

LOK SABHA

THE CHIT FUNDS BILL, 1980

(REPORT OF THE SELECT COMMITTEE)

[Presented on the 25th November, 1981]



LOK SABHA SECRETARIAT
NEW DELHI

November, 1981/Agrahayana, 1903 (Saka)

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LOK SABHA SECRETARIAT

Corrigenda

to

Report of the Select Committee
on the Chit Funds Bill, 1980.

Page (iii), (a) line 26,

for "Shri D. Kaura"

read "Shri S.D. Kaura"

(b) line 28,

for "Legislaitev"

read "Legislative"

(c) line 29,

for "COUNCILS"

read "COUNSELS"

Page (viii), line 20,

for "sub-clause"

read "sub-clause"

Page (ix), line 6, for "of the" read "of this"

Page (xii), line 12,

for "November 25, 1981"

read "Agrahavana 4, 1903(S)."

Page 10, (a) line 14,

for "in which a trustee may invest"

read "in which a trustee may invest"

(b) in the marginal heading against

clause 21, for "or" read "of"

Page 18, in the marginal heading against

clause 44, for "Forman" read "foreman"

Page 20, (a) against clause 51, add the

marginal heading -

"Commencement and effect of
winding up order".

(b) against clause 52, add the

marginal heading "Injunction Order"

Page 35, line 9, for "Erad" read "Era."

Page 37, line 6, for "Governments"
read "Governments"
Page 45, line 5, for "Endowments"
read "Endowments"
Page 46, line 20, for "06" read "OF"
Page 47, line 4 from bottom, for "Karnatana"
read "Karnataka"
Page 51, line 14, for "Shri Ramiibhai"
read "Shri Ramjibhai"
Page 54, line 6 from bottom,
for "15:05" read "15.50"
Page 60, line 2, for "THIRTEENTH" read "THIRTEENTH"
Page 77, line 14, for "Council" read "Counsel"
Page 78, (a) for line 3 from bottom read:-
"6. Shri B.N. Chikarmane, Deputy
Chief Officer, Reserve Bank of
India."
(b) line 11 from bottom
for "Legislative Affairs"
read "Legal Affairs"
Page 84, line 20, for "Council" read "Counsel"

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SELECT COMMITTEE ON THE CHIT FUNDS BILL, 1980

COMPOSITION OF THE COMMITTEE

Shri Era. Anbarasu—*Chairman*

MEMBERS

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri Subbarao Chowdary Chitturi
5. Shri R. Y. Ghorpade
6. Shri Krishna Kumar Goyal
7. Shri P. K. Kodiyan
8. Prof. P. J. Kurien
9. Shri Sunil Maitra
10. Shri Ramjibhai Mavani
11. Shri Nityananda Misra
12. Shri Cumbum N. Natarajan
13. Shri Bhola Raut
14. Shri T. R. Shamanna
15. Shri Shantaram Potdukhe
16. Shri Pratap Bhanu Sharma
17. Shri Shiv Shankar
18. Shri Rana Vir Singh
19. Shri Bhausaheb Thorat
20. Shri Girdhari Lal Vyas
21. Shri R. Venkataraman

SECRETARIAT

1. Shri D. Kaura—*Chief Legislative Committee Officer.*
2. Shri Ram Kishore—*Senior Legislative Committee Officer.*
3. Shri S. S. Chawla—*Senior Legislative Committee Officer.*

LEGISLATIVE COUNCILS

1. Shri S. Ramaiah—*Joint Secretary and Legislative Counsel, Ministry of Law, Justice and Company Affairs.*

2. Shri C. Raman Menon—*Additional Legislative Counsel, Ministry of Law, Justice and Company Affairs.*
3. Shri D. Narayana Rao—*Attache, Legislative Department, Ministry of Law, Justice and Company Affairs.*
4. Shri G. P. Jain—*Additional Draftsman, Ministry of Law, Justice and Company Affairs (Official Languages Wing).*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. N. Malhotra—*Secretary*
2. Shri M. Ramakrishnayya—*Deputy Governor, Reserve Bank of India*
3. Shri R. K. Kaul—*Additional Secretary (Banking)*
4. Shri Baldev Singh—*Joint Secretary (Banking)*
5. Shri V. P. Sawhney—*Joint Secretary (Banking)*
6. Shri C. W. Mirchandani—*Deputy Secretary (Banking)*
7. Shri R. Annaji Rao—*Chief Officer, Reserve Bank of India, Calcutta*
8. Shri K. S. Jaspal—*Chief Officer, Reserve Bank of India, Calcutta*
9. Shri B. N. Chikarmane—*Deputy Chief Officer, Reserve Bank of India, Bombay.*

REPORT OF THE SELECT COMMITTEE

I, the Chairman of the Select Committee to which the Bill* to provide for the regulation of Chit Funds and for matters connected therewith was referred to, having been authorised to submit the Report on their behalf, present their Report with the Bill, as amended by the Committee, annexed thereto.

2. The Bill was introduced in Lok Sabha on the 20th November, 1980. The motion for reference of the Bill to a Select Committee was moved in the Lok Sabha by Shri R. Venkataraman, Minister of Finance on the 23rd December, 1980 and was adopted (Appendix I).

3. The Committee held 25 sittings in all.

4. The first sitting of the Committee was held on the 27th January, 1981 to draw up their programme of work. The Committee decided to invite memoranda containing comments/suggestions on the provisions of the Bill from the State Governments, Chit Companies, public bodies, organisations, individuals, etc. interested in the subject matter of the Bill by the 21st February, 1981.

The Committee also decided to address a circular letter to the Chief Secretaries of all State Governments/Union Territory Administrations inviting their Governments' comments/suggestions on the Bill by the said date.

The Committee further decided to hear oral evidence on the provisions of the Bill from interested parties.

The Committee also decided to issue a Press Communiqué in this behalf fixing 21st February, 1981 as the last date for receipt of memoranda and requests for oral evidence. On the 27th January, 1981, the Director General, All India Radio and the Director General, Doordarshan, New Delhi were also requested to broadcast the matter from all Stations of All India Radio and telecast it from all Doordarshan Kendras on three successive days.

5. At their second sitting held on the 9th April, 1981, the Committee felt that as they had received several requests from various parties for the purpose of hearing their views at their respective places, they decided to hold their formal sittings at some selected places in the country.

6. The Committee held their sittings at Madras (28th, 29th and 30th May, 1981), Bangalore (1st and 2nd June 1981) and Trivandrum (4th and 5th June, 1981) and heard oral evidence on the provisions of the Bill from the representatives of various Chit Companies, Associations, Federations, individuals, etc. The Committee also heard the representatives of the State Governments of Tamil Nadu, Karnataka, Kerala and the Union Territory Administration of Pondicherry at these sittings.

At the sitting held on the 5th June, 1981, the Committee felt that since sufficient number of subscribers were not forthcoming for tendering oral evidence, they decided to extend the time for receiving memoranda and requests for oral evidence upto 30th June, 1981. The Committee also decided to hold their next series of sittings at some other places in the country.

*Published in the Gazette of India, Extraordinary, Part II, Section 2.
Dated the 20th November, 1980.

for the purpose of hearing further oral evidence in the first week of July, 1981.

7. 529 memoranda/representations/telegrams, etc. containing comments/suggestions on the provisions of the Bill were received by the Committee from various Chit Companies, Associations, Federations, State Governments, Co-operative Banks, individuals, etc.

8. The Committee at their sittings held at Ahmedabad (2nd and 3rd July, 1981), Bombay (4th and 5th July, 1981), Hyderabad (7th and 8th July, 1981), Calcutta (9th and 10th July, 1981) and at New Delhi (31st July and 1st August, 1981) heard further oral evidence on the Bill from the representatives of various Chit Companies, Associations, Federations, individuals, etc. The Committee also heard the representatives of the State Governments of Gujarat, Maharashtra, Andhra Pradesh and West Bengal at these sittings.

In all 101 witnesses appeared before the Committee for giving oral evidence.

9. At their sittings held on the 11th and 13th August, 1981, the Committee held general discussion on the provisions of the Bill with reference to the points raised in the various memoranda received and the oral evidence tendered before them.

10. The Report of the Committee was to be presented to Lok Sabha by the 21st August, 1981. The Committee were granted an extension of time on the 18th August, 1981 upto the last day of the first week of the Winter Session, 1981 i.e. 27th November, 1981.

11. The Committee considered the Bill, clause-by-clause, at their sittings held on the 4th and 5th November, 1981.

12. The Committee considered and adopted the Report at their sitting held on the 18th November, 1981.

13. The observations of the Committee with regard to the principal changes proposed in the Bill are detailed in the succeeding paragraphs.

14. **Clause 4**—The Committee note that under the proviso to sub-clause (1) of this clause, the foreman, after obtaining the previous sanction of the State Government for conducting a chit, is required to get it registered within six months from the date of such sanction, failing which the sanction so obtained shall lapse. The Committee also note that after obtaining the sanction, the foreman has to enlist the required number of subscribers under clause 5 and register the chit within this period. The Committee feel that even though the State Government have been authorised to extend this period of six months by another six months on an application being made to it by the foreman in this behalf, there is a possibility that the initial period of six months for registering the chit would prove inadequate in certain cases. The Committee are, therefore, of the opinion that in order to ensure that no hardship is caused to any foreman, the initial period of six months provided for registering the chit from the date of sanction for conducting a chit might be increased to twelve months.

The proviso to sub-clause (1) of this clause has been amended accordingly.

15. **Clause 6**—(i) The Committee note that under clause 6 (1)(c) of the Bill, the chit agreement will provide for the indication of the number of the instalments and the amount payable for each ticket at every instalment. The Committee feel that the chit agreement should also provide for the payment of interest or penalty, if any, for any default in the payment of instalments.

Sub-clause (1) (c) of this clause has accordingly been amended.

(ii) The Committee note that as per the provisions contained in sub-clause (1) (d) of this clause, the chit agreement should contain the date of commencement of the chit. The Committee feel that in view of the provisions contained in clause 9 providing for the grant of the commencement certificate by the Registrar only after the filing of the chit agreement by the foreman, it would not be possible for the latter to indicate in the chit agreement the precise date of commencement of the chit.

Sub-clause (1)(d) of this clause has, therefore, been amended to specify the probable date of commencement in the chit agreement.

(iii) The other amendment made in this clause is of a clarificatory nature.

16. Clause 7—The Committee are of the opinion that with a view to ensuring that the foreman does not take unduly long time to start the chit and does not misappropriate the subscribers' money, it should be made obligatory upon him to file the declaration with the Registrar under clause 9 for the grant of a certificate of commencement of the chit within a period of three months from the date of registration of the chit agreement or within a further period of three months to be extended by the State Government.

Sub-clause (3) of this Clause has been amended accordingly.

17. Clause 8.—The Committee note that under the proposed provisions of sub-clause (3) of this clause, every company carrying on a chit business would be required to maintain a reserve fund by the transfer of twenty per cent. of its net profits. The Committee feel that although the creation of a reserve fund would give stability to the financial position of the company, but as the profitability of the chit fund companies is not very high, transfer of twenty per cent. of the net profits to the reserve fund would not be desirable. The Committee feel that the percentage of the net profits to be transferred to the reserve fund might be reduced from twenty to ten per cent.

The other amendment made in this sub-clause is of a clarificatory nature.

Sub-clause (3) of this clause has been amended accordingly.

18. Clause 11.—The Committee note that under the proposed provisions of this clause, it will be mandatory for the persons carrying on chit business to use, as part of their name, any of the words "chit", "chit fund", "chitty" or "kuri" while others will be prohibited from doing so. Hence, the persons carrying on chit business without using any of these words will have to adopt one of the aforesaid words and the persons not carrying on chit business but using any of these words will have to discard them. The Committee are of the view that in order to avoid any hardship being caused to such persons carrying on business on the commencement of the proposed legislation in complying with this requirement immediately on such commencement, a minimum period of one year is necessary to allow them to comply with such requirement.

A new sub-clause (2) to this clause has been added accordingly.

19. Clause 13.—The Committee note that under the proposed provisions of this clause, a ceiling on the aggregate amount of chits to be conducted has been laid down as follows:—

(i) individual foreman—ten thousand rupees;

- (ii) partnership foreman consisting of four individuals—forty thousand rupees and for each additional partner—ten thousand rupees; and
- (iii) foreman company—an amount not exceeding ten times the net assets of the company.

The Committee feel that although it is essential to lay down the ceiling on the aggregate amount of chits which may be conducted by a foreman so that the foreman does not indulge in unfair practices to the detriment of the chit subscribers, it is at the same time desirable to ensure that the foreman has sufficient stake in the chit business conducted by him.

The Committee are, therefore, of the opinion that in view of the safeguards provided under the various provisions of the proposed legislation to protect the interests of the subscribers and to ensure a fair return to the foreman, the ceiling on the aggregate amount of chits might be raised—

- (i) in the case of individual foreman to twenty-five thousand rupees; and
- (ii) in the case of partnership firms consisting of four individuals to one lakh rupees and for each additional partner to twenty-five thousand rupees.

The Committee also feel that in the case of a foreman which is a company, Calculation of the aggregate amount of chits to be conducted by it on the basis of "net assets" as per *Explanation* given in sub-clause (3) of this clause would be difficult. The Committee were informed that the concept of "net assets" if changed to "net owned funds" it would be in tune with the Reserve Bank of India's directions to financial companies which would mean the aggregate of the paid-up capital and free reserves reduced by the amount of accumulated balance of loss, deferred revenue expenditure and other intangible assets, if any, as per the latest audited balance sheet of the company. The Committee also feel that the ceiling applicable to companies should be made applicable to Co-operative Societies also.

Accordingly, sub-clauses (1), (2) and (3) of this clause have been amended and the existing *Explanation* to sub-clause (3) has been substituted by a new *Explanation*.

20. Clause 14.—(i) The amendment made in sub-clause (1) of this clause is of a clarificatory nature;

(ii) The Committee are of the view that a period of three years provided for realising moneys collected in respect of chit business and utilised for purposes other than those specified in sub-clause (1) of this clause is quite sufficient and further extension of this period upto two years would cause considerable hardship to the subscribers. The authority of the State Government to extend the said period of three years should be limited to one year only.

The proviso to sub-clause (2) of this clause has been amended accordingly.

21. Clause 15.—The Committee are of the opinion that permitting the subscribers unilaterally without the consent of the foreman to alter the chit agreement by a special resolution could be unfair to the foreman and could be used to defeat the interest of the minority of members. The Committee are of the view that since the foreman and all the members are parties to the agreement, the chit

agreement should not be altered without the consent of all the above-said persons. This clause has, therefore, been substituted by a new clause to provide that a chit agreement shall not be altered, added to or cancelled except with the consent in writing of the foreman and all the subscribers to the chit.

The *Explanation* below this clause which defines "special resolution" for the purposes of the clause and clause 38 has accordingly been shifted to clause 38.

22. *Clause 16.*—The Committee are of the view that in order to ensure that there is no mischief in conducting the chits, it should also be made obligatory on the part of the foreman to issue notices in this behalf to all the subscribers and the draw should be held in the presence of at least two subscribers.

The clause has been amended accordingly.

23. *Clause 18.*—The Committee note that under the proposed provisions of this clause, the foreman is required to file a true copy of the minutes of the proceedings of every draw with the Registrar within fourteen days from the date of the respective draw.

The Committee feel that since the foreman will be conducting several chits in a month, it would be difficult for him to comply with the said requirement. The Committee are of the opinion that in order to obviate any hardship being caused to the foreman, at least twenty-one day's time should be given to him for the purpose.

The clause has been amended accordingly.

24. *Clause 19.*—(i) The Committee are of the view that in cases where a new place of business is opened by a foreman in a State other than the State in which his registered office, place or principal place of his business is situated, the Registrar of that State should also have the powers of the Registrar of the State of registration in respect of the business carried on at the new place of business. This will enable the subscribers in the State where the new place of business is opened to approach the Registrar of that State instead of the Registrar of the State of registration for making any complaints with regard to the conduct of chit business at the new place of business.

A new sub-clause (3) has accordingly been included in this clause.

(ii) The other amendment made in this clause is of a drafting nature.

25. *Clause 20.*—The Committee note that under the provisions proposed in sub-clause (1) of this clause, the foreman is required to give security for the proper conduct of the chit only before filing a declaration for the grant of a certificate of commencement of the chit. The Committee also note that before filing a declaration, the foreman has to complete other formalities like obtaining previous sanction of the State Government, inviting the public to subscribe for tickets in the chit and getting the registration of the chit agreement.

The Committee feel that in order to ensure that the foreman does not utilize the subscriptions so collected for the purpose of depositing the security and also to ensure further that the financial position of the foreman is sound to conduct the chit, he should be required to furnish security before he applies for previous sanction of the State Government under clause 4 of the Bill.

Sub-clause (1) of this clause has been amended accordingly.

26. *Clause 21.*—(i) The Committee are of the view that where a foreman has subscribed to more than one ticket, he should not be allowed to get more than one chit amount in a chit without discount.

The proviso to sub-clause (1)(a) of this clause has been amended accordingly.

(ii) The Committee feel that the foreman should also be entitled to receive all amounts, including interest and penalty, if any, payable on instalments paid after the due date, as may be payable to him under the provisions of the chit agreement.

A new part (c) to sub-clause (1) of this clause has been added accordingly.

27. *Clause 22.*—(i) The Committee note that as under the provisions of the proposed legislation, the foreman is entitled to obtain the chit amount at the first instalment without deduction of the discount, the first auction of the chit will pertain to the second instalment. Hence the prize amount will normally become due for payment only before the date of the next succeeding draw and if the foreman is required to deposit the undisbursed prize money before the next draw, he will have to make the deposit even before the prize money becomes due for payment. The Committee feel that in order to avoid any hardship being caused to the foreman, he should be required to make the deposit of the prize money in respect of any draw only if it remains unpaid before the date of the next succeeding instalment in a separate account in an approved bank.

Sub-clause (2) of this clause has been amended accordingly.

(ii) The Committee were informed that there may be a contingency when the prized subscriber either refuses to take the amount or is unable to provide adequate security. In such cases, the foreman will, under the provisions of the proposed legislation, deposit the prize amount in an approved bank. There may be cases that even after such deposit the prize money is not drawn by the prized subscriber. The Committee feel that in order to avoid any hardship to the foreman by such contingencies, there should be a provision allowing the foreman to hold another draw in respect of the instalment if the prize amount is not drawn by the prized subscriber for a period of two months from the date of the draw.

A new proviso to sub-clause (2) of this clause has been added accordingly.

(iii) The amendment made in sub-clause (6) of this clause is of a consequential and clarificatory nature.

28. *Clause 23.*—The Committee were informed that whenever any inspection is made of the records of the foreman by the Registrar a plea is taken that the records, books of accounts, etc., are kept in the registered office, place or principal place of business of the foreman and if such office is situated in another State, the Registrar will not have any access to these records. The Registrar in such cases will not be able to exercise proper control and supervision over the business carried on by the foreman. The Committee are, therefore, of the view that the records, etc. of a foreman should not only be kept in the registered office, place or principal place of a foreman, but also in the places of business of a foreman in respect of business conducted in such places, if such places are situated outside the State where the registered office, place or principal place is situated.

The clause has been amended accordingly.

29. *Clause 26.*—The amendment made in this clause is of a consequential nature.

30. *Clause 27.*—The amendment made in this clause of a clarificatory nature.

31. *Clause 38.*—In view of the substitution of clause 15 of the Bill by a new clause, the amendments made in this clause are of a consequential nature.

32. *Clause 39.*—In view of the amendments made in clause 15 of the Bill, the amendment made in this clause is of a consequential nature.

33. *Clause 40.*—The Committee are of the view that termination of a particular chit, as contemplated in part (b) of this clause, should be with the consent of all the non-prized, unpaid prized subscribers and the foreman who is also a party to the chit.

Part (b) of this clause has been amended accordingly.

34. *Clause 42.*—The amendments made in this clause are of a clarificatory nature.

35. *Clause 54.*—The amendment made in this clause is of a clarificatory nature.

36. *Clause 60.*—The amendment made in this clause is of a clarificatory nature.

37. *Clause 66.*—The Committee are of the view that allowing the disputes to be taken to the civil courts will cause considerable delay in the settlement of disputes because of the long procedure in the courts and this would particularly go against the interests of subscribers.

Sub-clause (3) of this clause has, therefore, been omitted.

38. *Clause 74.*—The amendment made in this clause is of a consequential nature.

39. *New Clause 77.*—The Committee have considered the penalties provided in clause 76 for the offences committed under the various provisions of the Bill. The Committee feel that a provision for the commission of second and subsequent offences should be included and the penalty of imprisonment and fine should be provided for.

New clause 77 has, therefore, been added accordingly.

40. *Clause 1.*—The amendment made in this clause is of a formal nature.

41. *Enacting Formula.*—The amendment made in the Enacting formula is of a formal nature.

42. The Select Committee recommend that the Bill, as amended, be passed.

NEW DELHI;
November 24, 1981
Agrahayana 3, 1903 (Saka).

Era. ANBARASU,
Chairman,
Select Committee.

