidhi Rules, 2014.
- The notification is attached herein.

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