

Bill No. 2 of 2023

THE CHIT FUNDS (AMENDMENT)
BILL, 2023

By

DR. SUKANTA MAJUMDAR, M.P.

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BILL

further to amend the Chit Funds Act, 1982.

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

1. This Act may be called the Chit Funds (Amendment) Act, 2023.

Short title.

49 of 1982

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2. In section 2 of the Chit Funds Act, 1982 (hereinafter referred to as the principal Act), in clause (b), after the words “fraternity fund”, the words “Money Growing Scheme” shall be inserted.

Amendment of section 2.

Amendment of
section 4.

3. In section 4 of the principal Act, in sub-section (1), in the proviso,—

(i) for the words “within twelve months”, the words “within three months” shall be substituted; and

(ii) for the words “six months”, the words “three months” 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 installments and each such subscriber, in his term 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.

Chit Funds frauds have become day to day affair. There is an immediate need to check the increasing number of chit funds frauds in order to save the hard earned money invested in such chit funds by the common man.

At present chit funds can be floated without prior approval of the State Government concerned. A chit fund is required to get registered within a period of twelve months from the date of its sanction or within such further period or periods not exceeding six months in the aggregate as the State Government may allow as specified in the section 4 of the Chit Funds Act, 1982. In order to facilitate orderly growth of the chit fund sector, to remove bottlenecks being faced by the chit fund industry and to enable greater financial access to people, the Chit Funds (Amendment) Bill, 2023, *inter alia*, proposes the following, namely:—

(a) insertion of the words “Money Growing Scheme”, in clause (b) of section 2 which defines “chit”;

(b) to cut short the registration period to three months from the date of sanction, so that the persons responsible for the conduct of a chit fund do not prolong the registration of chit to commit fraud with the public.

Hence this Bill.

NEW DELHI;
December 20, 2022.

SUKANTA MAJUMDAR

ANNEXURE

EXTRACTS FROM THE CHIT FUNDS ACT, 1982

[40 OF 1982]

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CHAPTER I

PRELIMINARY

Definitions.

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

(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 everyone of them shall subscribe a certain sum of money (or a certain quantity of grain instead) by way of periodical installments over a definite period and that each such subscriber shall, in this 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.

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CHAPTER II

REGISTRATION OF CHITS, COMMENCEMENT AND CONDUCT OF CHIT BUSINESS

Prohibition of chits not sanctioned or registered under the Act.

4. (1) No chit shall be commenced or conducted without obtaining the previous sanction of the State Government within whose jurisdiction the chit is to be commenced or conducted or of such officer as may be empowered by that Government in this behalf, and unless the chit is registered in that State in accordance with the provisions of this Act:

Provided that a sanction obtained under this sub-section shall lapse if the chit is not registered within twelve months from the date of such sanction or within such further period or periods not exceeding six months in the aggregate as the State Government may, on application made to it in this behalf, allow.

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further to amend the Chit Funds Act, 1982.

(Dr. Sukanta Majumdar, M.P.)