MINUTE OF DISSENT

I am of the view that the proposed legislation is not going to check, control or regulate the misuse of the chit business. Cases of cheating, embezzlement and misappropriation will be more and frequent after the commencement of the proposed law, Legalised chits would be safer way to convert the black money into white.

I am totally against the chit activities and as such against the proposed legislation.

NEW DELHI;

KRISHNA KUMAR GOYAL

[Received on

November 25, 1981

November 25, 1981

THE CHIT FUNDS BILL, 1980

ARRANGEMENT OF CLAUSES

CHAPTER I PRELIMINARY

CLAUSES

1. Short title, extent and commencement.
2. Definitions.
3. Act to override other laws, memorandum, articles, etc.

CHAPTER II

REGISTRATION OF CHITS, COMMENCEMENT AND CONDUCT OF CHIT BUSINESS

4. Prohibition of chits not sanctioned or registered under the Act.
5. Prohibition of invitation for subscriptions except under certain conditions.
6. Form of chit agreement.
7. Filing of chit agreement.
8. Minimum capital requirements for the commencement, etc., of a chit, and creation of a reserve fund, by a company.
9. Commencement of chit.
10. Copies of chit agreement to be given to subscribers.
11. Use of the words "chit", "chit fund", "chitty" or "kuri".
12. Prohibition of transacting business other than chit business by a company. •
13. Aggregate amount of chits.
14. Utilisation of funds.
15. Alteration of chit agreement.
16. Date, time and place of conducting chits.
17. Minutes of proceedings.
18. Copies of minutes to be filed with Registrar.
19. Restriction on opening of new place of business.

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20. Security to be given by foreman.
21. Rights of foreman.
22. Duties of foreman.
23. Books, records, etc., to be kept by foreman.
24. Balance sheet.
25. Liability of foreman to subscribers.
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28. Removal of defaulting subscribers.
29. Substitution of subscribers.
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31. Prized subscriber to furnish security.
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35. Transfer of non-prized subscriber's rights to be in writing.
36. Recognition of transfer by foreman.
37. Entry of transferee's name in the books.

CHAPTER VII

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38. Meetings of general body of subscribers.

CHAPTER VIII

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39. Provision for continuation of chits in certain cases.
40. Termination of chits.
41. Copy of assent or consent to be filed with Registrar.
42. Refund of non-prized subscribers' subscriptions.
43. Subscribers' dues to be first charge on chit assets.

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44. Foreman to allow certain subscribers to inspect chit records.
45. Preservation of chit records by foreman.
46. Inspection of chit books and records by Registrar.
47. Power of Reserve Bank to inspect chit books and records.

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48. Circumstances under which chits may be wound up.
49. Application for winding up.
50. Bar to winding up proceedings.

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51. Commencement and effect of winding up order.
52. Injunction order.
53. Powers of Registrar.
54. Vesting of chit assets in Registrar or other person.
55. Suits, etc., to be stayed on winding up order.
56. Notification of winding up order.
57. Cessation of winding up proceedings on insolvency of foreman, etc., or the winding up of the company and transfer of such proceedings.
58. Award of compensation to foreman.
59. Right to appeal.
60. Limitation.

CHAPTER XI

APPOINTMENT OF OFFICERS AND LEVY OF FEES

61. Appointment of Registrar and other officers.
62. Inspection of documents in Registrar's office.
63. Levy of fees.

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64. Disputes relating to chit business.
65. Period of limitation.
66. Settlement of disputes.
67. Procedure for settlement of disputes and powers of Registrar or nominee.
68. Attachment before judgment and other interlocutory orders.
69. Decision of Registrar or nominee.
70. Appeal against decision of Registrar or nominee.
71. Money how recovered.
72. Private transfer of property made after issue of certificate void against foreman.

CHAPTER XIII

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73. Advisory role of Reserve Bank.
74. Appeals.
75. Powers of Registrar to give extension of time for filing documents.
76. Penalties.
77. Penalty for second and subsequent convictions.
78. Application of fine.
79. Offences by companies.
80. Cognizance of offences.
81. Power to compound offences.

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82. Power to enter and search any place and to seize any documents.
83. Officers to be public servants.
84. Power to delegate.
85. Act not to apply to certain chits.
86. Banks not to conduct chit business.
87. Power to exempt.
88. Protection of action taken under the Act.
89. Power to make rules.
90. Repeal and saving.

THE SCHEDULE.

THE CHIT FUNDS BILL, 1980
(AS REPORTED BY THE SELECT COMMITTEE)

[Words side-lined or underlined indicate the amendments suggested by the Committee; asterisks indicate omissions.]

A

BILL

to provide for the regulation of chit funds and for matters connected therewith.

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

CHAPTER I

PRELIMINARY

5 1. (1) This Act may be called the Chit Funds Act, 1981.

(2) It extends to the whole of India except the State of Jammu and Kashmir.

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different States.

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

23 of 1955.

(a) "approved bank" means the State Bank of India constituted under section 3 of the State Bank of India Act, 1955, or a subsidiary bank constituted under section 3 of the State Bank of India (Subsidiary Banks) Act, 1959, or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, or a Regional Rural Bank

38 of 1980. 15

5 of 1970.

Short title, extent and commencement.

Definitions.

established under section 3 of the Regional Rural Banks Act, 1976, 21 of 1976.
 or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980, 40 of 1980.
 or a banking company as defined under clause (c) of section 5 of the Banking Regulation Act, 1949, or a banking institution notified by the Central Government under section 51 of that Act or such other banking institution as the State Government may, in consultation with the Reserve Bank, approve for the purposes of this Act; 5 10 of 1949.

(b) "chit" means a transaction whether called chit, chit fund, 10 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 15 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,— 20

(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; 25

(c) "chit agreement" means the document containing the articles of agreement between the foreman and the subscribers relating to the chit;

(d) "chit amount" means the sum-total of the subscriptions payable by all the subscribers for any instalment of a chit without 30 any deduction of discount or otherwise;

(e) "chit business" means the business of conducting a chit;

(f) "defaulting subscriber" means a subscriber who has defaulted in the payment of subscriptions due in accordance with the terms of the chit agreement; 35

(g) "discount" means the sum of money or the quantity of grain which a prized subscriber is, under the terms of the chit agreement, required to forego and which is set apart under the said agreement to meet the expenses of running the chit or for distribution among the subscribers or for both; 40

(h) "dividend" means the share of the subscriber in the amount of discount available under the chit agreement for rateable distribution among the subscribers at each instalment of the chit;

(i) "draw" means the manner specified in the chit agreement for the purpose of ascertaining the prized subscriber at any in- 45 stalment of the chit;

(j) "foreman" means the person who under the chit agreement is responsible for the conduct of the chit and includes any person discharging the functions of the foreman under section 39;

(k) "non-prized subscriber" does not include a defaulting subscriber; 50

(l) "prescribed" means prescribed by rules made under this Act;

5 (m) "prize amount" means the difference between the chit amount and the discount, and in the case of a fraction of a ticket means the difference between the chit amount and the discount proportionate to the fraction of the ticket, and when the prize amount is payable otherwise than in cash, the value of the prize amount shall be the value at the time when it becomes payable;

10 (n) "prized subscriber" means a subscriber who has either received or is entitled to receive the prize amount;

(o) "Registrar" means the Registrar of Chits appointed under section 61, and includes an Additional, a Joint, Deputy or an Assistant Registrar appointed under that section;

2 of 1934. 15

(p) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934;

20 (q) "State Government", in relation to a Union territory, means the administrator of that Union territory appointed by the President under article 239 of the Constitution;

(r) "subscriber" includes a person who holds a fraction of a ticket and also a transferee of a ticket or fraction thereof by assignment in writing or by operation of law;

(s) "ticket" means the share of a subscriber in a chit.

3. Save as otherwise expressly provided in this Act,—

25 (a) the provisions of this Act shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force or in the memorandum or articles of association or bye-laws or in any agreement or resolution whether the same be registered, executed or passed, as the case may be, before or after the commencement of this Act; and

30 (b) any provision contained in the memorandum, articles, bye-laws, agreement or resolution aforesaid, shall, to the extent to which it is repugnant to the provisions of this Act, become or be void, as the case may be.

Act to
override
other
laws, memo-
randum,
articles,
etc.

CHAPTER II

35 REGISTRATION OF CHITS, COMMENCEMENT AND CONDUCT OF CHIT BUSINESS

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:

45 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.

Prohibi-
tion of
chits not
sanction-
ed or re-
gistered
under the
Act.

(2) An application for the purpose of obtaining a sanction under sub-section (1) shall be made by the foreman in such form and in such manner as may be prescribed.

(3) The previous sanction referred to in sub-section (1) may be refused, if the foreman,—

(a) had been convicted of any offence under this Act or under any other Act regulating chit business; or

(b) had defaulted in the payment of fees or the filing of any statement or record required to be paid or filed under this Act or had violated any of the provisions of this Act or the rules made thereunder; or

(c) had been convicted of any offence involving moral turpitude and sentenced to imprisonment for any such offence unless a period of five years has elapsed since his release;

Provided that before refusing any such sanction, the foreman shall be given a reasonable opportunity of being heard.

(4) The order of the State Government, and, subject to the provisions of sub-section (5), the order of the officer empowered under sub-section (1), issuing or refusing previous sanction under this section shall be final.

(5) Any person aggrieved by the refusal to issue previous sanction by an officer empowered under sub-section (1) may appeal to the State Government within thirty days of the date of communication to him of such refusal and the decision of that Government on such appeal shall be final.

Prohibition of invitation for subscriptions except under certain conditions.

5. No person shall issue or cause to be issued any notice, circular, prospectus, proposal or other document inviting the public to subscribe for tickets in any chit unless such notice, circular, prospectus, proposal or document contains a statement that the previous sanction required under section 4 has been obtained and the particulars of such sanction.

Form of chit agreement.

6. (1) Every chit agreement shall be in duplicate and shall be signed by each of the subscribers or by any person authorised by him in writing and the foreman and attested by at least two witnesses and it shall contain the following particulars, namely:—

(a) full name and residential address of every subscriber;

(b) the number of tickets including the fraction of a ticket held by each subscriber;

(c) the number of instalments, the amount payable for each ticket at every instalment and the interest or penalty, if any, payable on any default in the payment of such instalments;

(d) the probable date of commencement and the duration of the chit;

(e) the manner of ascertaining the prized subscriber at each instalment;

(f) the maximum amount of discount which the prized subscriber has to forego at any instalment;

(g) the mode and proportion in which the discount is distributable by way of dividend, foreman's commission or remuneration or expenses for running the chit, as the case may be;

- (h) the date, time and place at which the chit is to be drawn;
- (i) the instalment at which the foreman is to get the chit amount;
- (j) the name of the approved bank in which chit moneys shall be deposited by the foreman under the provisions of this Act;
- 5 (k) where the foreman is an individual, the manner in which a chit shall be continued when such individual dies or becomes of unsound mind or is otherwise incapacitated;
- 10 (l) the consequences to which a non-prized or prized subscriber or the foreman shall be liable in case of violation of any of the provisions of the chit agreement;
- (m) the conditions under which a subscriber shall be treated as a defaulting subscriber;
- (n) the nature and particulars of the security to be offered by the foreman;
- 15 (o) the dates on which and time during which the foreman shall, subject to the provisions contained in section 44, allow inspection of chit records to non-prized and unpaid prized subscribers;
- 20 (p) the names of the nominees of each subscriber, that is to say, the names of the persons to whom the benefits accruing to the subscriber under the chit may be paid in the case of the death of the subscriber or when he is otherwise incapable of making an agreement;
- 25 (q) any other particulars that may, from time to time, be prescribed.

Explanation.—For the purposes of this sub-section, it shall be sufficient if the signature of each subscriber is obtained in separate copies of the agreement.

- (2) The duration of a chit shall not extend beyond a period of five years from the date of its commencement;
- 30 Provided that the State Government may permit the duration of a chit up to a period of ten years if it is satisfied that it is necessary so to do, having regard to,—
 - (a) the financial condition of the foreman;
 - (b) his methods of operation;
 - 35 (c) the interests of prospective subscribers;
 - (d) the requirements as to security; and
 - (e) such other factors as the circumstances of the case may require.
- (3) The amount of discount referred to in clause (f) of sub-section (1) shall not exceed thirty per cent. of the chit amount.

(4) Where the prized subscriber at any instalment of the chit is required to be determined by auction and more than one person offer the maximum discount, the prized subscriber shall be determined by lot.

- 45 1. (1) Every chit agreement shall be filed in duplicate by the foreman with the Registrar.

(2) The Registrar shall retain one copy of the chit agreement and return the duplicate to the foreman with an endorsement that the chit agreement has been registered:

Provided that the Registrar may refuse to register the chit agreement on any one or more of the following grounds, namely:—

5

(a) that the security offered by the foreman under section 20 is insufficient;

(b) that the foreman had been convicted of any offence under this Act or under any other Act regulating chit business;

(c) that the foreman had defaulted in the payment of fees or the filing of any statement or record required to be paid or filed under this Act or had violated any of the provisions of this Act or the rules made thereunder:

Provided further that before refusing to register a chit under the first proviso, the foreman shall be given a reasonable opportunity of being heard.

(3) Every endorsement made under sub-section (2) shall be conclusive evidence that the chit is duly registered under this Act and the registration of a chit shall lapse if the declaration by the foreman under sub-section (1) of section 9 is not filed within three months from the date of such endorsement or within such further period or periods not exceeding three months in the aggregate as the Registrar may, on application made to him in this behalf, allow.

Minimum capital requirements for the commencement, etc., of a chit, and creation of a reserve fund, by a company.

8. (1) Notwithstanding anything contained in the Companies Act, 1956, but subject to the provisions of this Act, a company shall not commence or carry on chit business unless it has a paid-up capital of not less than rupees one lakh.

25 1 of 1956

(2) Every company having a paid-up capital of less than rupees one lakh and carrying on chit business on the commencement of this Act, shall, before the expiry of a period of three years from such commencement, increase its paid-up capital to not less than rupees one lakh:

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 three years in respect of any company by such further period or periods not exceeding two years in the aggregate:

35

Provided further that no such company shall commence any new chit the duration of which would extend beyond the said period of three years or such extended period or periods under the first proviso unless it increases its paid-up capital to not less than rupees one lakh.

(3) Every company carrying on chit business shall create and maintain a reserve fund and shall, out of the balance of profit of each year as disclosed in its profit and loss account and before any dividend on its shares is declared, transfer to such reserve fund, a sum equal to not less than ten per cent. of such profit.

(4) No company shall appropriate any sum or sums from the reserve fund except with the prior approval of the Registrar and, for the purpose of obtaining such approval, it shall make an application in the prescribed form to the Registrar explaining the circumstances relating to such appropriation.

45

9. (1) Every foreman shall, after all the tickets specified in the chit agreement are fully subscribed, file a declaration to that effect with the Registrar.

Com-mence-
ment of
chit.

(2) As soon as may be after a declaration is filed under sub-section 5 (1), the Registrar shall, after satisfying himself that all the requirements relating to sanction, registration of chit and other matters have been duly complied with, grant a certificate of commencement to the foreman.

(3) No foreman shall commence any auction or the draw of any chit 10 or appropriate any chit amount unless a certificate of commencement referred to in sub-section (2) is obtained by him.

10. (1) A foreman shall, as soon as may be after he has obtained the certificate of commencement under sub-section (2) of section 9, but not later than the date of the first draw of the chit, furnish to every subscriber, a copy of the chit agreement certified to be a true copy.

Copies
of
chit
agree-
ment to
be given
to sub-
scribers.

(2) A foreman shall, within fifteen days after the close of the month in which the draw for the first instalment of the chit is held, file with the Registrar, a certificate to the effect that the provisions of sub-section (1) have been complied with.

20 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.

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

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

25 (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,

30 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:

35 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.

12. (1) Except with the general or special permission of the State Government, no company carrying on chit business shall conduct any other business.

Prohibi-
tion of
transac-
ting
business
other
than chit
business
by a com-
pany.

40 (2) Where at the commencement of this Act, any company is carrying on any business in addition to chit business, it shall wind up such other business before the expiry of a period of three years from such commencement:

45 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 three years by such further period or periods not exceeding two years in the aggregate.

Aggregate amount of chits.

13. (1) No foreman, other than a firm or other association of individuals or a company or cooperative society, shall commence or conduct chits, the aggregate chit amount of which at any time exceeds twenty-five thousand rupees.

(2) Where the foreman is a firm or other association of individuals, the aggregate chit amount of the chits conducted by the firm or other association shall not at any time exceed,—

(a) where the number of partners of the firm or the individuals constituting the association is not less than four, a sum of rupees one lakh;

(b) in any other case, a sum calculated on the basis of twenty-five thousand rupees with respect to each such partner or individual.

(3) Where the foreman is a company or cooperative society, the aggregate chit amount of the chits conducted by it shall not at any time exceed ten times the net owned funds of the company or cooperative society, as the case may be.

Explanation.—For the purposes of this sub-section, “net owned funds” shall mean the aggregate of the paid-up capital and free reserves as disclosed in the last audited balance sheet of the company or cooperative society, as reduced by the amount of accumulated balance of loss, deferred revenue expenditure and other intangible assets, if any, as disclosed in the said balance sheet.

Utilisation of funds.

14. (1) No person carrying on chit business shall utilise the moneys collected in respect of such business (other than commission or remuneration payable to such person or interest or penalty, if any, received from a defaulting subscriber), except for—

(a) carrying on chit business; or

(b) giving loans and advances to non-prized subscribers on the security of subscriptions paid by them; or

(c) investing in trustee securities within the meaning of section 20 of the Indian Trusts Act, 1882; or

(d) making deposits with approved banks mentioned in the chit agreement.

(2) Where any person carrying on chit business has utilised the moneys collected in respect of such business before the commencement of this Act, otherwise than for the purposes specified in sub-section (1), he shall secure that so much of such moneys as have not been realised before such commencement are realised before the expiry of a period of three years from such commencement.

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 three years by such further period or periods not exceeding one year in the aggregate.

15. A chit agreement shall not be altered, added to or cancelled except with the consent in writing of the foreman and all the subscribers to the chit.

Alteration of chit agreement.

16. (1) Every draw in a chit shall be held on the date, at the time and place mentioned in the chit agreement and a notice therefor in such form and in such manner as may be prescribed shall be issued by the foreman to all the subscribers.

5 (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.

10 (3) The Registrar may, if he considers it necessary, direct that the draw shall be conducted in his presence or in the presence of any person deputed by him.

15 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.

20 (2) The minutes referred to in sub-section (1) shall state clearly--

25 (a) the date and hour when proceedings began and ended and the place where the draw was held;

(b) the number of the instalment of the chit to which the proceedings relate;

(c) the names of the subscribers present;

(d) the person or persons who become entitled to the prize amount in the instalment;

(e) the amount of discount;

(f) full particulars regarding the disposal of the unpaid prize amount, if any, in respect of any previous instalment; and

(g) any other particulars that may be prescribed.

30 18. A true copy of the minutes of the proceedings of every draw certified as such by the foreman shall be filed by the foreman with the Registrar within twenty-one days from the date of the draw to which it relates.

35 19. (1) No person carrying on chit business shall open a new place of business without obtaining the prior approval of the Registrar within whose territorial jurisdiction his registered office or, as the case may be, the place or the principal place of business is situated.

40 (2) Before granting approval under sub-section (1), the Registrar shall consult the Registrar of the State within whose territorial jurisdiction the new place of business is proposed to be opened and shall also keep in view the financial condition and methods of operation of the foreman, the extent to which public interest will be served by the opening of the new place of business and such other matters as may be prescribed.

45 (3) Where a person carrying on chit business opens a new place of business in a State other than the State (hereinafter referred to as the State of origin) in which his registered office or the place or the principal place of his business is situated, the Registrar of the State in which such new place of business is opened may also exercise and perform any of the powers and functions which the Registrar of the State of origin may exercise and perform in respect of the chit business carried on at such new place of business.

Date, time
and place
of conduct-
ing chits

Minutes
of proceed-
ings.

Copies of
minutes
to be filed
with
Registrar.

Restriction
on opening
of new
place of
business.

(4) For the purposes of this section, "place of business" shall include any branch office, sub-office, or any place of business where the chit business may be conducted by such person.

CHAPTER III

RIGHTS AND DUTIES OF FOREMAN

5

Security to be given before applying for a previous sanction under section 4,—
by foreman.

- (a) deposit in an approved bank *** an amount equal to the chit amount in the name of the Registrar; or
- (b) transfer Government securities of the face value or market value (whichever is less) of not less than one and a half times the chit amount in favour of the Registrar; or
- (c) transfer in favour of the Registrar such other securities, being securities in which a trustee may invest money under section 20 of the Indian Trusts Act, 1882, of such value, as may be prescribed by the State Government from time to time: 15 2 of 1882

Provided that the value of the securities referred to in clause (c) shall not, in any case, be less than one and a half times the value of the chit amount.

