



Nidhi Company Registration

A NIDHI Company is generally created with the intention of fostering a culture of fiscal responsibility among its members while also receiving deposits from and lending to them for their mutual benefit. NIDHI Company functions as a Non-Banking Financial Company (NBFC) but it doesn't require RBI License and has less strict regulatory compliance requirements.

- Lesser Capital Requirement than NBFC
- Limited RBI Regulations
- Encourages Culture of Savings among its Members
- Easier and Hassle Free Formation
- Restriction on Public interference
- Perpetual Succession
- Separate Legal entity

Register

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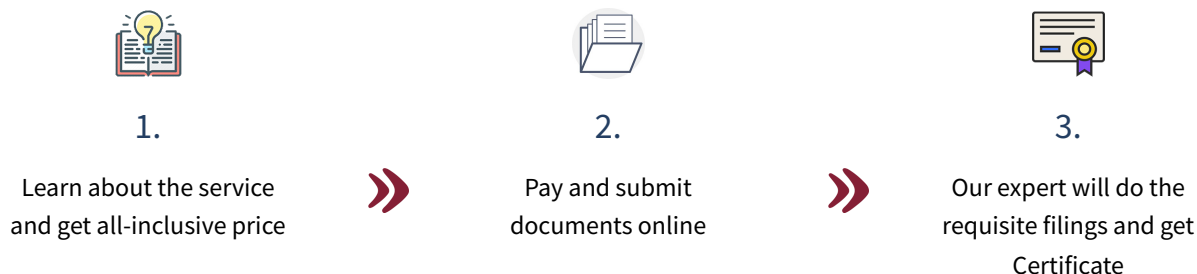
Documents required

How can we assist

Pricing

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How it works?



Overview of Nidhi Company Registration

A NIDHI Company is recognised under Section 406 of the 2013 Companies Act and typically operates in the Non-Banking Financing Sector of India. Other names for it include Mutual Benefit Company, Benefits Fund, Permanent Fund, and Mutual Benefit Funds. The NIDHI Rules 2014, which were published by the Ministry of Corporate Affairs, govern these companies. It cannot take part in businesses related to chit funds, lease financing, hire purchase or insurance rates.

A NIDHI is formed as a Public Limited Entity established with the goal of instilling a culture of financial responsibility among its participants and accepting deposits from and lending to them for their mutual gain. The rigorous membership structure of NIDHI Companies makes them regarded as a safe way to invest. In addition, compared to other types of NBFCs, the registration process for NIDHI Company is straightforward and necessitates fewer paperwork.

Salient Features OF NIDHI Company

The restriction of a NIDHI company's services to its members alone is one of its distinguishing characteristics. As the Company only lends to its members and takes deposits, this lowers the risk of loans not being repaid. Further, following listed are a few of its important features:

- Encourage members to save more money;
- provide straightforward procedures for members to invest in lucrative sources of income;
- make it simple for core members to lend to and borrow from one another.
- Use the deposits to invest in government securities and bonds

provide a steady flow for profitable investments at reduced credit rates.

Prohibited Undertakings for NIDHI Company in India as per By-Laws

In India, NIDHI businesses face a slew of legal ramifications that restrict them from completing the following tasks:

- Operating a hire buy, chit fund, leasing, insurance, or securities acquisition business for any corporation;
- Establishing current bank accounts with its employees;
- Creating a plan to change its management until a resolution is made at the general meeting, as well as obtaining the previous permission of the Regional Director with authority over NIDHI;
- Running any business that does not fall under the NIDHI company's legal scope as defined by the bylaws;
 - Non-members are being given credit
 - Non-members can make deposits.
 - Pledge any assets that are being used as security for the members.
 - Incorporating any cooperation arrangement into its lending or borrowing commitments;
 - Issue or cause the distribution of any deposit solicitation advertising in any manner;
 - Allow any incentive or commission for transferring deposits from servicing members, issuing loans, or deploying money.

