

Bill No. 72 of 2018

THE CHIT FUNDS (AMENDMENT) BILL, 2018

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BILL

further to amend the Chit Funds Act, 1982.

BE it enacted by Parliament in the Sixty-ninth Year of the Republic of India as follows:—

1. (1) This Act may be called the Chit Funds (Amendment) Act, 2018.

Short title and commencement

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

40 of 1982. 5

2. In the Chit Funds Act, 1982 (hereinafter referred to as the "principal Act"), in section 2, in clause (b), after the word "*kuri*", the words, "fraternity fund" shall be inserted.

Amendment of section 2.

3. For section 11 of the principal Act, the following section shall be substituted, namely:—

Substitution of new section for section 11.

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‘11. (1) No person shall carry on chit business unless he uses as part of his name any of the words "chit", "chit fund", "*chitty*", "*kuri*" or "fraternity fund" and no person other than a person carrying on chit business shall use as part of his name any such word.

Use of words "chit", "chit fund", "*chitty*" "*kuri*" or "fraternity fund".

(2) Where at the commencement of this Act,—

(a) any person is carrying on chit business without using as part of his name any of the words specified in sub-section (1); or

(b) any person not carrying on chit business is using any such word as part of his name,

he shall, within a period of one year from such commencement, add as part of his name any such word or, as the case may be, delete such word from his name:

Provided that the State Government may, if it considers it necessary in the public interest or for avoiding any hardship, extend the said period of one year by such further period or periods not exceeding one year in the aggregate.’

Amendment
of section 16.

4. In section 16 of the principal Act, in sub-section (2), after the words "two subscribers", the words "present in person or through video conferencing duly recorded by the foreman" shall be inserted.

Amendment
of section 17.

5. In section 17 of the principal Act, in sub-section (1),—

(i) after the words "at least two other subscribers who are present", the words "in person or through video conferencing" shall be inserted;

(ii) the following proviso shall be inserted, namely:—

"Provided that where two subscribers required to be present under sub-section (2) of section 16 are present through video conferencing, the foreman shall have the minutes of the proceedings signed by such subscribers within a period of two days of the date of the draw."

Amendment
of section 21.

6. In section 21 of the principal Act, in sub-section (1),—

(i) in clause (b), for the words "five per cent.", the words "seven per cent." shall be substituted;

(ii) for clause (f), the following clauses shall be substituted, namely:—

(f) to substitute subscribers in place of defaulting subscribers;

(fa) to exercise his right to lien against the credit balance in other non-prized chits; and "

Amendment
of section 85.

7. In section 85 of the principal Act, in clause (b), for the words "one hundred rupees", the words "such amount as may be specified, by notification in the Official Gazette, by the State Government " shall be substituted.

STATEMENT OF OBJECTS AND REASONS

The Chit Funds Act, 1982 was enacted to provide for the regulation of chit funds which are indigenous business in India and have conventionally satisfied the financial needs of the low-income households. The chit is a mechanism which combines credit and savings in a scheme, in which a group of individuals come together for a pre-determined duration and subscribe a certain sum of money by way of periodical instalments and each such subscriber, in his turn as determined by lot or by auction or by tender or any other specified manner, gets the collected sum. In this way, people who are in need of funds and those who want to save are able to meet their requirements simultaneously.

2. In past, concerns had been expressed by various stakeholders regarding challenges being faced by the chit business. Therefore, the Central Government constituted a Key Advisory Group on Chit Funds to review the existing legal, regulatory and institutional framework for Chit Funds and its efficacy and to suggest legal and regulatory initiatives required for orderly growth of the said sector. The Key Advisory Group submitted its recommendations relating to improvements in the institutional and legal structure to further develop the chit business in order to reduce the regulatory burden of the chit business and to protect the interest of the subscribers of the chits.

3. The Parliamentary Standing Committee on Finance (Sixteenth Lok Sabha), in its twenty-first Report on Efficacy of Regulation of Collective Investment Schemes (CIS), Chit Funds, etc., had also recommended to finalise the legislative and administrative proposals for strengthening and streamlining of the registered Chit Fund sector. Further, the said Committee, in its thirty-fifth Report on the Action Taken by the Government on the Recommendations contained in the twenty-first Report, had recommended the need to quickly firm up the legislative and administrative proposals for the Chit Funds sector.