(2) Where a foreman conducts more than one chit, he shall furnish security in accordance with the provisions of sub-section (1) in respect of each chit. 20

(3) The Registrar may, at any time during the currency of the chit, permit the substitution of the security:

Provided that the face value or market value (whichever is less) of the substituted security shall not be less than the value of the security given by the foreman under sub-section (1). 25

(4) The security given by the foreman under sub-section (1), or any security substituted under sub-section (3), shall not be liable to be attached in execution of a decree or otherwise until the chit is terminated and the claims of all the subscribers are fully satisfied. 30

(5) Where the chit is terminated and the Registrar has satisfied himself that the claims of all the subscribers have been fully satisfied, he shall order the release of the security furnished by the foreman under sub-section (1), or the security substituted under sub-section (3), as the case may be, and in doing so, he shall follow such procedure as may be prescribed. 35

(6) Notwithstanding anything to the contrary contained in any other law for the time being in force, the security furnished under this section shall not be dealt with by the foreman during the currency of the chit to which it relates and any dealing by the foreman with respect thereto by way of transfer or other encumbrances shall be null and void. 40

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

- (a) in the absence of any provision in the chit agreement to the contrary, to obtain the chit amount at the first instalment without 45

deduction of the discount specified in the chit agreement, subject to the condition that he shall subscribe to a ticket in the chit:

Provided that in a case where the foreman has subscribed to more than one ticket, he shall not be eligible to obtain more than one chit amount in a chit without discount;

(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;

(c) to interest and penalty, if any, payable on any default in the payment of instalments and to such other amounts as may be payable to him under the provisions of the chit agreement;

(d) to receive and realise all subscriptions from the subscribers and to distribute the prize amounts to the prized subscribers;

(e) to demand sufficient security from any prized subscriber for the due payment of future subscriptions payable by him.

Explanation.—A security shall be deemed to be sufficient for the purposes of this clause if its value exceeds by one-third, or if it consists of immovable properties, the value of which exceeds by one-half, of the amount due from the prized subscriber;

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

(g) to do all other acts that may be necessary for the due and proper conduct of the chit.

(2) Where any dispute arises with regard to the value of the property offered as security under clause (e) of sub-section (1), it shall be referred to the Registrar for arbitration under section 64.

22. (1) The foreman shall, on the prized subscriber furnishing sufficient security for the due payment of future subscriptions, be bound to pay him the prize amount:

Duties of foreman.

Provided that the prized subscriber shall be entitled to the payment of the prize amount without any security whatsoever if he agrees to the deduction therefrom of the amount of all future subscriptions and in such a case, the foreman shall pay the prize amount to the prized subscriber within seven days after the date of the draw or before the date of the next succeeding instalment, whichever is earlier:

Provided further that where the prize amount has been paid to the prized subscriber under the first proviso, the amount deducted shall be deposited by the foreman in an approved bank mentioned in the chit agreement and he shall not withdraw the amount so deposited except for the payment of future subscriptions.

(2) If, owing to the default of the prized subscriber, the prize amount due in respect of any draw remains unpaid until the date of the next succeeding instalment, the foreman shall deposit the prize amount forthwith in a separate account in an approved bank mentioned in the chit agreement and intimate in writing the fact of such deposit and the reasons therefor to the prized subscriber and the Registrar:

Provided that where any prized subscriber does not collect the prize amount in respect of any instalment of a chit within a period of two months from the date of the draw, it shall be open to the foreman to hold another draw in respect of such instalment.

(3) Every payment of the prize amount or the amount of future subscriptions under sub-section (1), and the deposit of the prize amount under sub-section (2), shall be intimated to the subscribers at the next succeeding draw and the particulars of such payment or deposit shall be entered in the minutes of the proceedings of that draw. 5

(4) The foreman shall not appropriate to himself any amount in excess of what he is entitled to under clause (b) or clause (c) of sub-section (1) of section 21: 10

Provided that where the foreman is himself a prized subscriber, he shall be entitled to appropriate to himself the prize amount subject to his complying with the provisions of section 31: 15

Provided further that the foreman may appropriate to himself the interest accruing on the amount deposited under the second proviso to sub-section (1). 15

(5) The foreman shall not admit any person as a subscriber to a chit, if, by such admission, the total number of tickets mentioned in the chit agreement is increased. 20

(6) The foreman shall distribute among the subscribers, in accordance with the chit agreement, the dividend either in cash, grain or by way of adjustment towards the subscriptions payable for the next instalment, if any. 25

Books,
records,
etc., to be
kept by
foreman.

23. The foreman shall maintain in his registered office, or, as the case may be, in the place or the principal place of his business, or, where the foreman has any branch office, sub-office or any place of business for the conduct of chit business in a State other than the State in which his registered office or the principal place of his business is situated, in such branch office, sub-office or place of business in respect of the business conducted in that State— 30

(a) a register containing—

(i) the names and full particulars of the subscribers in each chit together with the number of tickets held by each subscriber; 35

(ii) the dates on which the subscribers signed the chit agreement; and

(iii) in the case of an assignment of a ticket by a subscriber, the name and full address of the assignee with the date of assignment and the date on which the assignment had been recognised by the foreman; 40

(b) a book containing the minutes of the proceedings of each draw;

(c) a ledger containing—

(i) the amounts paid by the subscribers in each chit and the dates of such payments; 45

(ii) the amounts paid to the prized subscribers and the dates of such payments; and

(iii) in the case of any deposit in an approved bank mentioned in the chit agreement, the date and the amount of such deposit;

5 (d) a register in the prescribed form showing the amounts deposited in approved banks as required under the provisions of this Act in respect of all chits conducted by the foreman at his office; and

(e) such other registers and books in such form as may be prescribed by the State Government within whose jurisdiction the chit is conducted.

10 24. Without prejudice to the provisions of the Companies Act, 1956, every foreman shall prepare and file with the Registrar within such time as may be prescribed, a balance sheet as on the last date of each calendar year, or, as the case may be, the financial year of the foreman, and a profit and loss account relating to the year of account, in 15 the forms set out in Parts I and II of the Schedule, or as near thereto as circumstances admit, in respect of the chit business and audited by auditors qualified to act as auditors under the Companies Act, 1956, or by a chit auditor appointed under section 61:

1 of 1956. 20 Provided that where a balance sheet is audited by an auditor qualified to act as auditor under the Companies Act, 1956, a chit auditor appointed under section 61 shall have the right to audit the balance sheet at any time if so authorised by the Registrar in this behalf.

25. (1) Every foreman shall be liable to account to the subscribers for the amounts due to them.

25. (2) Where there are more than one foreman in a chit, each one of them jointly and severally and, if the foreman is a firm or other association of individuals, each one of the partners or individuals thereof jointly and severally and, if the foreman is a company, the company as such, shall be liable to the subscribers in respect of the obligations arising out of the chit.

30 26. (1) No foreman, or where there are more than one foreman in a chit, none of them shall withdraw from the chit until its termination unless such withdrawal is assented to in writing by all the non-prized and unpaid prized subscribers and a copy of such assent has been filed with the Registrar under section 41.

35 (2) The withdrawal from a chit of any one of the foreman shall not affect the security given by him under section 20 or section 31.

Balance-sheet.

Liability of foreman to subscribers.

Withdrawal of foreman.

Non-prized subscribers to pay subscriptions and obtain receipts.

CHAPTER IV

RIGHTS AND DUTIES OF NON-PRIZED SUBSCRIBERS

27. Every non-prized subscriber shall pay his subscription due in 40 respect of every instalment on the dates and times and at the places mentioned in the chit agreement and shall, on such payment, be entitled to obtain a receipt from the foreman.

Removal
of
defaulting
sub-
scribers.

28. (1) A non-prized subscriber who defaults in paying his subscription in accordance with the terms of the chit agreement shall be liable to have his name removed from the list of subscribers and a written notice of such removal shall be given by the foreman to the defaulting subscriber within fourteen days of the date of such removal: 5

Provided that if the defaulter pays the defaulted instalment with interest at such rate as may be prescribed within seven days of the date of receipt of such notice, his name shall be re-entered in the list of such subscribers.

(2) Every such removal under sub-section (1) shall with the date 10 thereof be entered in the relevant book maintained by the foreman.

(3) A true copy of the entry referred to in sub-section (2) shall be filed by the foreman with the Registrar within fourteen days from the date of removal.

(4) Any defaulting subscriber aggrieved by the removal of his name 15 from the list of subscribers may, within seven days of the date of receipt of the notice of removal refer the matter to the Registrar for arbitration under section 64. 1 1 1 1 1

Substitu-
tion
of sub-
scribers.

29. (1) A foreman may substitute in the list of subscribers any person (hereafter in this Chapter referred to as the substituted subscriber) in 20 place of the defaulting subscriber whose name has been removed under sub-section (1) of section 28.

(2) Every substitution referred to in sub-section (1) shall, with the date thereof, be entered in the relevant book maintained by the foreman and a true copy of every such entry shall be filed by the foreman with 25 the Registrar within fourteen days from the date of substitution.

Amounts
due to
default-
ing sub-
scribers.

30. (1) A foreman shall, out of the amounts payable by and realized from the substituted subscriber towards the instalments relatable to the period before the date of the substitution (including the arrears due from the defaulting subscriber), deposit, before the date of the next 30 succeeding instalment, in a separate identifiable account in an approved bank mentioned in the chit agreement, an amount equal to the contributions made by the defaulting subscriber less such deductions as may be provided for in the chit agreement, and shall inform the defaulting subscriber as well as the Registrar of the fact of such deposit and shall not withdraw the amount so deposited except for payment to the 35 defaulting subscriber.

(2) The amount so deposited under sub-section (1) shall be paid to the defaulting subscriber as and when he claims the amount and the amount so deposited shall not be withdrawn by the foreman for any 40 purpose other than for such payment.

(3) The contributions of any defaulting subscriber who has not been substituted till the termination of the chit shall be paid to him within fifteen days from the date of termination of the chit subject to such 5 deductions as may be provided for in the chit agreement.

CHAPTER V

RIGHTS AND DUTIES OF PRIZED SUBSCRIBERS

31. Every prized subscriber shall, if he has not offered to deduct the amount of all future subscriptions from the prize amount due to him, furnish, and a foreman shall take, sufficient security for the due payment of all future subscriptions and, if the foreman is a prized subscriber, he shall give security for the due payment of all the future subscriptions to the satisfaction of the Registrar.

32. Every prized subscriber shall pay his subscriptions regularly on the dates and times and at the place mentioned in the chit agreement and, on his failure to do so, he shall be liable to make a consolidated payment of all the future subscriptions forthwith.

33. (1) A foreman shall not be entitled to claim a consolidated payment from a defaulting prized subscriber under section 32 unless he makes a demand to that effect in writing.

(2) Where a dispute is raised under this Act by a foreman for a consolidated payment of future subscriptions from a defaulting prized subscriber and if the subscriber pays to the foreman on or before the date to which the dispute is posted for hearing the arrears of subscriptions till that date together with the interest thereon at the rate provided for in the chit agreement and the cost of adjudication of the dispute, the Registrar or his nominee hearing the dispute shall, notwithstanding any contract to the contrary, make an order directing the subscriber to pay to the foreman the future subscriptions on or before the dates on which they fall due, and that, in case of any default of such payments by the subscriber, the foreman shall be at liberty to realise, in execution of that order, all future subscriptions and interest together with the costs, if any, less the amount, if any, already paid by the subscriber in respect thereof:

30. Provided that if any such dispute is on a promissory note, no order shall be passed under this sub-section unless such promissory note expressly states that the amount due under the promissory note is towards the payment of subscriptions to the chit.

(3) Any person who holds any interest in the property furnished as security or part thereof, shall be entitled to make the payment under sub-section (2).

(4) All consolidated payments of future subscriptions realised by a foreman shall be deposited by him in an approved bank mentioned in the chit agreement before the date of the succeeding instalment and the amount so deposited shall not be withdrawn except for payment of future subscriptions.

(5) Where any property is obtained as security in lieu of the consolidated payment of future subscriptions, it shall remain as security for the due payment of future subscriptions.

45

CHAPTER VI

TRANSFERS

34. (1) No transfer of the rights of a foreman to receive subscriptions from the prized subscribers shall be made without the previous sanction in writing of the Registrar.

Prized subscriber to furnish security.

Prized subscriber to pay subscriptions regularly.

Foreman to demand future subscriptions by written notice.

Restrictions on transfer of rights of foreman.

(2) Any transfer of the rights of a foreman to receive subscriptions from the prized subscribers shall, if it is likely to defeat or delay the interests of a non-prized or unpaid prized subscriber, be voidable at the instance of such subscriber.

(3) When under sub-section (2), a transfer is disputed by a subscriber, the burden of proving that the foreman was in solvent circumstances at the time of the transfer and that the transfer does not defeat or delay the interests of such subscriber is on the transferee. 5

Transfer
of non-
prized
subscri-
ber's
rights
to be in
writing.

Recog-
nition
of
transfer
by
foreman.

Entry of
trans-
feree's
name in
the books.

Meetings
of
general
body of
sub-
scribers.

35. Every transfer by a non-prized subscriber of his rights in the chit shall be in writing duly attested by at least two witnesses and shall 10 be filed with the foreman.

36. Every transfer under section 35 shall, within a period of fourteen days from the date of receipt of the proposal for transfer by the foreman, be recognised by him unless the transferee is not solvent or the transfer was effected with a view to defeating the provisions of any law including this Act and the decision of the foreman to recognise the transfer or 15 not shall forthwith be communicated to the parties concerned.

37. Every transfer under section 34 or section 35 shall be entered by the foreman in the books of the chit forthwith and a true copy of such entry shall be filed by the foreman with the Registrar within fourteen 20 days from the date of making such entry.

CHAPTER VII

MEETINGS OF GENERAL BODY OF SUBSCRIBERS

38. (1) The foreman may, on his own motion, convene a special meeting of the general body of subscribers for considering any proposal 25 to pass a special resolution.

(2) The foreman shall convene such a meeting on the requisition in writing of not less than twenty-five per cent. of the number of non-prized and unpaid prized subscribers, and the meeting so convened shall be 30 held within thirty days of the date of receipt of the requisition and if the foreman refuses or fails to call such a meeting within fourteen days of the date of receipt of such requisition, not less than twenty-five per cent. of the number of non-prized and unpaid prized subscribers may give notice of the fact to the Registrar. 35

(3) The Registrar shall, within twenty-one days of the receipt of the notice under sub-section (2), convene or direct the convening of a special meeting of the general body of the subscribers and on receipt of such a direction, it shall be the duty of the foreman to comply with such direction. 40

* * * * *

(4) Notice of not less than fourteen days shall be given to all the subscribers of a meeting under this section specifying the object, date, hour and place of meeting and a copy of the special resolution shall also be sent along with the notice of the meeting. 45

Explanation.—For the purposes of this section and section 39, "special resolution" means a resolution which is passed at a meeting of the general body of the subscribers specially convened for the

purpose, by a majority of not less than two-thirds of the subscribers to the chit present at the meeting in person or by proxy and representing not less than three-fourths of the amount or, as the case may be, the value of the grain, subscribed by all the non-prized and unpaid prized subscribers, if any.

CHAPTER VIII

TERMINATION OF CHITS

Provision for continuation of chits in certain cases.

39. (1) Where a foreman dies or becomes of unsound mind or is otherwise incapacitated, the chit may continue in accordance with the provisions of the chit agreement.

(2) Where a foreman is adjudicated an insolvent, or withdraws from the chit under section 26, or fails to conduct the chit at any instalment or on any other date before the next succeeding instalment as may have been agreed upon by a special resolution. * * * any one or more of such subscribers authorised by such resolution may, in the absence of any provision in the chit agreement for the future conduct of the chit, take the place of the foreman and continue the chit or make other arrangements for the further conduct of the chit.

40. A chit shall be deemed to have terminated,—

Termination of chits.

20 (a) when the period specified therefor in the chit agreement has expired provided the payment of dues to all the subscribers has been completed; or

(b) when all the non-prized and unpaid prized subscribers and the foreman consent in writing to the termination of the chit and a copy of such consent is filed with the Registrar as required under section 41; or

(c) where a foreman dies or becomes of unsound mind or is otherwise incapacitated and the chit is not continued in accordance with the provisions of the chit agreement:

30. Provided that, in a case where the foreman is a firm, if a partner thereof dies or becomes of unsound mind or is otherwise incapacitated, the chit shall not be deemed to have terminated and the surviving partner or partners shall conduct the chit in the absence of any provision to the contrary in the chit agreement.

35. 41. A true copy of every assent referred to in section 26 and of every consent referred to in clause (b) of section 40 with their dates shall be filed by the foreman or by the surviving partner or partners, as the case may be, with the Registrar within fourteen days from the date of such assent or consent.

Copy of assent or consent to be filed with Registrar.

40. 42. Except in the cases referred to in clauses (a) and (b) of section 40,—

Refund of non-prized subscribers' subscriptions.

(a) every non-prized subscriber shall, unless otherwise provided for in this Act or in the chit agreement, be entitled to get back his subscriptions at the termination of the chit without any deduction for dividend, if any, earned by him:

Provided that, any person to whom the rights of a non-prized subscriber are transferred in accordance with the provisions of section 35, shall, in addition to his own subscriptions, be entitled to

get back the subscriptions paid by such non-prized subscriber, subject to the conditions specified in this section;

(b) if a chit terminates on a date earlier than the date originally fixed in the chit agreement, the non-prized subscriber's claim shall be deemed to have arisen on the date on which he has notice thereof. 5

43. Any amount due to the subscriber from a foreman in relation to the chit business shall be a first charge on the chit assets.

Subscribers' dues to be first charge on chit assets.

Forman to allow certain subscribers to inspect chit records.

Preservation of chit records by foreman.

Inspection of chit books and records by Registrar.

Power of Reserve Bank to inspect chit books and records.

CHAPTER IX INSPECTION OF DOCUMENTS

44. Every foreman shall, on payment of such fee not exceeding five rupees as may be specified in the chit agreement, allow the non-prized subscribers and unpaid prized subscribers reasonable facilities on all the dates of draw or on such other dates and within such hours as may be provided for in the chit agreement, for the inspection of security bonds and documents, receipts and other records taken from the prized subscribers or furnished by the foreman as a subscriber and all chit records, including books of accounts, pass books, balance-sheet and profit and loss accounts and such other records as may show the actual financial position of the chit.

45. All the records pertaining to a chit shall be kept by the foreman 20 for a period of eight years from the date of termination of the chit.

46. (1) Without prejudice to the provisions of sections 209 and 209A of the Companies Act, 1956, the Registrar or an officer authorised by the State Government in this behalf may inspect chit books and all the records of a chit during working hours on any working day at the premises of the foreman with or without giving notice and it shall be the duty of every foreman to produce to the Registrar or the officer so authorised, all such books and records as are in his custody or power and to furnish him with any statement or information relating to the chits as he may require from the foreman within such time as he may specify. 30

1st 1980.

(2) The Registrar or an officer authorised by the State Government in this behalf may, after giving seven days' notice in writing to the foreman, direct him to produce before him for inspection such chit books and records as he may require at the time and place mentioned in the notice.

(3) If on an inspection made under sub-section (1) or sub-section (2). 35 any defects are found, the Registrar may bring such defects to the notice of the foreman and may also make an order directing the foreman to take such action as may be specified in the order to remedy the defects within the time specified therein.

(4) Every foreman shall be bound to comply with the directions contained in an order made under sub-section (3). 40

47. (1) Nothing in section 46 shall be deemed to affect the power of the Reserve Bank to inspect the books and records of any foreman under the provisions of section 45N of the Reserve Bank of India Act, 1934. 2 of 1984.

(2) The Reserve Bank may, if it considers necessary, forward a copy 45 of its report or of any part of its report on the inspection of the books and records of a foreman to the foreman for taking necessary action.

(3) Every foreman shall, on receipt of the report or part thereof under sub-section (2), be bound to comply with the directions, if any, given by the Reserve Bank in this behalf and shall, if so required, submit periodical reports in regard to the action taken by him.

5 (4) The Reserve Bank may also forward a copy of the report on the inspection of the books and records of a foreman to the State Government within whose jurisdiction the registered office of the company, if the foreman is a company, or the place or the principal place of business of the foreman in any other case, is situated for such action as may be considered necessary.

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CHAPTER X

WINDING UP OF CHITS

15 48. A chit may be wound up by the Registrar within whose territorial jurisdiction the chit has been registered, either on his own motion or on an application made by any non-prized or unpaid prized subscriber,—

Circum-
stances
under
which
chits may
be
wound
up.

15 (a) if the chit has terminated under clause (c) of section 40; or

(b) if the foreman commits any such act in respect of the security specified in section 20 as is calculated to impair materially the nature of the security or the value thereof; or

20 (c) if he fails to deposit any amount required to be deposited under any of the provisions of this Act; or

(d) if it is proved to the satisfaction of the Registrar that the foreman is unable to pay the amounts due to the subscribers; or

25 (e) if the execution or other process issued on an order passed by the Registrar in favour of any subscriber in respect of amounts due to him from the foreman in relation to the chit business is returned unsatisfied in whole or in part; or

30 (f) if it is proved that there has been a fraud or collusion on the part of the foreman in the matter of taking securities from any prized subscriber; or

35 (g) if the foreman has appropriated the prize amount in his capacity as a subscriber without furnishing sufficient security for future subscriptions; or

(h) if the Registrar is satisfied that the affairs of the chit are being conducted in a manner prejudicial to the interests of the subscribers; or

40 (i) if it is just and equitable that the chit should be wound up.