Advantages of Nidhi Company Registration

- **No RBI Clearance And Limited Regulations**

NIDHI Company does not need RBI clearance to begin operations, despite the fact that it falls within the NBFC category. NIDHI Companies must register with the Ministry of Corporate Affairs as a Public Limited Company (MCA). The NIDHI Rules of 2014 and the Companies Act of 2013 apply to the financial activities of NIDHI Companies. In comparison to the RBI, the NIDHI Rules have less strict regulatory compliance requirements. As a result, it is now simpler to establish a NIDHI Company in India thanks to the RBI's exemption from strict compliance requirements.

- **Lesser Capital Requirement**

A NIDHI Company may be registered for a very affordable amount. It is very cost-efficient to form a NIDHI Company when compared to a NBFC. Minimum Capital requirement to register a NIDHI is Rs. 10, 00,000 lakhs.

- **Separate Legal Entity**

As a juristic legal person, both the company and its members have separate legal identity that is distinct from each other.

- **Perpetual Succession**

A company's existence is uninterrupted, even the death or insolvency of its

shareholder(s)/directors does not affect the continuity of business of the company.

- **Limited Liability of Members**

The liability of members of a NIDHI Company is limited to the amount of share capital remaining unpaid on the shares held by them.

- **Lower Risk of Loan Non-Repayment and Outside Interference**

In comparison to other companies operating under the Non Banking Finance Sector, the risk of loan non-repayment is lower at NIDHI Companies since it only offers loans to its members and accepts deposits from them. The possibility of interference from outside variables in the firm's operation decreases since all financial transactions in a NIDHI corporation are limited to its members exclusively.

Things to Know

Unique Name

The proposed name selected by you should be unique and should not resemble to the name of an existing company or Limited Liability Partnership. Every "NIDHI" must have the words "NIDHI Limited" at the end of its name. Minors, corporations, and trusts are not allowed to join NIDHI as members.

Share Capital

Share capital of a company is divided into four parts:

1. **Authorized Share Capital:** It means such capital as is authorized by the Memorandum of a company to be the maximum amount of share capital that can be raised by a company.
2. **Issued Share Capital:** It means such capital as the company issues from time to time for subscription
3. **Subscribed Share Capital:** It means such part of the capital which is for the time being subscribed by the members of a company
4. **Paid-up Share Capital:** It means such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid-up in respect of shares issued and also includes any amount credited as paid-up in respect of shares of the company, but does not include any other amount received in respect of such shares, by whatever name called. The minimum paid-up share capital of Rs. 10,00,000/- is prescribed for a NIDHI company. However, it is suggestible that the subscribers to the memorandum of association shall bring in some capital for carrying on the business operations of the company.

Directors

Director is a person appointed to the Board of a company. Board of Directors of a company are entitled

to exercise all such powers and to do all such acts and things as the company is authorized to exercise and do except those which are specifically required to be exercised by a company in general meeting. Since NIDHI is formed as a Public Limited Company, its Board of Directors shall comprise of minimum three directors out of which at least one must be resident in India.

Subscriber

Subscriber means a person who has agreed to subscribe to the share capital of the company and on its registration, whose name is entered as a member in the Register of Members. Minimum seven subscribers are required to incorporate a NIDHI Company. Subscribers of a company can be resident in or outside India. There is no restriction on a subscriber (being an individual) of a public limited company to be a director of the same company or vice versa.

Registered Office

It is mandatory for every company to have a registered office capable of receiving and acknowledging all communications and notices as may be addressed to it. Registered office of the company must be situated in India.

Members

All financial transactions in a NIDHI corporation are limited to its members exclusively. It is mandatory for every NIDHI to increase its members upto 200 within a period of one hundred twenty days of its incorporation.

Net Owned Funds

Entities wanting to act as a NIDHI company must have net-owned funds (NOFs) equivalent to or more than Rs 20 lacs, and entities intending to serve as a NIDHI company must have unencumbered deposits equal to or greater than 10% of existing deposits. The NOF-to-deposit ratio should not be more than 1:20

Restrictions on NIDHI as per New Rules of NIDHI Company Amendment, 2022

The Central Government has made amendment to the NIDHI Rules, 2014. These rules may be called the NIDHI (Amendment) Rules, 2022 and the NIDHI company existing on the date of enforcement of NIDHI Company New Rules shall comply with all the requirements within a period of 18 months from the date of such enforcement.

