



PHD Research Bureau
PHD Chamber of Commerce and Industry



Central Government amends Nidhi Rules, 2014 to safeguard the interest of general public

Under the Companies Act, 1956, a Nidhi or Mutual Benefit Society meant a company which the Central Government declared as Nidhi or Mutual Benefit Society by notification in the official gazette. Under the Companies Act, 2013, initially there was no need for a company to get declaration from Central Government to function as a Nidhi Company. Such companies were required to only incorporate as a Nidhi and meet requirements under sub-rule (1) of rule 5 of Nidhi Rules viz., minimum membership of 200, Net Owned Fund (NoF) of Rs. 10 lakh, NOF to deposit ratio of 1:20 and keeping 10% unencumbered deposits in schedule commercial banks or post offices within one year of commencement of Nidhi Rules, 2014.

A committee was constituted in the Ministry to make recommendations on the issues arising from the implementation of the Companies Act, 2013 etc. and it was, inter-alia, felt that the earlier provisions under the Companies Act, 1956 requiring the approval of the Central Government for declaration as Nidhi were appropriate since they provided a centralized and more restrictive frame work for regulation of such entities and accordingly section 406 of the Companies Act, 2013 was amended with effect from 15.08.2019 to bring back the requirement of declaration as a Nidhi by the Central Government.

After the amendment in the Companies Act, 2013 w.e.f. 15.08.2019 and resultant amendments in Nidhi Rules, 2014 w.e.f. 15.08.2019, companies incorporated as Nidhis were required to apply to the Central Government in Form NDH-4 for declaration within 14 months of incorporation, if they were incorporated after the commencement of the Nidhi (Amendment) Rules w.e.f 15.08.2019 and within 09 months of commencement of the Nidhi (Amendment) Rules w.e.f 15.08.2019, if they were incorporated as Nidhis after 2014 but prior to 15.08.2019.

Under the Companies Act, 1956, about 390 companies were declared as Nidhi companies only. During 2014-2019, more than ten thousand companies get incorporated. However, only about 2,300 companies have applied in form NDH-4 for declaration. It has been noticed from examination of form NDH-4 that companies have not been complying with the applicable provisions of the Act and the Nidhi Rules, 2014 (as amended). **To safeguard the interest of general public, it has become imperative that before becoming its member, one must ensure declaration of a company as a Nidhi by the Central Government and towards this, few necessary/important amendments in the Rules have been carried out which are applicable to the Companies to be incorporated after Nidhi (amendment) Rule,**

2022, as under:-

- i. A Public Company incorporated as a Nidhi with a share capital of Rs. 10 lakhs; needs to first get itself declared as a Nidhi from the Central Government by applying in form NDH-4 with a minimum membership of 200 and NOF of Rs. 20 lac within 120 days of its incorporation.
- ii. The Promoters and Directors of the company have to meet the criteria of fit and proper person as laid down in the rules.
- iii. For timely disposal, it has also been provided in amended Rules that in case no decision is conveyed by the Central Government within 45 days of the receipt of applications filed by companies in form NDH-4, approval would be deemed as granted. This would apply for such companies which shall be incorporated after Nidhi (Amendment) Rules, 2022.

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Warm Regards,

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