Explanation.—For the purposes of clause (d), in determining whether the foreman is unable to pay the amounts due to the subscribers, the Registrar shall take into account his contingent and future liabilities in respect of the chit.

45 49. An application for the winding up of a chit shall be made by a petition presented by any non-prized or unpaid prized subscriber to the Registrar signed and verified in the manner laid down by the Code of Civil Procedure, 1908, and shall contain such particulars as may be prescribed:

Provided that no application for the winding up of a chit under clause (d) or clause (i) of section 48 shall lie unless such application is presented,—

- (a) by non-prized and unpaid prized subscribers representing not less than twenty-five per cent. of the amount or, as the case may be, 5 the value of the grain subscribed by all the non-prized and unpaid prized subscribers, if any; or
- (b) with the previous sanction of the State Government within whose jurisdiction the chit is commenced or conducted.

Explanation.—For the purposes of clause (a) of the proviso, a subscriber of a fraction of a ticket shall be deemed to be a subscriber only to the extent of such fraction.

Bar to winding up proceedings.

50. Notwithstanding anything contained in sections 48 and 49, no petition for the winding up of a chit shall be entertained by the Registrar, 15

- (a) if proceedings relating to insolvency are pending against the foreman; or
- (b) where the foreman is a firm, if proceedings relating to insolvency are pending against all the partners or all the partners except one thereof, or proceedings for the dissolution of the firm 20 are pending; or
- (c) where the foreman is a company or cooperative society, if proceedings for the winding up of such company or cooperative society are pending.

51. An order for the winding up of a chit shall operate in favour of 25 all the subscribers to whom amounts are due from the foreman and it shall be deemed to have commenced from the date of the presentation of the application for the winding up.

52. The Registrar may, on the application of the foreman or of any subscriber to whom amounts are due in respect of a chit, at any time 30 after the presentation of the application for the winding up of the chit under this Act and before the making of an order for the appointment of an interim receiver or for the winding up of the chit, restrain any other proceedings instituted against the foreman for the realisation of amounts due from him on such terms as the Registrar thinks fit. 35

Powers of Registrar.

53. The Registrar may, after hearing an application under this Chapter, dismiss it with or without costs, or adjourn the hearing conditionally or unconditionally or make an interim or any other order that he deems fit.

Vesting of chit assets in Registrar or other person.

54. On the making of an order for the winding up of a chit, all the 40 chit assets pertaining to such chit shall vest in the Registrar or in any person appointed by him for distribution amongst the subscribers to whom amounts are due in respect of the chit.

Suits, etc., to be stayed on winding up order.

55. When a winding up order has been made or a receiver has been appointed, no suit or other legal proceedings shall be continued or commenced against the foreman by a subscriber for the realisation of amounts due to him in respect of the chit except with the leave of the Registrar winding up the chit and on such terms as he may impose. 45

56. On the making of a winding up order, the Registrar shall make an entry in his book relating to the chit and shall notify in the Official Gazette that the order has been made.

Notification of winding up order.

57. Where during the pendency of the proceedings for the winding up of a chit, the foreman is adjudicated an insolvent, or where the foreman is a firm, all the partners or all the partners except one thereof are adjudicated insolvents, or where the foreman is a company, the company has been ordered to be wound up by the Court, the winding up proceedings under this Chapter shall cease and the distribution of the chit assets shall, subject to the provisions of sections 43 and 52, be made by the insolvency court or the court winding up the company, as the case may be.

Cessation of winding up proceedings on insolvency of foreman, etc., or the winding up of the company and transfer of such proceedings.

58. (1) Where an application for the winding up of a chit is dismissed and the Registrar is satisfied that the petition is frivolous or vexatious, he may, on the application of the foreman, award against the petitioner such amount, not exceeding one thousand rupees, as he deems reasonable as compensation to the foreman for the expenses or injury caused to him by the presentation of the application and the proceedings thereon, and such amount may be realized as if the award were a decree of a Civil Court.

Award of compensation to foreman.

(2) On the making of an award under sub-section (1), no suit for compensation in respect of an application for any winding up of the chit shall be entertained.

59. The foreman or any subscriber or any other person aggrieved by a decision or order of the Registrar in any proceedings for the winding up of a chit may, within sixty days from the date of such decision or order, appeal to the State Government.

Right to appeal.

60. (1) Where an order refusing to wind up a chit has been made under this Act, the chit shall be deemed to have been under suspension from the date of presentation of the application to the date of such order in respect of non-prized subscribers; and, notwithstanding anything contained in the chit agreement, no non-prized subscriber who was not a defaulter on the date of the presentation of the petition for winding up, shall be deemed to be a defaulter on the date of such order.

Limitation.

35 (2) Where an order refusing to wind up a chit has been made under this Act, in computing the period of limitation prescribed for any suit

or other legal proceedings (other than a suit or application in respect of which the leave of the court has been obtained) which might have been brought or instituted, but for the presentation of the application for the winding up of the chit, the period from the date of the presentation of the application to the date of the order refusing to wind up a chit 5 shall be excluded.

(3) Nothing contained in this Chapter shall affect the rights of a subscriber to proceed against the foreman personally for the balance, if any, of the amount due to him after the declaration of the final dividend in the proceedings for the winding up of the chit and in computing the 10 period of limitation prescribed for any such proceedings, the period from the date of the presentation of the application for the winding up of the chit to the date of the declaration of the final dividend shall be excluded.

CHAPTER XI

APPOINTMENT OF OFFICERS AND LEVY OF FEES

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Appointment of
Registrar and other
officers.

61. (1) The State Government may, by notification in the Official Gazette, appoint a Registrar of Chits and as many Additional, Joint, Deputy and Assistant Registrars as may be necessary for the purpose of discharging the duties imposed upon the Registrar by or under this Act.

(2) The Registrar may appoint as many inspectors of chits and chit 20 auditors as may be necessary for the purpose of discharging the duties imposed on the inspectors of chits or chit auditors by or under this Act.

(3) All inspectors of chits and chit auditors shall discharge the duties imposed upon them by or under this Act under the general superintendence and control of the Registrar.

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(4) If the Registrar is of the opinion that the accounts of any chit are not properly maintained and that such accounts should be audited, it shall be lawful for him to have such accounts audited by a chit auditor.

(5) It shall be the duty of the foreman of the chit whose accounts are to be audited by a chit auditor under sub-section (4) to produce 30 before the chit auditor, all accounts, books and other records relating to the chit, to furnish him with such information as may be required and afford him all such assistance and facilities as may be necessary and reasonable in regard to the audit of the accounts of the chit.

(6) The foreman shall pay to the chit auditor such fees as may be 35 prescribed for the audit of the accounts of the chit under sub-section (4):

Provided that different scales of fees may be prescribed for different chits depending on the quantum of the chit amount.

Inspection
of docu-
ments in
Regis-
trar's
office.

62. The foreman of a chit or any subscriber in a chit or the heirs or legal representatives of any foreman or subscriber may, on payment of 40 such fees as may be prescribed,—

- (a) inspect the documents of the concerned chit kept by the Registrar; or
- (b) obtain a certified copy or an extract of any such document or record.

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63. (1) There shall be paid to the Registrar such fees as the State Government may, from time to time, prescribe for,— Levy of fees.

- 5 (a) the issue of previous sanction under section 4;
- (b) the filing of the chit agreement with the Registrar and the registration of the chit under section 7;
- (c) the filing of a declaration with the Registrar and the grant of a certificate of commencement under section 9;
- (d) the filing of copies of documents under any of the provisions of this Act;
- 10 (e) the audit of the accounts of the foreman under section 61;
- (f) the inspection of documents under section 62;
- (g) the obtaining of certified copies or extracts of documents and records under section 62; and
- 15 (h) such other matters as may appear necessary to the State Government.

(2) A table of fees prescribed under sub-section (1) shall be exhibited on a notice board in the office of the Registrar.

CHAPTER XII

DISPUTES AND ARBITRATION

- 20 64. (1) Notwithstanding anything contained in any other law for the time being in force, any dispute touching the management of a chit business shall be referred by any of the parties to the dispute, to the Registrar for arbitration if each party thereto is one or the other of the following, namely:— Disputes relating to chit business.
- 25 (a) a foreman, a prized subscriber or a non-prized subscriber, including a defaulting subscriber, past subscriber or a person claiming through a subscriber, or a deceased subscriber to a chit;
- (b) a surety of a subscriber, past subscriber, or a deceased subscriber.
- 30 **Explanation.**—For the purposes of this sub-section, a dispute touching the management of a chit business shall include—
 - (i) a claim by or against a foreman for any debt or demand due to him from a subscriber, or due from him to a subscriber, past subscriber or the nominee, heir or legal representative of a deceased subscriber whether such debt or demand is admitted or not;
 - (ii) a claim by a surety for any sum or demand due to him from the principal borrower in respect of a loan by a foreman and recovered from the surety owing to the default of the principal borrower, whether such sum or demand is admitted or not; and
 - 35 (iii) a refusal or failure by a subscriber, past subscriber or the nominee, heir or legal representative of a deceased subscriber to deliver possession to a foreman of land or any other asset resumed by him for breach of conditions of the assignment.

(2) Where any question arises as to whether any matter referred to for the award of the Registrar is a dispute or not for the purposes of sub-section (1), the same shall be decided by the Registrar whose decision thereon shall be final.

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(3) No Civil Court shall have jurisdiction to entertain any suit or other proceedings in respect of any dispute referred to in sub-section (1).

Period of
limite-
tion.

65. (1) Notwithstanding anything contained in the Limitation Act, 1963, but subject to the specific provisions contained in this Act, the period of limitation in the case of a dispute referred to the Registrar under section 64, shall—

36 of 1963.

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(a) if the dispute relates to the recovery of any sum, including interest thereon, due to a foreman from a deceased subscriber, be three years, computed from the date on which such subscriber dies or ceases to be a subscriber; or

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(b) if the dispute is between a foreman and a subscriber or a past subscriber, or the nominee, heir or legal representative of a deceased subscriber, and the dispute relates to any act or omission on the part of either party to the dispute, be three years from the date on which the act or omission with reference to which the dispute arose, took place.

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(2) The period of limitation in the case of any dispute other than those referred to in sub-section (1) which are required to be referred to the Registrar under section 64 shall be regulated by the provisions of the Limitation Act, 1963, as if the dispute were a suit, and the Registrar, a Civil Court.

25 36 of 1963.

20

(3) Notwithstanding anything contained in sub-sections (1) and (2), the Registrar may admit a dispute after the expiry of the period of limitation specified therein, if the applicant satisfies the Registrar that he had sufficient cause for not referring the dispute within such period.

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Settle-
ment of
disputes.

66. (1) If the Registrar is satisfied that any matter referred to him or brought to his notice is a dispute within the meaning of section 64, he shall, subject to such rules as may be prescribed, settle the dispute himself, or refer it for disposal to a person appointed by him (hereafter in this Chapter referred to as the nominee).

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(2) Where any dispute is referred under sub-section (1) for settlement to the nominee, the Registrar may, at any time for reasons to be recorded in writing, withdraw such dispute from the nominee and may settle the dispute himself, or refer it again for settlement to any other nominee appointed by him.

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* * *

5 of 1908.

67. (1) The Registrar or the nominee hearing a dispute under section 66, shall, in addition to the powers conferred on him under that section, have the same powers as are vested in a Civil Court while trying a suit under the Code of Civil Procedure, 1908, in respect of the following matters, namely:—

- (a) summoning and enforcing the attendance of persons and examining them on oath;
- (b) requiring the discovery and inspection of documents;
- (c) receiving evidence on affidavits;
- 10 (d) requisitioning any public record or copies thereof from any court or office;
- (e) issuing commissions for the examination of witnesses or documents; and
- (f) any other matter which may be prescribed.

15 (2) Except with the permission of the Registrar or the nominee, no party shall be represented at the hearing of a dispute by a legal practitioner.

20 (3) (a) If the Registrar or the nominee is satisfied that any person, whether he is a subscriber or not, has acquired any interest in the property of a person who is a party to a dispute, he may order that the person who has acquired the interest in the property may be joined as a party to the dispute, and any decision that may be given by the Registrar or the nominee on the dispute shall be binding on the party so joined, in the same manner as if he were an original party to the 25 dispute.

25 (b) Where a dispute has been referred in the name of a wrong person, or where all the necessary parties have not been included, the Registrar or the nominee may, if he is satisfied that it was due to a genuine mistake, order any other person to be substituted or added as parties to the dispute at any stage of hearing of the dispute on such terms as he thinks just.

30 (c) The Registrar or the nominee may, at any stage of the proceedings, either upon or without the application of either party and on such terms as may appear to the Registrar or the nominee to be just, order that the name of any party improperly joined be struck off.

35 (d) Any person who is a party to the dispute and entitled to more than one relief in respect of the same cause of action may claim all or any such reliefs, but if he omits to claim any such relief, he shall not be entitled to claim that relief, except with the leave of the Registrar 40 or the nominee.

45 (1) Where a dispute has been referred under section 64 and the Registrar or the nominee hearing the dispute is satisfied on enquiry or otherwise that a party to such dispute, with intent to defeat or obstruct the execution of any award or the carrying out of any order that may be made,—

- (a) is about to dispose of the whole or any part of his property;
- or

Procedure
for settle-
ment of
disputes
and
powers
of Re-
gistrar or
nomi-
nee.

Attachment
before
Judg-
ment and
other in-
terlocu-
tory
orders

(b) is about to remove the whole or any part of the property from the jurisdiction of the Registrar,

he may, unless adequate security is furnished, direct conditional attachment of the said property, and such attachment shall have the ~~same effect~~ ⁵ as if it is made by a competent Civil Court.

(2) Where the Registrar or the nominee directs the attachment of any property under sub-section (1), he shall issue a notice calling upon the person whose property is so attached to furnish such security as he thinks adequate within a specified period, and if the person fails to provide such security, the Registrar or the nominee may confirm the order, and may, after the decision in the dispute, direct the disposal of the property so attached towards the claim, if awarded. ¹⁰

(3) Any attachment made under this section shall not affect the rights, subsisting prior to the attachment of the property, of persons who are not parties to the dispute, or bar any person holding a decree against ¹⁵ the person whose property is so attached from applying for the sale of the property under the attachment of such decree.

(4) The Registrar or the nominee may, in order to prevent the ends of justice being defeated, make such interlocutory orders pending the award in a dispute referred to in sub-section (1) as may appear to be ²⁰ just and convenient.

Decision
of Re-
gistrar or
nomi-
nee.

69. When a dispute is referred to arbitration under this Chapter, the Registrar or the nominee, may, after giving a reasonable opportunity to the parties to the dispute to be heard, make an award on the dispute, on the expenses incurred by the parties to the dispute in connection with ²⁵ the proceedings and the fees and expenses payable to the Registrar or the nominee, and such an award shall not be invalid merely on the ground that it was made after the expiry of the period, if any, fixed for deciding the dispute by the Registrar, and shall, subject to appeal under section 70, be final and binding on the parties to the dispute. ³⁰

Appeal
against
decision
of Re-
gistrar or
nomi-
nee.

70. Any party aggrieved by any order passed by the Registrar or the nominee or the award of the Registrar or the nominee under section 69, may, within two months from the date of the order or award, appeal to the State Government.

Money
how re-
covered.

71. Every order passed by the Registrar or the nominee under ~~see-55~~ section 68 or section 69 and every order passed by the State Government in appeal under section 70 for payment of any money shall, if not carried out,—

(a) on a certificate issued by the Registrar, be deemed to be a decree of a Civil Court, and shall be executed in the same manner as ⁴⁰ a decree of such Court, or

(b) be executed in accordance with the provisions of any law for the time being in force for the recovery of amounts as arrears of land revenue:

Provided that no application for execution under clause (b) shall be made after the expiry of three years from the date fixed in the order, and if no such date is fixed, from the date of the order.

52. Any private transfer or delivery of, or encumbrance or charge on property made or created after the issue of the certificate by the Registrar under section 71 shall be null and void against the foreman on whose application the said certificate was issued.

Private transfer of property made after issue of certificate void against foreman.

CHAPTER XIII

MISCELLANEOUS

10 73. The Reserve Bank may tender to any State Government such advice on questions of policy with respect to this Act as it thinks fit either on its own motion or on a request made by the State Government.

Advisory role of Reserve Bank.

74. (1) Any foreman aggrieved by the decision of the Registrar,—

Appeals.

(a) refusing to register the chit agreement under section 7;

15 (b) refusing to grant a certificate of commencement under sub-section (2) of section 9;

(c) refusing to accept any security under sub-section (1) of section 20 or under section 31; or

20 (d) refusing to release the security charged under section 20 or section 31,

may, within thirty days of the communication to him of such decision, appeal to the State Government or to such officer or authority as may be empowered by notification in the Official Gazette by the State Government in that behalf.

25 (2) Any foreman or other person aggrieved by the order of the Registrar under sub-section (1) of section 34 may, within thirty days of the communication to him of such decision, appeal to the State Government or to such officer or authority as may be empowered by notification in the Official Gazette by the State Government in that behalf.

30 (3) The State Government or such officer or authority aforesaid may, after giving the appellant an opportunity of making his representation, pass such order on the appeal as it or he thinks fit and such order shall be final.

35 75. The Registrar may, in his discretion and upon an application in writing by a foreman made within the period specified for the filing of documents, under sub-section (3) of section 28, sub-section (2) of section 29, section 37 or section 41, allow the foreman further time not exceeding fifteen days to file copies of such documents.

Powers of Registrar to give extension of time for filing documents

Penal-
ties.

76. (1) Whoever contravenes or abets the contravention of any of the provisions of sections 4, 5, 8, 9, 11, 12, 13, 14, 19, 20, 22, 24, 30, 31, sub-section (4) of section 33, sections 46, 47 or sub-section (5) of section 61 shall, on conviction, be punishable with imprisonment for a term which may extend to two years or with fine which may extend 5 to five thousand rupees or with both.

(2) Any foreman,—

(a) who fails to file any document required to be filed under this Act within the period specified therefor or within such further time as may be allowed; or 10

(b) who fails to comply with the requirements of the chit agreement regarding the date, time and place at which the chit is to be drawn or who fails to comply with the requirements of any direction given under sub-section (3) of section 38; or

(c) who contravenes or fails to comply with any other requirement under this Act, 15

shall, on conviction be punishable with fine which may extend to three thousand rupees.

(3) Whoever wilfully makes a statement in any document required to be filed under this Act which is false in any material particular 20 shall, on conviction, be punishable with imprisonment for a term which may extend to two years or with fine which may extend to five thousand rupees or with both.

Penalty
for
second
and
subsequent
convictions.

77. If any person convicted of an offence under this Act is again convicted of an offence under this Act, he shall be punishable for the 25 second and for every subsequent offence with imprisonment for a term which may extend to two years and shall also be liable to fine.

Applica-
tion
of fine.

78. A court imposing any fine under this Act may direct that the whole or any part thereof shall be applied in, or towards payment of, the 30 cost of the proceedings.

Offences
by
com-
panies.

79. (1) Where an offence under this Act has been committed by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against 35 and punished accordingly:

Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence. 40

(2) Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to, any neglect on the part of, any

director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

5 **Explanation.**—For the purposes of this section,—

(a) “company” means any body corporate and includes a firm or other association of individuals; and

(b) “director” in relation to a firm means a partner in the firm.

80. (1) All offences under section 11 shall be cognizable.

10 (2) No court inferior to that of a Metropolitan Magistrate or a Judicial Magistrate of the first class shall try an offence punishable under this Act.

Cognis-
ance of
offences.

15 81. (1) Subject to such conditions as may be prescribed, any officer empowered by the State Government in this behalf may, either before or after the institution of criminal proceedings under this Act, accept from the person who has committed or is reasonably suspected to have committed an offence under this Act, by way of composition of such offence, a sum of money not exceeding such amount as may be prescribed.

Power to
compound
offences.

20 (2) Where an offence has been compounded under sub-section (1), the offender, if in custody, shall be discharged and no further proceedings shall be taken against him in respect of such offence.

25 82. (1) If the Registrar or any other officer authorised by him in this behalf, has reason to suspect that any person conducts, or is responsible for the conduct of, a chit in any place in contravention of the provisions of this Act, he may, for reasons to be recorded in writing and at any reasonable time, enter into and search such place, and may seize such books, registers, accounts or documents as may be necessary.

Power to
enter and
search
any place
and to
seize any
documents

30 (2) The Registrar or officer authorised by him in this behalf, may apply for assistance to an officer in charge of a police station and take police officers to accompany and assist him in discharging his duties under sub-section (1).

35 (3) All searches under sub-section (1) shall be made in accordance with the provisions of the Code of Criminal Procedure, 1973.

2 of 1974

45 of 1860. 83. The Registrar and all officers appointed by the State Government to perform any functions under this Act shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code.

Officers
to be
public
servants.