In the new rules, it has been stated that the NIDHI Company shall not raise loans from the banks or any financial institutions or any other source to advance the loans of its members.

- Another restriction given to NIDHI Company is on acquiring or purchasing securities or controlling the composition of the Board of Directors of any other company or from entering into an arrangement for the change of its management.
- A NIDHI company shall not declare dividends exceeding 25% in a financial year,

- Any public company wanting to be declared as a NIDHI company shall apply in Form NDH-4 within a period of 120 days from the date of its incorporation for declaration as a NIDHI company after fulfilling the following conditions:
 - it has not less than 200 members;
 - it has Net owned Funds of Rs. 20 lacs or more

After examining the application, the central government conveys its decision within 45 days to the Company, and if it fails to do so within 45 days, it will be deemed to be approved.

However, the Company shall commence its business only if the central government approves its application.

Procedure and Timelines for Nidhi Company Registration



1.

1-2 Days



2.

1-2 Days



3.

2-3 Days



4.

2-3 Days

Document Required for Nidhi Company Registration

From Directors	From Subscribers	From Company
<ul style="list-style-type: none"> • Copy of PAN (in case of resident) • Copy of Passport (in case of non-resident) • Copy of proof of identity (Voters ID/ Driving License/ Passport); • Copy of residential address proof (Bank Statement/Telephone Bill/ 	<ul style="list-style-type: none"> • Copy of PAN (in case of resident); • Copy of Passport (in case of non-resident); • Copy of proof of identity (Voter's ID/Driving License/Passport); • Copy of residential address proof (Bank Statement/ Telephone Bill/ Mobile 	<ul style="list-style-type: none"> • Copy of Sale deed/ Property Deed (in case of owned property) or Lease Deed (in case of rented premises) • Copy of Telephone or Mobile/Electricity or Gas Bill of registered office (Any one, not older than 2 months)

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> Mobile Bill/Gas Bill not older than two months); • Consent to act as Directors* • Disclosure of interest in other entities* | <ul style="list-style-type: none"> Bill/Gas Bill not older than 2 months); | <ul style="list-style-type: none"> • No-objection Certificate from the owner from the owner of the premises for its use as registered office* • Memorandum and Articles of Association* |
|---|---|---|

Note 1: In case of foreign directors/subscribers, all the aforesaid documents should be notarized and apostilled or consularized. In case documents are not in english, translated copy in english should be notarized and apostilled or consularized. please read the attestation requirements of documents below in FAQs

Note 2: *Draft will be provided by our team

Why Companies Next

At Companies Next, we have a dedicated team of professionals for providing quality services with accuracy and within given timelines. We provide a complete transparent and online platform for registration of your NIDHI company. Our professional Services for registration of NIDHI company include:

- DSC of Subscribers and Directors
- 3 DIN
- Company Registration fees and stamp duty
- Certificate of Incorporation
- Company's PAN and TAN
- Company's EPFO and ESIC Registration
- Professional Tax Registration (Maharashtra)
- Opening of Bank Account
- Drafting of Memorandum and Articles of Association
- Drafting of requisite declaration(s), consent letters, etc.

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FAQ's

What are the business restrictions on a NIDHI Company? -

Nidhi Companies aren't allowed to carry on the business of:

- Chit Fund,
- Hire Purchase Finance,
- Leasing Finance,
- Insurance Business and Acquisition of other companies.

Can a Nidhi Company Issue Preference Shares? +

Can a minor become a member of a Nidhi Company? +

Can loan be granted to non-members by the Company? +

What's minimum par value of shares for Nidhi Company? +

What is the deposit requirement of Nidhi Company? +

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- One Person Company
- Nidhi Company

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Legal Documents

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