

Government of India
Ministry of Finance
Department of Financial Services

LOK SABHA
UNSTARRED QUESTION NO.1111

TO BE ANSWERED ON Friday, February 8, 2019/Magha 19, 1940 (Saka)
Chit Fund Companies

†1111. SHRI LAKHAN LAL SAHU:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken into cognizance that a large number of fake insurance companies and chit fund companies are functioning in the country especially in the rural and remote areas and they abscond after tempting rural people and making them invest a large amount;
- (b) if so, the details thereof and the reaction of the Government thereto;
- (c) whether the Government has made any action plan to identify such ineligible/ fake companies in the country and check their activities;
- (d) if so, the details thereof along with the number of such fake companies identified and punished during each of the last three years and the current year State-wise including Chhattisgarh; and
- (e) the action taken by the Government for strict compliance of the guidelines of Insurance Regulatory and Development Authority of India by the insurance companies?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)

(a) to (d): As per Insurance Regulatory and Development Authority of India (IRDAI), three instances of fake insurance entities have come to its notice. The details are as given below:

1. AKPCL General Insurance Co.-Gujarat- 4th August 2016
2. Global Financial Group Ltd- Kerala- 3rd August 2017
3. Janny Group-Kolkata - West Bengal-14th August 2017

IRDAI has taken necessary legal action in the above cases.

As regards chit fund companies, the Ministry of Corporate Affairs (MCA) has, during the last 5 years assigned 38 cases involving 239 companies allegedly engaged in chit fund / Multi-Level Marketing (MLM) / Ponzi activities to the Serious Fraud Investigation Office (SFIO) for investigation.

To check the activities of such ineligible / fake companies in the country, rules and regulations of Acts such as the Prize Chits and Money Circulation Schemes (Banning) Act, 1978 and Chit Funds Act, 1982 are applied for taking suitable action on all activities involving acceptance of money through pyramid structured schemes/money circulation schemes which are banned. Chit Funds Act, 1982 also prohibits chit fund companies from accepting deposits from the public since 2009.

Further, the Banning of Unregulated Deposit Schemes Bill, 2018 has been introduced in the Lok Sabha on 18th July, 2018.

(e): As per provisions of Section 103 of the Insurance Act, 1938, action can be taken on fake / illegal companies by the Authority.

IRDAI has been carrying out a sustained campaign to create awareness about insurance and about rights and duties of policyholders through various media. The IRDAI has launched an exclusive consumer education website www.policyholder.gov.in containing information about insurance companies and other entities registered with IRDAI.