40 84. The State Government may, by notification in the Official Gazette, direct that any power (other than the power to hear appeals or to make rules) exercisable by it under this Act or the rules made thereunder may be exercised also by any officer of the State Government subject to such terms and conditions, if any, as may be specified therein.

Power to
delegate.

Act not to apply to certain chits.

Banks not to conduct chit business.

Power to exempt.

Protection of action taken under the Act.

Power to make rules.

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

- (a) any chit started before the commencement of this Act; or
- (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.

5

86. (1) Notwithstanding anything contained in this Act, no bank shall commence or carry on chit business after the commencement of this Act.

(2) Where a chit had been started by any bank before such commencement, such chit may be continued after such commencement until it is completed, and the provisions of the chit agreement and such laws, if any, as were applicable to it immediately before the commencement of this Act shall apply to such chit.

*Explanation.—*For the purposes of this section “bank” means an approved bank or a co-operative bank as defined in clause (bii) of section 2 of the Reserve Bank of India Act, 1934.

15 2 of 1934.

87. The State Government may, in consultation with the Reserve Bank, by notification in the Official Gazette, and subject to such conditions as may be specified in the notification, exempt any person or class of persons or any chit or class of chits from all or any of the provisions of this Act.

20

88. No suit, prosecution or other legal proceeding shall lie against the State Government, the Registrar or other officers of the State Government or of the Reserve Bank or any of its officers exercising any powers or discharging any functions under this Act in respect of anything which is in good faith done or intended to be done in pursuance of this Act or 25 the rules made thereunder.

89. (1) The State Government may, in consultation with the Reserve Bank, by notification in the Official Gazette, make rules for giving effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the form and manner in which an application for obtaining the previous sanction may be made under sub-section (2) of section 4;

(b) the additional particulars that a chit agreement may contain 35 under clause (q) of sub-section (1) of section 6;

(c) the particulars that may be included in the minutes of the proceedings of a draw under section 17;

(d) the method of valuation by the Registrar in a grain chit for the purpose of furnishing security under section 20;

(e) the procedure that may be followed by the Registrar in releasing the security furnished by the foreman under section 20;

(f) the registers and books and the form in which such registers and books may be maintained by the foreman under section 23;

(g) the time within which the balance-sheet and the profit and 45 loss account in respect of a chit business shall be filed under section 24;

40

1 2 3 4

(h) the rate at which interest shall be payable on the defaulted instalments by a defaulted subscriber under section 28;

(i) the particulars that may be included in an application for the winding up of chits under section 49;

5 (j) the procedure to be followed for the winding up of chits under Chapter X;

(k) the fees payable under section 63;

(l) the auditing of balance-sheets and the profit and loss accounts of chit business and the issue of audit certificates;

10 (m) the form and manner in which a dispute shall be referred to the Registrar under section 64;

(n) the procedure to be followed by the Registrar or his nominee for settling the disputes referred to him under section 64;

15 (o) the matters referred to in clause (f) of sub-section (1) of section 67;

(p) the conditions subject to which and the amount on the payment of which composition of offences may be made under section 81;

20 (q) the form and manner in which an appeal may be preferred under this Act and the fees payable for such appeal;

(r) the issue and service of notices or other process under this Act;

(s) the procedure for, and the manner of, receiving any sum payable under this Act;

25 (t) any other matter which is required to be or may be prescribed.

(3) Every rule made under this section shall be laid, as soon as may be after it is made, before each House of the State Legislature where it consists of two Houses, or, where such Legislature consists of one House, before that House.

30 90. (1) The Andhra Pradesh Chit Funds Act, 1971, the Kerala Chitties Act, 1973, the Maharashtra Chit Funds Act, 1974, the Tamil Nadu Chit Funds Act, 1961, as in force in the State of Tamil Nadu and in the Union territories of Chandigarh and Delhi, the Uttar Pradesh Chit Funds Act, 1975, the Goa, Daman and Diu Chit Funds Act, 1973 and the Pondicherry Chit Funds Act, 1966, are hereby repealed and the provisions of section 6 of the General Clauses Act, 1897, shall apply to such repeal as if each such Act so repealed were a Central Act.

35 (2) Notwithstanding such repeal, the Acts mentioned in sub-section 40 (1) shall continue to apply to chits in operation on the commencement of this Act, in the same manner as they applied to such chits before such commencement.

Andhra
Pradesh
Act 9 of
1971.
Kerala
Act 23
of 1975.
Maharashtra
Act LV
of 1974.
Tamil
Nadu
Act 24 of
1961.
Uttar
Pradesh
Act 53 of
1975.
Goa,
Daman
and Diu
Act 16 of
1973.
Pondi-
cherry
Act 18 of
1966.
19 of 1992.

Repeal
and
saving.

THE SCHEDULE

(See section 24)

PART L FORM OF BALANCE SHEET

PART II.—FORM OF PROFIT AND LOSS ACCOUNT

Expenditure	Income	Profit
1. To interest paid on deposits, borrowings, etc.	1. By foreman's commission Rs.	Rs.
2. To salaries, allowances, bonus and provi- dent fund	2. By bonus Rs.	Rs.
3. To directors' sitting fees	3. By interest Rs.	Rs.
4. To rent, taxes, insurance, lighting	4. By indivisible income in suction profit Rs.	Rs.
5. To law charges	5. By rent Rs.	Rs.
6. To postage, telegrams and stamps	6. By net profit on sale of investments Rs.	Rs.
7. To auditors' fees	7. By other receipts Rs.	Rs.
8. To filing fees	8. By loss Rs.	Rs.
9. To depreciation and repairs		
10. To stationery, printing and advertising		
11. To other expenditure		
12. To balance of profit		15
		Rs.
		Rs.
		Rs.

APPENDIX I

(vide para 2 of the Report)

Motion adopted in Lok Sabha for reference of the Bill to the Select Committee

"That the Bill to provide for the regulation of chit funds and for matters connected therewith, be referred to a Select Committee consisting of 21 members, namely:—

- (1) Shri Era Anbarasu
- (2) Dr. A. U. Azmi
- (3) Shri Maganbhai Barot
- (4) Shri Subbarao Chowdary Chitturi
- (5) Shri R. Y. Ghorpade
- (6) Shri Krishna Kumar Goyal
- (7) Shri P. K. Kodiyan
- (8) Prof. P. J. Kurien
- (9) Shri Sunil Maitra
- (10) Shri Ramjibhai Mavani
- (11) Shri Nityananda Misra
- (12) Shri Cumbum N. Natarajan
- (13) Shri Bhola Raut
- (14) Shri T. R. Shamanna
- (15) Shri Shantaram Pothukhe
- (16) Shri Pratap Bhanu Sharma
- (17) Shri Shiv Shankar
- (18) Shri Rana Vir Singh
- (19) Shri Bhausaheb Thorat
- (20) Shri Girdhari Lal Vyas; and
- (21) Shri R. Venkataraman

with instructions to report by the last day of the first week of the Sixth Session."

APPENDIX II

MINUTES OF THE SITTINGS OF THE SELECT COMMITTEE ON THE CHIT FUNDS BILL, 1980

I

First Sitting

The Committee sat on Tuesday, the 27th January, 1981 from 15.00 to 15.50 hours.

PRESENT

Shri Erad Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri R. Y. Ghorpade
5. Shri P. K. Kodiyan
6. Prof. P. J. Kurien
7. Shri Sunil Maitra
8. Shri Nityananda Misra
9. Shri Cumbum N. Natarajan
10. Shri Bholu Raut
11. Shri T. R. Shamanna
12. Shri Shantaram Potdukhe
13. Shri Shiv Shankar
14. Shri Rana Vir Singh
15. Shri Bhausaheb Thorat

SECRETARIAT

1. Shri Gian Chand—*Additional Secretary*
2. Shri S. S. Chawla—*Senior Legislative Committee Officer*.

LEGISLATIVE COUNSELS

1. Shri S. Ramaiah, *Joint Secretary and Legislative Counsel*
2. Shri C. Raman Menon, *Additional Legislative Counsel*.

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. N. Malhotra, *Secretary*.
2. Shri Baldev Singh, *Joint Secretary*.
3. Shri C. W. Mirchandani, *Deputy Secretary*.
4. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta*.
5. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay*.

2. At the outset, the Chairman welcomed the members of the Committee and referred to the importance and urgency of the proposed legislative measures and the task before the Committee. The Chairman also informed them about the circulation of documents on the Bill.

3. The Minister of Law, Justice and Company Affairs and Deputy Minister of Finance also explained to the Committee the background, implications and the urgency of the proposed legislation.

4. The Committee then considered their future programme of work.

The Committee decided to invite memoranda on the Bill from the State Governments, Chit Fund Companies, Public Bodies, Organisations, individuals etc. interested in the subject matter of the Bill by the 21st February, 1981 for their consideration.

The Committee also decided that a circular letter might be addressed to Chief Secretaries of all State Governments/Union Territory Administrations inviting their Governments' Comments/suggestions on the provisions of the Bill by the 21st February, 1981.

5. The Committee further decided that oral evidence from the interested parties should be taken and the Committee authorised the Chairman to select parties for the purpose.

6. The Committee then decided to issue a Press ~~Communique~~ inviting memoranda on the Bill and requests from the interested parties for oral evidence as per annexure. They also desired that the contents of the Press Communique should be given wide publicity by broadcasting/telecasting through All India Radio/Doordarshan Kendra, respectively.

7. The Committee desired that the Ministry of Finance might tabulate the memoranda that might be received by the Committee and give their comments on the various points raised therein for their consideration.

8. The Committee also desired that the Ministry of Finance might furnish an exhaustive background note on the proposed legislative measure bringing out clearly *inter alia* the mal-practices being committed by the Chit Fund Companies vis-a-vis the remedies provided therefor.

9. The Committee authorised the Chairman to fix the date and time of their next sitting.

10. The Committee then adjourned.

ANNEXURE

LOK SABHA SECRETARIAT PRESS COMMUNIQUE

The Select Committee of Lok Sabha on the Chit Funds Bill, 1980, at their first sitting held today under the Chairmanship of Shri Era. Anbarasu, M.P., decided that the State Governments, Chit Fund Companies, public bodies, organisations and individuals, etc. interested in the subject matter of the Bill and desirous of submitting memoranda on the provisions of the Bill for consideration of the Committee should send preferably 45 copies thereof so as to reach the Secretary, Lok Sabha, Parliament House Annex, New Delhi on or before 20th February, 1981. The Bill, which is a Central legislation, seeks to regulate the conduct of chit funds uniformly and follows the pattern of chit fund legislation in force in some of the States. The Bill *inter-alia* provides for minimum capital requirements for companies conducting chit business, prohibiting chit fund companies from doing any other business, placing a ceiling on the aggregate chit amounts of chits and a self-contained machinery for settlement of disputes between a foreman and the subscribers by means of arbitration. The Bill also seeks to repeal the existing State legislations on the subject.

The memoranda which might be submitted to the Committee would form part of the records of the Committee and should be treated as strictly confidential and not circulated to anyone, as such an act would constitute a breach of privilege of the Committee.

Those who are desirous of giving oral evidence before the Committee, besides sending memoranda, are requested to intimate to that effect to the Lok Sabha Secretariat for consideration of the Committee by the aforesaid date.

The Chit Funds Bill, 1980, as introduced in Lok Sabha, was published in the Gazette of India, Extra-ordinary, Part II, Section 2, dated the 20th November, 1980.

NEW DELHI:

January 27, 1981
Magha 7, 1902 (Saka).

No. 15/4(1)/80/CH

January 27, 1981
Magha 7, 1902 (Saka).

Copy forwarded for information to:—

1. Director General (Shri U. L. Baruah), All India Radio, New Delhi.
2. Director General (Shri S. P. Narayan), Doordarshan, New Delhi.

It is requested that this may please be broadcast from all Stations of A. I. R. and telecast from all Doordarshan Kendras on three successive days and information to this effect may kindly be sent to this Secretariat for information of the Select Committee.

SENIOR LEGISLATIVE COMMITTEE OFFICER

Second Sitting

The Committee sat on Thursday, the 9th April, 1981 from 15.00 to 15.40 hrs.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Shri Maganbhai Barot
3. Shri Krishna Kumar Goyal
4. Shri P. K. Kodiyan
5. Prof. P. J. Kurien
6. Shri Nityananda Misra
7. Shri T. R. Shamanna
8. Shri Shantaram Potdukhe
9. Shri Shiv Shankar
10. Shri Girdhari Lal Vyas
11. Shri R. Venkataraman

SECRETARIAT

Shri S. S. Chawla—*Senior Legislative Committee Officer*

LEGISLATIVE COUNSELLS

1. Shri S. Ramaiah, *Joint Secretary and Legislative Counsel*
2. Shri C. Raman Menon, *Additional Legislative Counsel*.

~~REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)~~

1. Shri R. N. Malhotra, *Secretary*
2. Shri Baldev Singh, *Joint Secretary*.
3. Shri C. W. Mirchandani, *Deputy Secretary*.
4. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta*.
5. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay*.

2. At the outset, the Chairman informed the Members that in response to the Press Communiqué and circular letter issued, several memoranda on the Bill were received and circulated. He also informed them that the memoranda were being examined and tabulated by the Ministry of Finance (Department of Economic Affairs) and the tabulated statements would be circulated in due course.

3. The Chairman also informed the members that several requests from various interested parties for the purpose of hearing their views at their respective places have been received.

3. The Committee then considered their programme of hearing oral evidence on the Bill from the interested parties. While discussing whether the Committee should undertake Study Tours to have informal discussions with the interested parties or to hold formal sittings for taking oral evidence at different places in the

country, the Minister of Finance (Shri R. Venkataraman) suggested that the Committee should hold their sittings for taking evidence in the States where Chit Fund Companies were mostly concentrated viz. Tamil Nadu, Karnataka, Kerala, Andhra Pradesh, Maharashtra, West Bengal and Delhi. He also suggested that for this purpose, the Committee could hold their formal sittings at the State capitals in the State Assembly buildings as far as possible, subject to approval being accorded by the Hon. Speaker.

As some members pointed out that it would not be possible to cover all these States at a stretch, the Committee decided to complete their programme of taking evidence at the following places in three rounds:

- (i) Madras, Bangalore and Trivandrum;
- (ii) Calcutta, Hyderabad and Bombay; and
- (iii) Delhi to cover Delhi, Punjab and U. P.

4. The Committee also decided that in the first round they should hold their sittings for 2-3 days each at Madras, Bangalore and Trivandrum from 28th May, 1981 onwards.

5. The Committee further decided that the programme of their next round of sittings to cover other States might be decided at the end of their first round of evidence.

6. The Committee then authorised the Chairman to chalk out the detailed programme of taking evidence and to select parties for the purpose.

7. The Committee then adjourned.

Third Sitting

The Committee sat on Thursday, the 28th May, 1981 from 10.00 to 13.25 hours in Conference Hall, 10th Floor, New Secretariat Building, Madras.

PRESENT

Shri Era. ~~Ambarasimha~~—Chairman

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri Krishna Kumar Goyal
5. Shri P. K. Kodiyan
6. Shri Ramjibhai Mayani
7. Shri Combum N. Natarajan
8. Shri T. R. Shamanna
9. Shri Shaantaram Patilwala

SECRETARIAT

Shri S. S. Chawla—Senior Legislative Committee Officer

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. K. Kaul, Additional Secretary (Banking).
2. Shri V. P. Sawhney, Joint Secretary (Banking).
3. Shri C. W. Mirchandani, Deputy Secretary.
4. Shri R. Annaji Rao, Chief Officer, Reserve Bank of India, Calcutta.
5. Shri B. N. Chikarmane, Deputy Chief Officer, Reserve Bank of India, Bombay.

2. Before the Committee proceeded to hear the evidence of the representatives of the following organisations, individuals, etc., the Chairman drew their attention to the provisions contained in Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:—

I. Coimbatore District Chit Funds Association, Coimbatore

Spokesmen:

1. Shri T. S. Sambamurthy, President
2. Shri V. Rajkumar, Secretary

(10.00 to 11.05 hrs.)

II. Tamil Nadu Chit Fund Companies Association, Tirunelveli

Spokesmen:

1. Shri T. S. Sambamurthy, President
2. Shri T. Subramaniam, Asstt. Secretary

3. Shri A. S. Rangaswamy, Secretary

4. Shri Parmasivam, Member

(11.10 to 11.55 hrs.)

III. (a) Sudarshan Finance Corporation, Madras

Spokesmen:

1. Shri C. B. M. Warrier

2. Shri P. J. Samuel

3. Shri N. C. Sahadevan

(b) Sudarshan Chits (India) Ltd., Madras.

Spokesmen:

1. Shri K. P. Bdan

2. Shri M. Sekharan

(12.00 to 12.55 hrs.)

IV.(a) Shri S. K. Bharath, Manager, United Commercial Bank, Madras.

(b) Shri K. A. Palaniswamy, Advocate, Salem

(13.00 to 13.20 hrs.)

3. A verbatim record of evidence was kept:

4. The Committee then adjourned to meet again at 10.00 hrs. on Friday, the 29th May, 1981.

IV

Fourth Sitting

The Committee sat on Friday, the 29th May, 1981 from 10.00 to 13.30 hrs.
in Conference Hall, 10th Floor, New Secretariat Building Madras.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri R. Y. Ghorpade
5. Shri Krishna Kumar Goyal
6. Shri P. K. Kodiyan
7. Shri Ramjibhai Mavani
8. Shri Cumbum N. Natarajan
9. Shri T. R. Shamanna
10. Shri Shantaram Potdukhe

SECRETARIAT

Shri S. S. Chawala—*Senior Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF
ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. K. Kaul, Additional Secretary (Banking).
2. Shri V. P. Sawhney, Joint Secretary (Banking).
3. Shri C. W. Mirchandani, Deputy Secretary.
4. Shri R. Annaji Rao, Chief Officer, Reserve Bank of India, Calcutta.
5. Shri B. N. Chikarmane, Deputy Chief Officer, Reserve Bank of India, Bombay.

2. Before the Committee proceeded to hear the evidence of the representatives of the following organisations, individuals etc., the Chairman drew their attention to the provisions contained in Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in *Lok Sabha*:

I. Incorporated Chit Fund Companies Association, Mayavaram (Tamil Nadu)
Spokesmen:

1. Shri G. M. Ramachandran, President
2. Shri R. Kalyanasundaram, Secretary
3. Prof. S. Radhakrishnan
4. Shri V. Dharmaraj
5. Shri K. M. Balavenkatraman
6. Shri M. Satputran
7. Shri K. Jayachandran

(10.00 to 11.05 hrs.)

II. (a) Salem Chit Funds & Finances Association, Salem

Spokesmen:

1. Shri R. Baleskumar
2. Shri Vyapurie
3. Shri S. Krishnamoorthy
4. Shri V. Jayachandran

(b) Ruby Corporation, Tiruchy

Spokesmen:

1. Shri K. S. Shanmugham, Managing Partner
2. Shri M. Govindarajan, Asstt. Managing Partner
3. Shri T. Varadharajan, Partner

(11.10 to 12.05 hrs.)

III. Chit Foremen of Pollachi, Coimbatore District

Spokesmen:

1. Shri S. Krishnamoorthy Krishnamoorthy Chit Funds
2. Shri S. Paramasivam Krishnamani Chit Funds
3. Shri A. Manickam—Chit Agent
4. Shri P. C. Vasudevan—Sri Sanmuga Chit Funds

(12.10 to 12.45 hrs.)

IV. Shri S. Venkataraman, Director (Retd.), P.&T. Deptt. 12/2, 12th Avenue, Ashok Nagar, Madras-600083.

(12.50 to 13.25 hrs.)

3. A verbatim record of evidence was kept.
4. The Committee then adjourned to meet again at 10.00 hours on saturday, the 30th May, 1981.

Fifth Sitting

The Committee sat on Saturday, the 30th May, 1981, from 10.00 to 12.30 hours in Conference Hall, 10th Floor, New Secretariat Building, Madras.

PRESENT

Shri Era. Ambarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri R. Y. Ghorpade
4. Shri Krishna Kumar Goyal
5. Shri P. K. Kodiyan
6. Shri Ramjibhai Mavani
7. Shri T. R. Shammanpe
8. Shri Shantaram Potdukhe
9. Shri R. Venkataraman

SECRETARIAT

Shri S. S. Chawala—*Senior Legislative Committee Officer*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. K. Kaul, *Additional Secretary (Banking)*.
2. Shri V. P. Sawhney, *Joint Secreary (Banking)*.
3. Shri C. W. Mirchandani, *Deputy Secretary*.
4. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta*.
5. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay*.

2. Before the Committee proceeded to hear the evidence of the representatives of the following organisations, and the State Govt./Union Territory Administration etc., the Chairman drew their attention to the provisions contained in Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:

I. Balussery Benefit Chit Fund (P) Ltd., Madras

Spokesmen:

1. Shri E. S. Raja, *Advocate*
2. Shri M. V. Vaidyanathan, *Director*

(10.00 to 11.20 hrs)

II. Government of Tamil Nadu

Spokesmen:

1. Shri P. V. Venkatakrishnan,
Commissioner & Secretary to Government,
Commercial Taxes & Religious Endowments Deptt.
2. Shri R. Shanmuga Sihamani,
Inspector General of Registration and Director of Chits.
3. Shri V. M. Vennimalai Pandian,
Deputy Secretary to Government.
4. Shri M. Syed, Mohammad,
Under Secretary to Government.
5. Shri R. Muthulingam,
Select Grade Sub-Registrar
(11.25 to 12.10 hrs.)