4. In view of the above, it has been decided to amend the Chit Funds Act, 1982. Accordingly, the Chit Funds (Amendment) Bill, 2018, *inter alia*, proposes—

- (a) the use of “fraternity fund” also for chits by amending sections 2(b) and 11;
- (b) to allow the mandatory presence of two subscribers, as required under section 16(2), either in person or through video conferencing duly recorded by the foreman;
- (c) that where the presence of the mandatory two subscribers was through video-conferencing, the minutes of proceedings should be signed by them within two days;
- (d) the increase of ceiling of foreman’s commission from five per cent. to seven per cent. under section 21;
- (e) to enable the foreman to have a right to lien for the dues from subscribers, so that set-off is allowed by the chit fund for subscribers who have already drawn funds, so as to discourage default by them;
- (f) to amend section 85(b), so as to confer power upon the State Government to specify the amount, by notification, upto which any chit fund shall be exempted under the said section.

5. The Bill seeks to achieve the above objects.

NEW DELHI;

ARUN JAITLEY

The 28th February, 2018.

ANNEXURE

EXTRACTS FROM THE CHIT FUNDS ACT, 1982

(40 OF 1982)

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Definitions.

2. In this Act, unless the context otherwise requires,—

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(b) "chit" means a transaction whether called chit, chit fund, *chitty*, *kuri* or by any other name by or under which a person enters into an agreement with a specified number of persons that every one of them shall subscribe a certain sum of money (or a certain quantity of grain instead) by way of periodical instalments over a definite period and that each such subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be specified in the chit agreement, be entitled to the prize amount.

Explanation.—A transaction is not a chit within the meaning of this clause, if in such transaction,—

(i) some alone, but not all, of the subscribers get the prize amount without any liability to pay future subscriptions; or

(ii) all the subscribers get the chit amount by turns with a liability to pay future subscriptions;

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Use of the words "chit", "chit fund", "chitty" or "kuri".

11. (1) No person shall carry on chit business unless he uses as part of his name any of the words "chit", "chit fund", "*chitty*" or "*kuri*" and no person other than a person carrying on chit business shall use as part of his name any such word.

(2) Where at the commencement of this Act,—

(a) any person is carrying on chit business without using as part of his name any of the words specified in sub-section (1); or

(b) any person not carrying on chit business is using any such word as part of his name,

he shall, within a period of one year from such commencement, add as part of his name any such word or, the case may be, delete such word from his name:

Provided that the State Government may, if it considers it necessary in the public interest or for avoiding any hardship, extend the said period of one year by such further period or periods not exceeding one year in the aggregate.

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Date, time and place of conducting chits.

16. (1)* * * * *

(2) Every such draw shall be conducted in accordance with the provisions of the chit agreement and in the presence of not less than two subscribers.

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Minutes of proceedings.

17. (1) The minutes of the proceedings of every draw shall be prepared and entered in a book to be kept for that purpose immediately after the closure of the draw and shall be signed by the foreman, the prized subscribers, if present, or their authorised agents, and at least two other subscribers who are present, and where a direction has been made under sub-section (3) of section 16, also by the Registrar or the person deputed by him under that sub-section.

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21. (1) The foreman shall be entitled,—

Rights of foreman.

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(b) to such amount not exceeding five per cent. of the chit amount as may be fixed in the chit agreement, by way of commission, remuneration or for meeting the expenses of running the chit;

* * * * *

(f) to substitute subscribers in place of defaulting subscribers; and

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85. Nothing in this Act shall apply in respect of—

Act not to apply to certain chits.

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(b) any chit the amount of which, or where two or more chits were started or conducted simultaneously by the same foreman, the aggregate amount of which does not exceed one hundred rupees.

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further to amend the Chit Funds Act, 1982.

(Shri Arun Jaitley, Minister of Finance and Corporate Affairs)