III. Union Territory Administration of Pondicherry

Spokesmen:

1. Shri Diagarassane,
District Registrar, Pondicherry
2. Shri Mou Ramaswamy, Chit Registrar.
(12.15 to 12.25 hrs.)

3. A verbatim record of evidence was kept.

4. The Committee then reconsidered their earlier decision regarding visit to Calcutta, Hyderabad and Bombay for the purpose of taking oral evidence. The Committee felt that since there are no requests for oral evidence from West Bengal and Maharashtra, the contemplated sittings at Calcutta and Bombay for the purpose need not be held.

The Committee also decided that the parties from Hyderabad, who have requested for oral evidence, Should be invited at New Delhi for the purpose.

5. The Committee authorised the Chairman to fix the date and time for their next round of sittings to be held at New Delhi for the purpose of taking oral evidence sometime in the first week of July, 1981.

6. The Committee placed on record their warm appreciation of the valuable assistance rendered to them by the Government of Tamil Nadu in holding their sittings in the Secretariat Building.

7. The Committee also placed on record their appreciation of the valuable assistance rendered to them by the officers and staff members of the Income-tax Department and the Preventive Department, Customs, Madras.

8. The Committee then adjourned to meet again at Bangalore at 10.00 hrs. on Monday, the 1st June, 1981.

SIXTH SITTING

The Committee sat on Monday, the 1st June, 1981 from 10.00 to 12.10 hours in Committee Room No. 313, Vidhan Soudha, Bangalore.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri R. Y. Ghorpade
4. Shri Krishna Kumar Goyal
5. Shri P. K. Kodiyan
6. Shri Ramjibhai Mavani
7. Shri T. R. Shamanna
8. Shri Shantaram Potdukhe
9. Shri Bhausaheb Thorat
10. Shri R. Venkataraman

SECRETARIAT

Shri H. S. Kohli—*Senior Examiner of Questions*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS)—BANKING DIVISION

1. Shri R. K. Kaul, *Additional Secretary (Banking)*
2. Shri V. P. Sawhney, *Joint Secretary (Banking)*
3. Shri C. W. Mirchandani, *Deputy Secretary*
4. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
5. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. Before the Committee proceeded to hear the evidence of the representatives of the following organisations, individual, etc., the Chairman drew their attention to the provisions contained in Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha.

I. *Sri Karyaka Chits & Finances (P) Ltd., Hassan*

Spokesmen:

1. Shri H. S. Jayasekara Gupta, *Chairman*
2. Shri B. H. Satyanarayana Setty, *Executive Director*
(10.00 to 11.15 hrs.)

II. *Shri B. S. Sastry, Section Head, L.I.C., Bangalore*
(11.20 to 12.05 hrs.)

3. A verbatim record of the evidence was kept.

4. The Committee then adjourned to meet again at 10.00 hrs. on Tuesday, the 2nd June, 1981.

SEVENTH SITTING

The Committee sat on Tuesday, the 2nd June, 1981 from 10.00 to 12.05 hrs. in Committee Room No. 313, Vidhan Soudha, Bangalore.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri R. Y. Ghorpade
5. Shri Krishna Kumar Goyal
6. Shri P. K. Kodiyan
7. Shri Ramjibhai Mavani
8. Shri Bhola Raut
9. Shri T. R. Shamanna
10. Shri Shantaram Potdukhe
11. Shri Bhausaheb Thorat

SECRETARIAT

Shri H. S. Kohli, *Senior Examiner of Questions*

Representatives of the Ministry of Finance (Department of Economic Affairs—Banking Division)

1. Shri R. K. Kaul, *Additional Secretary (Banking)*
2. Shri V. P. Sawhney, *Joint Secretary (Banking)*
3. Shri C. W. Mirchandani, *Deputy Secretary*
4. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta*
5. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. Before the Committee proceeded to hear the evidence of the representatives of the following State Government, Organisation and individuals etc., the Chairman drew their attention to the provisions contained in Directive 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:

I. *Government of Karnataka, Bangalore*

Spokesmen:

1. Shri K. R. Ramaswamy Iyengar,
Jt. Secretary, Law Department

2. Shri A. Mohan Das Moses,
Home Secretary

(10.00 to 11.25 hours)

II(a) Shri K. N. V. Rao, Secretary, Karnataka State Urban Citizens Federation, Bangalore.

(b) Shri M. Muthu Karuppan, 99, 12th B Main Road, 6th Block, Rajaji Nagar, Bangalore-10.

(c) Shri H. P. Prakash Kumar, Prakash Coffee Works, Azad Road, Hassan.

(d) Shri M. Ashok, Kapalia Tailor, Palace Large Bldg., Kumara Park West, Bangalore—20.

(11.30 to 11.50 hrs.)

III. *Karnataka State Chit Promoters and Financers Assn. Bangalore.*

Spokesmen:

1. Shri B. S. Basappa Setty, President.

2. Shri G. U. Ramanujam, Vice-President.

3. Shri D. E. Balaramaiah, Secretary.

4. Shri G. R. Gangadharaih.

(11.55 to 12.00 hours)

3. A verbatim record of evidence was kept.

4. The Committee placed on record their warm appreciation of the valuable assistance rendered to them by the Secretary, Karnataka Legislature, Bangalore in holding their sittings in the Committee Room, Vidhan Sabha, Bangalore.

5. The Committee also placed on record their warm appreciation of the valuable assistance rendered to them by the officers and staff members of the Income-tax Department and the Banks at Bangalore.

6. The Committee then adjourned to meet again at Trivandrum at 1000 hours on Thursday, the 4th June, 1981.

VIII

EIGHTH SITTING

The Committee sat on Thursday, the 4th June, 1981 from 10.00 to 13.00 hours in Darbar Hall, Secretariat Buildings, Trivandrum.

PRESENT

Shri R. Y. Ghorpade—*In the Chair*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi .
3. Shri Maganbhai Barot
4. Shri Krishna Kumar Goyal
5. Shri P. K. Kodiyan
6. Shri Ramjibhai Mavani
7. Shri T. R. Shamanna
8. Shri Shanaram Potdukhe
9. Shri Bhausaheb Thorat

SECRETARIAT

Shri H. S. Kohli, *Senior Examiner of Questions*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri V. P. Sawhney, *Joint Secretary (Banking)*.
2. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta*.
3. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay*.
2. In the absence of the Chairman, the Committee elected Shri R. Y. Ghorpade as Chairman for the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.
3. Before the Committee proceeded to hear the oral evidence of the representatives of the following organisations and individuals etc., the Chairman drew their attention to Direction 58 of the Directions by the Speaker under the rules of Procedure and Conduct of Business in Lok Sabha:

I. State Cooperative Union, Trivandrum

Spokesmen:

1. Shri T. A. Thomman, *Chairman*
2. Shri P. J. Joseph Kunju, *Member*
3. Shri P. A. Bhaskaran Nair, *Member*

(1000 to 1040 hrs.)

II. *Chamber of Commerce, Trichur**Spokesmen:*

1. Shri C. M. George, President
2. Shri Jose Pottokaran, Hon. Lt. Secy.
3. Shri C. P. Maney, Member

(1045 to 1130 hrs.)

III. (a) *Central Travancore Chitty Foremen's Association, Karungapally**Spokesmen:*

1. Shri R. Sreekumar, Advocate
2. Shri Ambadiyil Kuttappan, Vice-President
3. Shri R. Kesaran Nair, Secretary

(b) *All Kerala Chitty Foremen's Association, Kottayam**Spokesmen:*

1. Shri Thampan Joseph, President
2. Shri K. E. Vasudeva Panicker, Treasurer

(1135 to 1200 hrs.)

IV. *Chauva Cooperative Rural Bank Ltd., Cannanore**Spokesman:*

Shri Pooghali Gopalan, President.
(12.05 to 12.20 hrs)

V. *Shri O. V. Verghese,*

Retd. Inspector General of Registration, Trichur.

(1225 to 1230 hrs.)

VI. *M/s. Muthoot M. George Chits (India), Ltd., Kozhencherry, Kerala,**Spokesman:*

Shri George Alexander, ACA
(1235 to 1325 hrs.)

4. A verbatim record of evidence was kept.

5. The Committee then adjourned to meet again at 0930 hrs. on Friday, the 5th June, 1981.

NINTH SITTING

The Committee sat on Friday, the 5th June, 1981 from 09.30 to 13.00 hrs. in Darbar Hall, Secretariat Buildings, Trivandrum.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi.
3. Shri Maganbhai Barot
4. Shri R. Y. Ghorpade
5. Shri Krishna Kumar Goyal.
6. Shri P. K. Kodiyan.
7. Shri Ramjibhai Mavani.
8. Shri T. R. Shamanna.
9. Shri Shantaram Potdukhe.
10. Shri Bhausaheb Thorat.

SECRETARIAT

Shri H. S. Kohli, *Senior Examiner of Questions.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF
ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri V. P. Sawhney, *Joint Secretary (Banking)*
2. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
3. Shri B. N. Chikarmanc, *Deputy Chief Officer, Reserve Bank of India, Bombay.*
2. Before the Committee proceeded to hear the oral evidence of the representatives of the following State Government organisations and individuals etc., the Chairman drew their attention to Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:

I. Government of Kerala, Trivandrum

Spokesmen:

1. Shri M. S. Joseph, Registrar of Co-operative Societies.
2. Shri G. Easwara Warriar, Inspector General of Registration.
3. Shri T. G. Raman, Dy. Inspector General of Registration (H.Q.).
4. Shri Peter Victor, Asstt. Inspector General of Registration (Chitty Schemes)

(09.30 to 10.55 hrs.)

II. All Kerala Chitty Employees' Union Kottayam.

Spokesmen:

1. Shri P. S. C. Panicker, Secretary.
2. Shri Kuttappan Nair, Executive Member.
3. Shri M. P. Rajappan Pilla, Executive Member.

(11.00 to 11.05 hrs.)

III. Kerala State Financial Enterprises Ltd., Trichur.

Spokesmen:

1. Shri K. Abdulkader, Chairman
2. Shri N. Ramachandran, Managing Director.

(11.10 to 11.40 hrs.)

IV. Kuri Foremen's Association, Trichur.

Spokesmen:

1. Shri T. R. Paul, President.
2. Shri K. A. Thomas, Director.
3. Shri T. G. John, Director.

(11.45 to 12.35 hrs.)

V. Shri C. M. Joseph, Ex-Municipal Chairman, Trichur.

(12.40 to 12.45 hrs.)

VI. Dr. K. M. K. Nayar,

"Binushma", Padmanagar, Fort P.O. Trivandrum-23.

(12.50 to 12.55 hrs.)

3. A verbatim record of evidence was kept.

4. The Committee reconsidered their earlier decision taken at the sitting held on the 30th May, 1981, and decided that the Committee should also visit Calcutta, Hyderabad, Bombay and Gujarat (including Ahmedabad) for the purpose of taking oral evidence from the interested parties some time in the first week of July, 1981.

5. The Committee also decided to extend the time for receiving memoranda on the Bill and requests for oral evidence upto 30th June, 1981.

6. The Committee authorised the Chairman to fix the date and time of their next round of sittings and other matters relating to formal sittings outside Delhi in consultation with the Minister of Finance and inform the Members accordingly.

7. The Committee placed on record their warm appreciation of the valuable assistance rendered to them by the Secretary, Kerala Legislative Assembly and officers of the Government of Kerala, Trivandrum in holding their sittings in 'Darbar Hall', Secretariat Buildings, Tirvandrum.

8. The Committee also placed on record their warm appreciation of the valuable assistance rendered to them by the officers and staff members of Income-tax Department and the Banks at Trivandrum, officers of the Ministry of Finance (Department of Economic Affairs—Banking Division) and the Information Officer, Press Information Bureau (Ministry of Information and Broadcasting), Trivandrum.

9. The Committee then adjourned.

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TENTH SITTING

The Committee sat on Thursday, the 2nd July, 1981 from 15.00 to 17.30 hours in Committee Room, Circuit House Annexe, Ahmedabad.

PRESENT

Shri Era Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri Krishna Kumar Goyal
5. Shri Ramjibhai Mavani
6. Shri Nityananda Misra
7. Shri T. R. Shamanna
8. Shri R. Venkataraman

SECRETARIAT

Shri S. D. Kaura—*Chief Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri V. P. Sawhney, *Joint Secretary (Banking)*
2. Shri R. Annaji Rao, *Cheif Officer, Reserve Bank of India, Calcutta*
3. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. Before the Committee proceeded to hear the oral evidence of the representatives of the following organisations, individuals, etc., the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:—

I. Gujarat Chamber of Commerce and Industry, Ahmedabad

Spokesmen:

1. Shri Dilip Parikh, Hony. Secretary,
2. Shri I. N. Kania, Secretary General.

(15.00 to 15.45 hours)

II. Shri Sheth Babubhai Brahmbhatt, President, Gujarat State Coal Merchants Association, 5 Raopura Society, Navrangpura, Ahmedabad.

(15.05 to 16.00 hours) ..

III. (1) Shri H. L. Dave,
17 Navyug Colony, Gitamandir Road, Ahmedabad.

(2) Shri Shok Ambalal Shah,
Ambalal Ice Cream & Restaurant,
Opp: Sports Club, Navrangpura, Ahmedabad.

- (3) Shri J. K. Agarwal,
137, Hathikhana, Ratanpole, Ahmedabad.
- (4) Shri Praful C. Trivedi,
286, Mamas' Pole, Doshiwada's Pole,
Kalupura, Ahmedabad-1.
- (5) Shri J. B. Barot,
Laxmipura, Opposite Vijay Mills,
Naroda Road, Ahmedabad-25.

16.05 to 16.15 hours)

- IV. (1) Shri Shantilal G. Nayak,
32, Hasmukh Colony,
Opposite Sanghania High School,
Naranpura, Ahmedabad.
- (2) Shri Lalchandji V. Najkani,
Raghukul Society, Shahi Bagh, Ahmedabad.
- (3) Shri B. N. Surajiwala,
1613, Dhods Pole, Astodia, Ahmedabad.
- (4) Shri S. A. Patel, 19, Bhavanipur Society
Nizampura, Baroda.
- (5) Shri M. K. Chandrashekhar, Datta Bhavan,
Nivrutti Colony, Kanchibaug, Baroda.

(16.20 to 17.00 hours)

- *V. Shri Chandrakant P. Zaveri,
Rajabahadur Mansion, 2nd Floor,
22, Apollo Street, Fort, Bombay.

(17.00 to 17.05 hours)

- VI. 1. Shri Charanjit Singh Bagga,
7, Appollo Park, Girdhar Nagar,
Shahi Baag, Ahmedabad.
- 2. Shri H. S. Jasani, Biren Textiles,
Gomtipur Kalidas Mills Co., Ahmedabad.
- 3. Shri K. D. Rana, Rakhiyal, Ahmedabad.

(17.10 to 17.25 hours)

2. A verbatim record of evidence was kept.

3. During the course of evidence the Committee were informed that the subscribers in various States had been cheated of their hard-earned money by the Chit Funds Companies by adopting dubious means and the subscribers were not being paid their prize money or dues back. The subscribers requested the Committee to do something to enable them to get their money back.

After considering the matter at some length, the Committee observed that the Union Finance Minister might be requested to address a general circular letter to all the Chief Ministers requesting them to get such complaints received by the Committee against Chit Funds Companies investigated with a view to take suitable penal action against the defaulters.

4. The Committee then adjourned to meet again at 10.00 hours on Friday, the 3rd July, 1981.

*As the witness wanted more time, he was, on his request permitted to come at Bombay on the 6th July, 1981.

ELEVENTH SITTING

The Committee sat on Friday, the 3rd July, 1981 from 10.00 to 12.30 hours in Committee Room, Circuit House Annex, Ahmedabad.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri R. Y. Ghorpade
5. Shri Krishna Kumar Goyal
6. Shri Ramjibhai Mavani
7. Shri Nityananda Misra
8. Shri T. R. Shamanna

SECRETARIAT

Shri S. D. Kaura—*Chief Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri V. P. Sawhney, *Joint Secretary (Banking)*
2. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
3. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. Before the Committee proceeded to hear the oral evidence of the following representative of the State Government and individuals, etc., the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha.

I. *Government of Gujarat, Ahmedabad.*

Spokesman:

Shri R. V. Chandramouli, *Secretary Home Department.*
(10.00 to 11.30 hours)

II. Shri Hiralal Gupta, *President, Ahmedabad City District Congress Committee (I), Ahmedabad.*
(11.30 to 12.00 hours)

III. Shri Kashyap Rawal, *Kalupur, Raja Mehta's Pole, Ahmedabad.*
(12.05 to 12.25 hours)

3. A verbatim record of evidence was kept.

4. The Committee decided that the representatives of the Reserve Bank of India should also be invited to give oral evidence on the provisions of the Bill before the Committee.

5. The Committee then placed on record their warm appreciation for the honour done to the Committee by the Chief Minister and his colleagues by hosting a dinner in their honour. The Committee also placed on record their appreciation for the valuable assistance rendered to them by the Secretary, Gujarat Legislative Assembly and the Government of Gujarat in holding their sittings in Committee Room, Circuit House Annexe, Ahmedabad and making available the services of the Reporters of the Gujarat Legislative Assembly.

Committee also placed on record their warm appreciation of the valuable assistance rendered to them by the officers of the Income-tax Department, the Customs and Central Excise and the officers of various Banks at Ahmedabad.

6. The Committee then adjourned to meet again at 15.00 hours on Saturday, the 4th July, 1981 in the Committee Room, Vidhan Bhavan (New Council Hall), Bombay.

TWELFTH SITTING

The Committee sat on Saturday, the 4th July, 1981 from 15.00 to 17.50 hours in Committee Room, New Council Hall, Bombay.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri R. Y. Ghorpade
4. Shri Krishna Kumar Goyal
5. Shri Ramjibhai Mavani
6. Shri Nityananda Misra
7. Shri T. R. Shamanna
8. Shri Shantaram Potdukhe
9. Shri Bheusaheb Thorat

SECRETARIAT

Shri S. D. Kaura—*Chief Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri V. P. Sawhney, *Joint Secretary (Banking)*
2. Shri C. W. Mirchandani, *Deputy Secretary (Banking).*
3. Shri K. C. Banerjee, *Executive Director, Reserve Bank of India.*
4. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India.*
5. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India.*

2. Before the Committee proceeded to hear the oral evidence of the representatives of the following organisations, individuals etc., the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in *Lok Sabha*—

I. Shri C. E. Ezhuthachan,
29/743, Nehru Nagar, Kurla (East), Bombay.
(1510 to 1530 hours)

II. Shri M. J. Pereira, Bombay
(1530 to 1540 hours)

III. *Maharashtra Chit Fund Foremen's Association, Nuruddin Chamber, D. R. Marg, Bombay.*

Spokesman:

Shri H. C. Subnani, Advocate.
(1540 to 1700 hours)

IV. (1) Dr. V. J. Ghatge, Fruitwala Building,
No. 2, Room No. 22, N. M. Joshi Marg, Bombay.

(2) Dr. V. M. Kathe, 133 Shivaji Nagar,
N. M. Joshi Marg, Bombay.

(3) Dr. M. G. Kathe, 133 Shivaji Nagar,
N. M. Joshi Marg, Bombay.

(4) Shri Nirmal Singh Anand,
A-34, Namit Ushma Nagar, Opp. Marve Road,
Malad West, Bombay.

(1700 to 1745 hours)

3. A verbatim record of evidence was kept.

4. The Committee then adjourned to meet again at 1100 hours on Monday,
the 6th July, 1981.

THIRTEENTH SITTING

The Committee sat on Monday, the 6th July, 1981 from 11.00 to 13.50 hours in Committee Room, New Council Hall, Bombay.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shi R. Y. Ghorpade
5. Prof. P. J. Kurien
6. Shri Ramjibhai Mavani
7. Shri Nityananda Misra
8. Shri Shri T. R. Shamanna
9. Shri Shantaram Potdukhe
10. Shri Bhausaheb Thorat.

SECRETARIAT

Shri S. D. Kaura—*Chief Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri C. W. Mirchandani, *Deputy Secretary (Banking)* .
2. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
3. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. Before the Committee proceeded to hear the Oral evidence of the following representatives of the State Government, individuals, etc., the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in *Lok Sabha*—

I. *Government of Maharashtra, Bombay*

Spokesmen:

1. Shri V. Prabhakar,
Special Secretary, Finance Department
2. Shri K. Padmanabhaiah,
Commissioner of Sales Tax
3. Shri W. G. Joshi,
Officer on Special Duty, Finance Department
(1130 to 1255 hours)

II. (1) Shri M. A. Patel, President, C/o Maharashtra Sudarshan Chits Subscribers Association (Regd.), Narshi Natha Street, Katha Bazar, Bombay.

(2) Shri R. Ramamurthi, Honorary Secretary, C/o Maharashtra Sudarshan Chits Subscribers Association (Regd.), Narshi Natha Street, Katha Bazar, Bombay.

(3) Shri Harcharan Singh Chadha, Member Managing Committee, C/o Maharashtra Sudarshan Chits Subscribers Association (Regd.), Narshi Natha Street, Katha Bazar, Bombay.

(4) Shri Nirmal Singh Anand, A-34 Namit Ushma Nagar, Malad (West), Bombay.

(1258 to 1320 hours)

III. Shri H. R. Gopalaswamy, Engineer & Advocate, Nakwadi T. J. Road, Sewri, Bombay.

(1325 to 1330 hours)

3. A verbatim record of evidence was kept.

4. The Committee then placed on record their warm appreciation for the honour done to the Committee by the Chief Minister of Maharashtra for sparing some time to meet the members of the Committee.

The Committee also placed on record their warm appreciation of the valuable assistance rendered to them by the Secretary, Maharashtra Legislature and the Government of Maharashtra, Bombay in holding their sittings in the Committee Room, Vidhan Bhavan (New Council Hall), Bombay.

5. The Committee also placed on record their warm appreciation of the valuable assistance rendered to them by the officers of the Income-tax Department, Customs and Central Excise, Sales Tax Department and the various Banks at Bombay.

6. The Committee then adjourned to meet again at 15.00 hours on Tuesday, the 7th July, 1981, in Committee Hall, Legislative Assembly Building, Hyderabad.

FOURTEENTH SITTING

The Committee sat on Tuesday, the 7th July, 1981 from 1500 to 18.10 hours in Committee Hall, Legislative Assembly Building, Hyderabad.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Prof. P. J. Kurien
4. Shri Ramjibhai Mavani
5. Shri Nityananda Misra
6. Shri T. R. Shamanna
7. Shri Shantaram Potdukhe
8. Shri Bhausaheb Thorat

SECRETARIAT

Shri S.D. Kaura—*Chief Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri C. W. Mirchandani, *Deputy Secretary (Banking).*
2. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
3. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. Before the Committee proceeded to hear the oral evidence of the representatives of the following organisations, individuals, etc., the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:—

I. *Andhra Pradesh Chit Subscribers Association, Hyderabad*

Spokesman:

Shri N. Sampat Kumar, *Secretary*

(1510 to 1545 hours)

II. *Andhra Pradesh Non-Corporate Chit Fund Foremen Association, Hyderabad.*

Spokesmen:

1. Shri K.S.R. Prasad, *Founder Member*

2. Shri A. Vijay Kumar

3. Shri M. Krishnamoorthy, *Srilekha Chit Funds, Bandimet, Secunderabad.*

4. Shri N. Venkatesan, Sri Srinavasa Chit Funds, Pan Bazar, Secunderabad.
 (15.50 to 16.40 hours).

III. Andhra Pradesh Federation of Chit Funds, Secunderabad.

Spokesmen:

1. Shri Suryaprakash Rao Boorugu
2. Shri K. Pullaiah Naidu
3. Shri T. M. Zakriyya Ali
4. Shri L. Rama Bhadraiah
5. Shri K. A. Sanyasiraju
6. Shri R. Narayana
7. Shri G. Gangiah
8. Shri G. Jagdishwar
9. Shri Gunda Venkateshwar Rao
10. Shri Lokula Kamliah
11. Shri M. Rameswamy
12. Shri M. Narsiah
13. Shri D. Chidambar Gupta
14. Shri M. A. Midikar

(1640 to 1733 hours)

IV. Prudential Cooperative Urban Bank Ltd., Secunderabad

Spokesmen:

1. Shrimati Saraswathi Guruswamy, President
2. Shri (Dr.) V. Ramdas, Director
3. Shri Burgu Suryaprakash Rao, Director
4. Shri L. C. Modi, Law & Development Officer.

(17.35 to 17.45 hours)

V. (1) Jupiter Chit Fund, Siddiambar Bazar Hyderabad.

Spokesmen:

1. Shri B. Malliah
2. Shri K. Vishwanatham

(2) Santosh Chit & Finance Corporation, Afzal Gunj, Hyderabad

Spokesmen:

1. Shri M. V. Subbaiah
2. Shri D. Chidambar Gupta

(1748 to 1755 hours)

**VI. Shri S. Srinivasan, Divisional Manager,
 Electronics Corporation of India (Ltd.), Hyderabad**

(1755 to 1805 hours)

3. A verbatim record of evidence was kept.

4. The Committee then adjourned to meet again at 10.00 hours on Wednesday, the 8th July, 1981 in Committee Hall, Legislative Assembly Building Hyderabad.

FIFTEENTH SITTING

The Committee sat on Wednesday, the 8th July, 1981 from 10.00 to 12.55 hours in Committee Hall, Legislative Assembly Building, Hyderabad.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Prof. P. J. Kurien
3. Shri Nityananda Misra
4. Shri T. R. Shamanna
5. Shri Shantaram Potdukhe
6. Shri Bhausaheb Thorat

SECRETARIAT

Shri S. D. Kaura—*Chief Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri C. W. Mirchandani, *Deputy Secretary (Banking).*
2. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
3. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. Before the Committee proceeded to hear the oral evidence of the following representatives of the State Govt., organisations, individuals etc., the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:—

I. Shri U. M. S. Kolluri, Kolluri & Co.,
Chartered Accountant, Adarsh Nagar, Hyderabad
(1005 to 1035 hours)

II. *Andhra Pradesh Chit Fund Foremen Association, Hyderabad*

Spokesmen:

1. Shri A. B. Mohana Rao,
2. Shri A. Krishnamurthy
3. Shri M. R. Kotindara Rao
4. Shri K. A. Sanjasiraju

(1039 to 1130 hours)

III. *Government of Andhra Pradesh, Hyderabad*

Spokesmen:

1. Shri Jayaker Jhonson ..
Secretary to Government of Andhra Pradesh,
Home Department.

2. Shri Gopal Reddy, Director of Chits, Andhra Pradesh.

(1130 to 1215 hours)

IV. 1. Shri V. M. C. Gupta, Abid Circle, Hyderabad

2. Shri N. Shivappa, Siddiambur Bazar, Hyderabad

3. Shri V. V. Gupta

4. Shri N. Buchariah

(1220 to 1230 hours)

V. *Ramakrishna Chit Fund, Secunderabad.*

Spokesmen:

1. Shri J. Ramarao

2. Shri D. Muttaiah

3. Shri V. Uppalaih

4. Shri K. A. Sanyasiraju

(1235 to 1250 hours)

3. A verbatim record of evidence was kept.

4. The Committee then placed on record their warm appreciation for the honour done to the Committee by the Chief Minister of Andhra Pradesh for sparing some time to meet the members of the Committee.

5. The Committee also placed on record their warm appreciation of the valuable assistance rendered to them by the Secretary, Andhra Pradesh Legislature and the Government of Andhra Pradesh in holding their sittings in the Committee Hall, Legislative Assembly Building, Hyderabad.

6. The Committee also placed on record their warm appreciation of the valuable assistance rendered to them by the officers of the Income-tax Department and various Banks at Hyderabad.

7. The Committee then adjourned to meet again at 10.00 hours on Thursday, the 9th July, 1981 in Council Chamber, Legislative Assembly Building Calcutta.

XVI

SIXTEENTH SITTING

The Committee sat on Thursday, the 9th July, 1981 from 10.30 to 12.30 hours in Council Chamber, Legislative Assembly Building, Calcutta.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri R. Y. Ghorpade
4. Prof. P. J. Kurien
5. Shri Nityananda Misra
6. Shri T. R. Shamanna
7. Shri Shantaram Potdukhe
8. Shri Bhausaheb Thorat

SECRETARIAT

Shri S. D. Kaura—*Chief Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri V. P. Sawhney, *Joint Secretary (Banking).*
2. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
3. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*
4. Shri D. Kamath, *Deputy Chief Officer, Reserve Bank of India, Calcutta.*

2. Before the Committee proceeded to hear the oral evidence of the representatives of the following organisations and individuals, the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:—

***I. Favourite Small Investment Karamchari Union, Calcutta.**

Spokesmen:

1. Shri Arun Banerjee—Working President
2. Shri Amit Maity—General Secretary
3. Shri G. P. Trivedi—Representative
4. Shri P. S. Basu—Representative

(1055 to 1115 hours)

*As the witnesses were not fully prepared, they, on their request, were permitted to come again on the 10th July, 1981.

- *II. 1. Shri Dev Sona Banerjee
- 2. Shri Jitendra Singh Boyed
- 3. Shri Bhaskar Mukherjee
- 4. Shri Tapan Kumar Dhar

(1115 to 1135 hours)

- *III. Shri Birendra Nath Roy,
Pargopal Nagar, Hoogly (W. B.)

(1145 to 1200 hours)

- 3. A verbatim record of evidence was kept.
- 4. The Committee then adjourned to meet again at 10.00 hours on Friday, the 10th July, 1981 in Council Chamber, Legislative Assembly Building, Calcutta.

*As the witnesses were not fully prepared, they, on their request, were permitted to come again on the 10th July, 1981.

XVII
SEVENTEENTH SITTING

The Committee sat on Friday, the 10th July, 1981 from 10.00 to 14.00 hours in Council Chamber, Legislative Assembly Building, Calcutta.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri R. Y. Ghorpade
4. Shri Krishna Kumar Goyal
5. Shri Nityannanda Misra
6. Shri T. R. Shamanna
7. Shri Shantaram Potdukhe

SECRETARIAT

Shri S. D. Kaura—*Chief Legislative Committee Officer.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri V. P. Sawhney, *Joint Secretary (Banking).*
2. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
3. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*
4. Shri D. Kamath, *Deputy Chief Officer, Reserve Bank of India, Calcutta.*

2. Before the Committee proceeded to hear the oral evidence of the representatives of the following organisations, State Government, individuals etc., the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:—

I. Shri S. K. Bhattacharyia,
Chartered Accountant, K. S. Roy Road, Calcutta.

(1007 to 1025 hours)

II. Shri B. K. Chatterjee,
Chairman & Managing Director,
United Commercial Bank, Calcutta
(10.25 to 11.35 hours)

III. Peerless General Finance and Investment Co. Ltd., Calcutta.

Spokesmen:

1. Shri B. K. Roy, Managing Director.
2. Shri M. R. Mukherjee, Director.

(1135 to 1200 hours)

IV. Government of West Bengal, Calcutta

Spokesman:

Shri M. G. Kutty,
Finance Secretary.

(1210 to 1245 hours)

V. Favourite Small Investment Karamchari Union, Calcutta. . .

Spokesmen:

1. Shri Arun Banerjee, Working President
2. Shri Amit Maity, General Secretary
3. Shri G. P. Trivedi, Representative
4. Shri P. S. Basu, Representative

(1250 to 1305 hours)

VI. (a) Shri Birendra Nath Roy,
Pargopal Nagar, Hooghly

(b) Shri S. V. Prabhakar Rao,
2A-Kabir Road, Calcutta.

(1305 to 1315 hours)

VII. Shri Ramakant Tripathi,
Managing Director,
Krishna Credit Company (P) Ltd.,
Calcutta.

(1315 to 1335 hours)

VIII. Favourite Small Investment Ltd., Calcutta

Spokesmen:

1. Shri D. S. Banerjee
2. Shri Jitendra Singh Boyed
3. Shri Kalyan Chatterjee
4. Shri Tapan Kumar Dhar
5. Shri Chinmoy Mitra
6. Shri Dipak Sengupta

(1335 to 1350 hours)

3. A verbatim record of evidence was kept.
4. The Committee decided tentatively to hold their next round of sittings on the 27th and 28th July, 1981 for the purpose of taking further oral evidence at New Delhi. The Committee further authorised the Chairman to consult the Minister of Finance before issuing the Notice for the sittings.
5. The Committee placed on record their warm appreciation of the valuable assistance rendered to them by the Secretary, West Bengal Legislative Assembly in holding their sittings in the Council Chamber of the Legislative Assembly Building, Calcutta and making available the services of the Assembly Reporters.
6. The Committee placed on record their warm appreciation of the valuable assistance rendered to them by the officers of the Income-Tax Department, Customs and Central Excise Department, various Banks at Calcutta and the officers of the Banking Division of the Ministry of Finance.
7. The Committee then adjourned.

XVIII

EIGHTEENTH SITTING

The Committee sat on Friday, the 31st July, 1981 from 11.00 to 13.00 hours in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Krishna Kumar Goyal
4. Shri P. K. Kodiyan
5. Prof. P. J. Kurien
6. Shri Nityananda Misra
7. Shri Bhola Raut
8. Shri Girdhari Lal Vyas
9. Shri R. Venkataraman

SECRETARIAT

1. Shri S. D. Kaura—*Chief Legislative Committee Officer.*
2. Shri S. S. Chawla—*Senior Legislative Committee Officer.*

LEGISLATIVE COUNSELS

1. Shri S. Ramaiah, *Joint Secretary and Legislative Counsel.*
2. Shri Y. P. Sud, *Assistant Legislative Counsel.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri C. W. Mirchandani, *Deputy Secretary.*
2. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
3. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. Before the Committee proceeded to hear the oral evidence of the following individual, representatives of the Association, etc., the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in *Lok Sabha*:

I. Shri D. D. Sayal,
Ram Nagar, New Delhi.

(11.00 to 11.35 hours)

II. *All India Chit Funds Association, Delhi**Spokesmen:*

1. Shri P. R. Mittal, Hon. General Secretary.
2. Shri Jagdish Rai
3. Shri Satish Datta
4. Shri T. S. Sivaramakrishnan

(11.36 to 13.30 hours)

3. A verbatim record of evidence was kept.
4. The Committee then adjourned to meet again at 11.00 hours on Saturday, the 1st August, 1981.

NINETEENTH SITTING

The Committee sat on Saturday, the 1st August, 1981 from 11.00 to 13.40 hours in Committee Room 'B', Parliament House Annex, New Delhi.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Krishna Kumar Goyal
4. Shri P. K. Kodiyan
5. Prof. P. J. Kurien
6. Shri Nityananda Misra
7. Shri Bhola Raut
8. Shri Girdhari Lal Vyas
9. Shri R. Venkataraman

SECRETARIAT

1. Shri S. D. Kaura—*Chief Legislative Committee Officer.*
2. Shri S. S. Chawla—*Senior Legislative Committee Officer.*

LEGISLATIVE COUNSELS

1. Shri S. Ramaiah, *Joint Secretary and Legislative Counsel.*
2. Shri Y. P. Sud, *Assistant Legislative Counsel.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri V. P. Sawhney, *Joint Secretary.*
2. Shri C. W. Mirchandani, *Deputy Secretary.*
3. Shri R. Annaji Rao, *Chief Officer, Reserve Bank of India, Calcutta.*
4. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. Before the Committee proceeded to hear the oral evidence of the following representatives of the Federation, Chit Companies and the individuals etc., the Chairman drew their attention to the provisions of Direction 58 of the Directions by the Speaker under the Rules of Procedure and Conduct of Business in Lok Sabha:—

I. All India Federation of Chit Funds, New Delhi.

Spokesmen:

1. Shri Surya Prakash Rao, Vice-President.
2. Shri Jagdish Rai, General Secretary.
3. Shri Manohar Lal, Treasurer.

4. Shri L. R. Bhadraiah, Secretary.
5. Shri Praveen Kumar, Member
6. Shri Ramaswamy, Member.
7. Shri P. R. Mittal, Member.
8. Shri Avtar Singh Ghai, Khanna (*Punjab*).

(11.20 to 12.35 hours)

- II. 1. Shri H. R. Nanda, Sarojini Nagar Market, New Delhi
2. Shri A. P. Ahuja, Sarojini Nagar Market, New Delhi.
3. Shri B. S. Padmanabhan, Special Correspondent, 'The Hindu', New Delhi.

(12.55 to 13.15 hours)

- III. M/s. Muthoot M. George Chits (India) Ltd., Faridabad.

Spokesman:

Shri M. G. George, Director.

(13.16 to 13.25 hours)

3. A verbatim record of evidence was kept.
4. The Committee reviewed their earlier decision regarding hearing of evidence of the representatives of the Reserve Bank of India on the provisions of the Bill and felt that since the Reserve Bank of India had no supervisory control over the Chit Fund companies, the evidence by the representatives of the Reserve Bank of India was not necessary and that they might not, therefore, be called.
5. The Committee then decided to hold their next series of sittings on the 11th and 13th August, 1981 daily from 10.00 to 13.00 hours for the purpose of holding general discussion on the provisions of the Bill with reference to the memoranda received by the Committee and the evidence tendered before the Committee.
6. The Committee also considered their future programme of work and felt that since they had still to consider various stages of the Bill, it would not be possible for them to complete their work and present the Report by the stipulated date, i.e. last day of the first week of the Sixth (next) Session i.e. 21st August, 1981. The Committee, therefore, decided to seek an extension of time for presentation of the Report upto the last day of the first week of the Winter Session (1981).
7. The Committee then adjourned.

TWENTIETH SITTING

The Committee sat on Tuesday, the 11th August, 1981 from 10.00 to 13.00 hours.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Krishna Kumar Goyal
4. Shri P. K. Kodiyan
5. Prof. P. J. Kurien
6. Shri Nityananda Misra
7. Shri Bhola Raut
8. Shri T. R. Shamanna
9. Shri Shantaram Potdukhe
10. Shri Bhausaheb Thorat
11. Shri Girdhari Lal Vyas
12. Shri R. Venkataraman

SECRETARIAT

1. Shri S. D. Kaura—*Chief Legislative Committee Officer.*
2. Shri S. S. Chawla—*Senior Legislative Committee Officer.*

LEGISLATIVE COUNSELS

1. Shri S. Ramaiah—*Joint Secretary and Legislative Counsel.*
2. Shri C. Raman Menon—*Additional Legislative Counsel.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. K. Kaul, Additional Secretary (Banking).
2. Shri V. P. Sawhney, Joint Secretary (Banking)
3. Shri C. W. Mirchandani, Deputy Secretary.
4. Shri R. Annaji Rao, Chief Officer,
Reserve Bank of India, Calcutta.
5. Shri B. N. Chikarmane, Deputy Chief Officer,
Reserve Bank of India, Bombay.

2. At the outset, the Committee held general discussion on the provisions contained in Chapters I and II—of the Chit Funds Bill, 1980 relating to formation of Chits with reference to the memoranda received and the evidence tendered before the Committee.

3. The Committee authorised the Chairman and, in his absence, Shri T. R. Shamanna, M.P. to move the motion seeking extension of time for presentation of the Report by the last day of the first week of the Winter Session, 1981 in Lok Sabha on Tuesday, the 18th August, 1981.

4. The Committee then adjourned to meet again at 10.00 hours on Thursday, the 13th August, 1981.

TWENTY-FIRST SITTING

The Committee sat on Thursday, the 13th August, 1981 from 10.00 to 13.00 hours.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri Krishna Kumar Goyal
5. Shri P. K. Kodiyan
6. Prof. P. J. Kurien
7. Shri Nityananda Misra
8. Shri T. R. Shamanna
9. Shri Shantaram Potdukhe
10. Shri Girdhari Lal Vyas

SECRETARIAT

1. Shri S. D. Kaura—*Chief Legislative Committee Officer.*
2. Shri S. S. Chawla—*Senior Legislative Committee Officer.*

LEGISLATIVE COUNSELS

1. Shri S. Ramaiah—*Joint Secretary and Legislative Counsel.*
2. Shri C. Raman Menon—*Additional Legislative Counsel.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. K. Kaul, Additional Secretary (Banking)
2. Shri V. P. Sawhney, Joint Secretary (Banking)
3. Shri C. W. Mirchandani, Deputy Secretary.
4. Shri R. Annaji Rao, Chief Officer, Reserve Bank of India, Calcutta
5. Shri B. N. Chikarmane, Deputy Chief Officer, Reserve Bank of India, Bombay.

2. At the outset, the Committee resumed further general discussion on the provisions contained in Chapter III onwards of the Chit Funds Bill, 1980 relating to running of chits with reference to the memoranda received and the evidence tendered before the Committee. The discussion was not concluded.
3. The Committee desired that the Ministry of Finance might be requested to supply copies of the Report of the Study Group on Non-Banking Companies (1975) (Raj Study Group), for their consideration.

The Committee then authorised the Chairman to fix the date and time of their next round of sittings in consultation with the Minister of Finance.

5. The Committee then adjourned.

TWENTY-SECOND SITTING

The Committee sat on Tuesday, the 3rd November, 1981 from 10.30 to 10.45 hours in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

2. Shri Rana Vir Singh
3. Shri Girdhari Lal Vyas
4. Shri R. Venkataraman

SECRETARIAT

Shri Ram Kishore—*Senior Legislative Committee Officer*

LEGISLATIVE COUNSELS

1. Shri S. Ramaiah, *Joint Secretary and Legislative Council.*
2. Shri G. P. Jain, *Additional Draftsman, Official Language Wing, Legislative Department.*
3. Shri D. Narayana Rao, *Attache, Legislative Department, Department of Legal Affairs.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. N. Malhotra, *Secretary, Department of Economic Affairs.*
2. Shri M. Ramakrishnayya, *Deputy Governor, Reserve Bank of India.*
3. Shri R. K. Kaul, *Additional Secretary (Banking).*
4. Shri V. P. Sawhney, *Joint Secretary (Banking).*
5. Shri C. W. Mirchandani, *Deputy Secretary (Banking).*
6. Shri K. S. Jaspal, *Chief Officer, Reserve Bank of India.*
7. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India.*

2. The Committee *adjourned for want of quorum.

*The Chairman in consultation with the Minister of Finance and other members present felt that the sitting scheduled to be held from 1500 hours might be cancelled.

TWENTY-THIRD SITTING

The Committee sat on Wednesday, the 4th November, 1981 from 10.30 to 13.00 hours and again from 15.00 to 18.00 hours in Committee Room "D", Parliament House Annexe, New Delhi.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri P. K. Kodiyan
5. Prof. P. J. Kurien
6. Shri Nityananda Misra
7. Shri Bhola Raut
8. Shri T. R. Shamanna
9. Shri Bausaheb Thorat
10. Shri Girdhari Lal Vyas
11. Shri R. Venkataraman

SECRETARIAT

Shri Ram Kishore—Senior Legislative Committee Officer.

LEGISLATIVE COUNSELS

1. Shri S. Ramaiah, *Joint Secretary and Legislative Counsel*.
2. Shri G. P. Jain, *Additional Draftsman, Official Languages Wing, Legislative Department*.
3. Shri D. Narayana Rao, *Attache Legislative Department, Department of Legislative Affairs*.

REPRESENTATIVES OF THE MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. N. Malhotra, *Secretary, Department of Economic Affairs*.
2. Shri M. Ramakrishnayya, *Deputy Governor, Reserve Bank of India*.
3. Shri R. K. Kaul, *Additional Secretary (Banking)*.
4. Shri V. P. Sawhney, *Joint Secretary (Banking)*.
5. Shri K. S. Jaspal, *Chief Officer, Reserve Bank of India*.
6. *Clause 6.*—The following amendments were accepted :—
 2. The Committee took up clause-by-clause consideration of the Bill.
 3. *Clause 2 and 3.*—These clauses were adopted without any amendment.

4. *Clause 4.*—The following amendment was accepted.

Page 3, Line 42,—

for "six months"

substitute "twelve months"

The clause, as amended, was adopted.

5. *Clause 5.*—The clause was adopted without any amendment.

6. *Clause 6.*—The following amendments were accepted:—

(i) Page 4, line 28,

(a) *for "the subscribers"*

substitute "each of the subscribers"

(b) *for "them"*

substitute "him"

(ii) Page 4, *for lines 34-35, substitute*

"(c) the number of instalments, the amount payable for each ticket at every instalment and the interest or penalty, if any, payable on any default in the payment of such instalments;"

(iii) Page 4, line 36,

for "the date of commencement"

substitute "the probable date of commencement"

The clause, as amended, was adopted.

7. *Clause 7.*—The following amendment was accepted:

Page 6, line 20,

after "under this Act"

add "and the registration of a chit shall lapse if the declaration by the foreman under sub-section (1) of section 9 is not filed within three months from the date of such endorsement or within such further period or periods not exceeding three months in the aggregate as the Registrar may, on application made to him in this behalf, allow"

The clause, as amended, was adopted.

8. *Clause 8.*—The following amendments were accepted:

(i) Page 6, line 39,

for "dividend"

substitute "dividend on its shares"

(ii) Page 6, line 40,

for "twenty"

substitute "ten"

The clause, as amended, was adopted.

9. *Clauses 9 and 10.*—These clauses were adopted without any amendment.

10. *Clause 11.*—The following amendments were accepted:

(i) Page 7, line 20,

for "11"

substitute "11(1)"

(ii) Page 7, *after line 23, add*

"(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."

The Clause, as amended, was adopted.

11. *Clause 12.*—The clause was adopted without any amendment.

12. The Committee rose at 13.00 hours and reassembled at 15.00 hours.

13. The Committee resumed further clause-by-clause consideration of the Bill.

14. *Clause 13.*—The following amendments were accepted:—

(i) Page 7, line 37,

for "ten thousand rupees"

substitute "twenty-five thousand rupees"

(ii) Page 7, line 43,

for "forty thousand rupees"

Substitute "rupees one lakh"

(iii) Page 7, line 44,

for "ten"

substitute "twenty-five"

(iv) Page 8, lines 2-3,

for "net assets"

substitute "net owned funds"

(v) Page 8, *for lines 4—8, substitute*

"Explanation.—For the purposes of this sub-section, 'net owned funds' shall mean the aggregate of the paid-up capital and free reserves as disclosed in the last audited balance sheet of the company as reduced by the amount of accumulated balance of loss, deferred revenue, expenditure and other intangible assets, if any, as disclosed in the said balance sheet."

The clause, as amended, was adopted.

15. *Clause 14.*—The following amendments were accepted:—

(i) Page 8, line 10,

after "such business"

insert, "other than commission or remuneration payable to such person or interest or penalty, if any, received from a defaulting subscriber,"

(ii) Page 8, line 26,

for "two years"

substitute "one year"

The clause, as amended, was adopted.

16. *Clause 15.*—The following amendments were accepted:—

(i) Page 8, *for lines 28—47, substitute*

"15. A chit agreement shall not be altered, added to or cancelled except with the consent in writing of the foreman and all the subscribers to the chit."

(ii) Page 9, *omit lines 1—17.*

The clause, as amended, was adopted.

17. *Clause 16.*—Consideration of this clause was held over.

18. *Clause 17.*—The clause was adopted without any amendment.

19. *Clause 18.*—The following amendment was accepted:—

Page 9, for "fourteen days" substitute "twentyone days"

The clause, as amended, was adopted.

20. *Clause 19.*—The following amendment was accepted:—

Page 10, line 3,

for "its"

substitute "his"

The clause, as amended, was adopted.

21. *Clause 20.*—The following amendment was accepted:—

Page 10, for line 17,

substitute "applying for a previous sanction under section 4,—"

The clause, as amended, was adopted.

22. *Clause 21.*—The following amendments were accepted:—

(i) Page 11, line 16,

after "in a chit"

add "without discount"

(ii) Page 11, *after line 19, add*

"(c) to interest and penalty, if any, payable on instalments paid after the due date and to such other amounts as may be payable to him under the provisions of the chit agreement;"

(iii) Page 11, lines 20, 22, 28 and 30,

for "(c), (d), (e) and (f)"

substitute "(d), (e), (f) and (g)" respectively.

((iv) Page 11, line 33,

for "(d)"

substitute "(e)"

The clause, as amended, was adopted.

23. *Clause 22.*—The following amendments were accepted:

(i) Page 12, lines 5 and 6

for "until the next succeeding draw"

substitute "until the date of the next succeeding instalment"

(ii) Page 12, after line 9, add

"Provided that where any prized subscriber does not collect the prize amount in respect of any instalment of a chit within a period of two months from the date of the draw, it shall be open to the foreman to hold another draw in respect of such instalment,

(iii) Page 12, line 16,

after "clause (b)"

insert "or clause (c)"

(iv) Page 12, line 27,

after "cash"

insert ",grain"

The clause, as amended, was adopted.

24. *Clause 23.*—The following amendment was accepted:—

Page 12, *for line 29, substitute*

"23. The foreman shall maintain in his registered office, or, as the case may be, in the place or the principal place of his business, or, where the foreman has any branch office, sub-office or any place of business for the conduct of chit business in a State other than the State in which his registered office or principal place of his business is situated, in such branch office, sub-office or place of business in respect of the business conducted in that State—"

The clause, as amended, was adopted.

25. *Clauses 24 and 25.*—These clauses were adopted without any amendment.

26. *Clause 26.*—The following amendment was accepted:—

Page 13, line 36,

after "section 20"

add "or section 31"

The clause, as amended, was adopted.

27. *Clause 27.*—The following amendment was accepted:—

Page 13, line 39,

after "subscription"

insert "due in respect of every instalment"

The clause, as amended, was adopted.

28. *Clauses 28 to 37.*—These clauses were adopted without any amendment.

29. *Clause 38.*—The following amendments were accepted:—

(i) Page 16, *omit lines 40—43.*

(ii) Page 15, line 44,

for "(5)"

substitute "(4)"

(iii) Page 16, *after line 47, insert*

"Explanation.—For the purposes of this section and section 39, 'special resolution' means a resolution which is passed at a meeting of the general body of the subscribers specially convened for the purpose, by a majority of not less than two-thirds of the subscribers to the chit present at the meeting in person or by proxy and representing not less than three-fourths of the amount or, as the case may be, the value of the grain, subscribed by all the non-prized and unpaid prized subscribed; if any.

The clause, as amended, was adopted.

30. The Committee then adjourned to meet again at 1100 hours on Thursday, the 5th November, 1981 to take up further clause-by-clause consideration of the Bill.

TWENTY-FOURTH SITTING

The Committee sat on Thursday, the 5th November, 1981 from 1100 to 1245 hours in Committee Room No. 62, Parliament House, New Delhi.

PRESENT

Shri Era. Anbarasu—Chairman

MEMBERS

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri P. K. Kodiyān
5. Shri Nityananda Misra
6. Shri Bhola Raut
7. Shri T. R. Shamanna
8. Shri Bhāusaheb Thorat
9. Shri Girdhari Lal Vyas
10. Shri R. Venkataraman

SECRETARIAT

Shri Ram Kishore—Senior Legislative Committee Officer.

LEGISLATIVE COUNSEL

1. Shri S. Ramaiah, Joint Secretary and Legislative Council.
2. Shri G. P. Jain, Additional Draftsman, Official Languages Wing, Legislative Department.
3. Shri D. Narayana Rao, Attache, Legislative Department, Department of Legal Affairs.

REPRESENTATIVES OF THE MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

1. Shri R. N. Malhotra, Secretary, Department of Economic Affairs.
2. Shri R. K. Kaul, Additional Secretary (Banking).
3. Shri V. P. Sawhney, Joint Secretary (Banking).
4. Shri C. W. Mirchandani, Deputy Secretary (Banking).
5. Shri K. S. Jaspal, Chief Officer, Reserve Bank of India.
6. Shri B. N. Chikarmane, Deputy Chief Officer, Reserve Bank of India.
2. The Committee resumed further clause-by-clause consideration of the Bill.
3. Clause 16—[Vide para 17 of the minutes dt. 4-11-81]—

The following amendments were accepted:—

- (i) Page 9, for lines 18—20, substitute

"16. (1) Every draw in a chit shall be held on the date, at the time and place mentioned in the Chit agreement and a notice therefor in such form and in such manner as may be prescribed shall be issued by the foreman to all the subscribers.

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

(ii) Page 9, line 21,
for "(2)"
substitute "(3)"

The clause, as amended, was adopted.

4. *Clause 39.*—The following amendment was accepted:—

Page 17, lines 9—11,

omit "passed at a meeting of the non-prized and unpaid prized subscribers held in that behalf in accordance with the provisions of section 38"

The clause, as amended, was adopted.

5. *Clause 40.*—The following amendment was accepted:—

Page 17, line 20,
after "subscribers"
insert "and the foreman"

The clause, as amended, was adopted.

6. *Clause 41.*—The clause was adopted without any amendment.

7. *Clause 42.*—The following amendments were accepted:—

(i) Page 17, line 39,
after "for"
insert "in this Act or"
(ii) Page 17, line 41,
for "received"
substitute "earned"
(iii) Page 17, line 46,
for "clause"
substitute "section"

The clause, as amended, was adopted.

8. *Clauses 43 to 53.*—These clauses were adopted without any amendment.

9. *Clause 54.*—The following amendment was accepted:—

Page 20, line 28,
after "chit assets"
insert "pertaining to such chit"

The clause, as amended, was adopted.

10. *Clauses 55 to 59.*—These clauses were adopted without any amendment.

11. *Clause 60.*—The following amendment was accepted:—

Page 21, line 22,
for "its dismissal"
substitute "such order"

The clause, as amended, was adopted.

12. *Clause 61.*—The clause was adopted subject to a provision being made for the periodical audit of the profit and loss account and the balance sheet of the foreman.

13. *Clauses 62 to 65.*—These clauses were adopted without any amendment.

14. *Clauses 66.*—The following amendment was accepted:—

Page 24, *omit lines 11-18.*

The clause, as amended, was adopted.

15. *Clauses 66 to 73.*—These clauses were adopted without any amendment.

16. *Clause 74.*—The following amendment was accepted:—

Page 26, line 33,
for "under section 31"
substitute "under section 20 or section 31"

The clause, as amended, was adopted.

17. *Clause 75.*—The following amendment was accepted:—

Page 27, line 10,
for "further time"
substitute "such further time"

The clause, as amended, was adopted.

18. *Clause 76.*—The clause was adopted without any amendment.

However, it was suggested that a provision providing for penalty for second and subsequent offences may be included in the Bill. The provision should provide only for the penalty of imprisonment.

19. *Clauses 77 to 89.*—These clauses were adopted without any amendment.

20. *The Schedule.*—The Schedule was adopted without any amendment.

21. *Clause 1.*—The following amendment was accepted:—

Page 1, line 5,
for "1980"
substitute "1981"

The clause, as amended, was adopted.

22. *Enacting Formula.*—The following amendment was accepted:—

Page 1, line 1,
for "Thirty-first"
substitute "Thirty-second"

The Enacting Formula, as amended, was adopted.

23. *Long Title*.—The Long Title was adopted without any amendment.

24. The Committee authorised the Legislative Counsel to correct the patent errors and to carry out amendments of verbal and consequential nature in the Bill.

25. The Committee then decided that oral evidence tendered before them need not be laid on the Table of the House.

26. The Committee also decided to hold their next sitting at 1500 hours on Wednesday, the 18th November, 1981 to consider and adopt their draft report.

27. The Chairman then drew the attention of the members to the provisions contained in Direction 87 of the Directions by the Speaker regarding Minutes of Dissent.

28. The Committee then adjourned.

TWENTY-FIFTH SITTING

The Committee sat on Wednesday, the 18th November, 1981 from 14.00 to 15.00 hours in Committee Room "D", Parliament House Annex, New Delhi.

PRESENT

Shri Era. Anbarasu—*Chairman*

MEMBERS

Lok Sabha

2. Dr. A. U. Azmi
3. Shri Maganbhai Barot
4. Shri R. Y. Ghorpade
5. Shri P. K. Kodiyan
6. Shri Nityananda Misra
7. Shri Bhola Raut
8. Shri T. R. Shamanna
9. Shri Shantaram Potdukhe
10. Shri Girdhari Lal Vyas
11. Shri R. Venkataraman

SECRETARIAT

Shri Ram Kishore—*Senior Legislative Committee Officer*

LEGISLATIVE COUNSEL

1. Shri S. Ramaiah, *Joint Secretary and Legislative Counsel.*
2. Shri C. Raman Menon, *Additional Legislative Counsel.*
3. Shri D. Narayana Rao, *Attache.*
4. Shri G. P. Jain, *Additional Draftsman.*

REPRESENTATIVES OF THE MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS—BANKING DIVISION)

- 1 Shri R. K. Kaul, *Additional Secretary (Banking).*
2. Shri C. W. Mirchandani, *Deputy Secretary (Banking).*
3. Shri K. S. Jaspal, *Chief Officer, Reserve Bank of India, Calcutta.*
4. Shri B. N. Chikarmane, *Deputy Chief Officer, Reserve Bank of India, Bombay.*

2. At the outset, the Legislative Counsel informed the Committee that clause 24 of the Bill already provided for periodical audit of the profit and loss account and the balance sheet of the foreman and hence there was no necessity to amend clause 661 of the Bill as desired by the Committee (*vide* para 12 of the minutes dated 5-11-1981).

3. The Committee then considered and adopted the Bill, as amended, subject to certain further amendments as shown in Annexure I.

4. The Committee also decided that the draft Report, as a consequence of further amendments to the Bill having been accepted, be amended accordingly.

The Committee also decided that the number of witnesses who appeared before the Committee might be indicated in the Report.

5. The Committee then considered and adopted the draft Report subject to certain modifications as per Annexure II.

6. The Chairman announced that the Minutes of Dissent, if any, may be sent to the Lok Sabha Secretariat by 1300 hours on Saturday, the 21st November, 1981.

7. The Committee authorised the Chairman and, in his absence, Shri T. R. Shamaana to present the Report to Lok Sabha on the 25th November, 1981.

8. The Committee placed on record their appreciation for the assistance rendered by the Minister of Finance (Shri R. Venkataraman) and the Deputy Minister of Finance (Shri Maganbhai Barot) during the course of their deliberations.

9. The Committee also placed on record their appreciation for the cooperation and assistance rendered by the Legislative Counsels, Officers of the Ministry of Finance and the Reserve Bank of India.

10. The Committee also placed on record their appreciation and thanks to the officers and staff of Lok Sabha Secretariat for the diligent help and valuable assistance rendered to the Committee in all matters.

11. The Chairman, while associating himself in thanking the above-mentioned officers, also thanked the Members of the Committee for extending their full cooperation to him in conducting the proceedings of the Committee in most congenial atmosphere.

12. The Minister of Finance (Shri R. Venkataraman), while associating himself with the views expressed by the Chairman, also appreciated the work done by the Committee.

13. The Members of the Committee also placed on record their high appreciation and thanks to the Chairman (Shri Era. Anbarasu) for very ably and impartially conducting the proceedings of the Committee and guiding their deliberations at various stages of the Bill.

14. The Committee then adjourned.

ANNEXURE I

SELECT COMMITTEE ON THE CHIT FUNDS BILL, 1980

AMENDMENTS TO THE CHIT FUNDS BILL, 1980, AS AMENDED

(vide para 3 of the minutes dt. 18-11-81)

(i) Clause 13.—

for the existing clause, substitute—

"13. (1) No foreman, other than a firm or other association of individuals or a company *or cooperative society* shall commence or conduct chits, the aggregate chit amount of which at any time exceeds twenty-five thousand rupees.

(2) where the foreman is a firm or other association of individuals, the aggregate chit amount of the chits conducted by the firm or other association shall not at any time exceed,—

- (a) where the number of partners of the firm or the individuals constituting the association is not less than four, a sum of *rupees one lakh*;
- (b) in any other case, a sum calculated on the basis of *twenty-five thousand rupees* with respect to each such partner or individual.

(3) Where the foreman is a company *or cooperative society*, the aggregate chit amount of the chits conducted by it shall not at any time exceed ten times the *net owned funds* of the company or the co-operative society, as the case may be.

*Explanation.—*For the purposes of this sub-section, "net owned funds" shall mean the aggregate of the paid-up capital and free reserves as disclosed in the last audited balance sheet of the company *or cooperative society*, as reduced by the amount of accumulated balance of loss, deferred revenue, expenditure and other intangible assets, if any, as disclosed in the said balance sheet."

(ii) Clause 22.—

for sub-clause (2), substitute—

"(2) If, owing to the default of the prized subscriber, the prize amount due in respect of any draw remains unpaid *until the date of the next succeeding instalment*, the foreman shall deposit the prize amount forthwith *in a separate account* in an approved bank mentioned in the chit agreement and intimate in writing the fact of such deposit and the reasons therefor to the prized subscriber and the Registrar:

Provided that where any prized subscriber does not collect the prize amount in respect of any instalment of a chit within a period of two months from the date of the draw, it shall be open to the foreman to hold another draw in respect of such instalment."

(iii) Clause 77.—

for the existing clause, substitute—

"77. If any person convicted of an offence under this Act is again convicted of an offence under this Act, he shall be punishable for the second and for every subsequent offence with imprisonment for a term which may extend to two years *and shall also be liable to fine*."

ANNEXURE II

SELECT COMMITTEE ON THE CHIT FUNDS BILL, 1980

MODIFICATIONS TO THE DRAFT REPORT AS ADOPTED BY THE COMMITTEE
(*vide* para 5 of the minutes)

(i) Page (ix), para 8, *add* a new sub-para
"In all 101 witnesses appeared before the Committee for giving oral evidence."

(ii) Page (xvii), at the end of line 7, *add*
"The Committee also feel that the ceiling applicable to companies should be made applicable to Cooperative Societies also."

(iii) Page (xviii), *for* para 21, *substitute*
"21. *Clause 15.*—The Committee are of the opinion that permitting the subscribers unilaterally without the consent of the foreman to alter the chit agreement by a special resolution could be unfair to the foreman and could be used to defeat the interest of the minority of members. The Committee are of the view that since the foreman and all the members are parties to the agreement, the chit agreement should not be altered without the consent of all the above-said persons. This clause has, therefore, been substituted by a new clause to provide that a chit agreement shall not be altered, added to or cancelled except with the consent in writing of the foreman and all the subscribers to the chit."

(iv) Page (xxii), line 15,
after "instalment"
add "in a separate account in an approved bank."

(v) Page (xxvi), line 7 of para 39,
for "only"
substitute "and fine"