

THE CHIT FUNDS ACT, 1982

Act no. 40 of 1982

Received the assent of the President on **19-08-1982**

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States and the date on which the provisions of this Act came into force

1.Karnataka	- 02-01-1984
2.West Bengal	- 02-04-1984
3.Tamilnadu	- 13-04-1984
4.Himachal Pradesh	- 01-11-1984
5.Sikkim	- 06-11-1984
6.Orissa	- 01-09-1985
7.Madhya Pradesh	- 01-07-1986
8.Bihar	- 02-10-1987
9.Meghalaya	- 02-01-1988
10.Uttar Pradesh	- 01-02-1988
11.Rajasthan	- 01-07-1989
12.Assam	- 01-03-1990
13.Manipur	- 01-11-1994
14.Tripura	- 01-03-1995

Union Territories and the date on which the provisions of this Act came into force

1.Chandigargh	- 01-05-1984
2.Dadra and Nagar Haveli	- 03-09-1984
3.Andaman and Nicobar Islands	- 01-07-1985
4.Goa, Daman and Diu	- 01-01-1986
5.Pondichery	- 01-11-1986

There are 13 chapters and 90 sections in CFA 1982

1. Chit Funds Act, 1982. enacted by Parliament in the Thirty-third Year of the Republic of India

2. "approved bank" means the State Bank of India constituted under section 3 of the State Bank of India Act, 1955 (23 of 1955)

3. "chit" means a transaction whether called chit, chit fund, chitty, kuri or by any other name by or under which a person enters into an agreement with a specified number of persons that every 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 installments over a definite period and that each such subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be specified in the chit agreement, be entitled to the prize amount

4. "chit agreement" means the document containing the articles of agreement between the foreman and the subscribers relating to the chit

5. "chit amount" means the sum-total of the subscriptions payable by all the subscribers for any installment of a chit without any deduction of discount or otherwise;

6. "defaulting subscriber" means a subscriber who has defaulted in the payment of subscriptions due in accordance with the terms of the chit agreement

7. "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

8. "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 installment of the chit

9. "draw" means the manner specified in the chit agreement for the purpose of ascertaining the prized subscriber of any installment of the chit

10.) "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 chit and includes any person discharging the functions of the foreman under section 39;

11. "non-prized subscriber" does not include a defaulting subscriber

12. "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, and value of the prize amount shall be the value at the time when it becomes payable

13. "**prized subscriber**" means a subscriber who has either received or it entitled to receive the prize amount

14. "**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

15. "**Reserve Bank**" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934)

16. "**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

17. "**subscriber**" includes a person who hold a fraction of a ticket and also a transferee of a ticket or fraction thereof by assignment in writing or by operation of law

18. "**ticket**" means the share of a subscriber in a chit.

19. Not chit shall be commenced or conducted without obtaining the previous sanction of the **State Government**

20. Any person aggrieved by the refusal to issue previous sanction by a 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.

21. 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.

22. The duration of a chit shall not extend beyond a period of **five years** from the date of its commencement as per CFA 1982

23. **State Government** may permit the duration of a chit up to a period of **ten years**

24. 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 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.

25. A company shall not commence or carry on chit business unless it has a paid-up capital of not less than **rupees one lakh**.

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

27. A foreman shall, within **fifteen days** after the close of the month in which the draw for the first installment of the chit is held, file with the Registrar, a certificate to the effect that the provisions of sub-section (1) (furnish to every subscriber, a copy of the chit agreement) have been complied with.

28. Any person not carrying on chit business is using any such words "chit fund", "chitty" or "Kuri" 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:

29. Except with the general or special permission of the **State Government**, no company carrying on chit business shall conduct any other business

30. No foreman, other than a firm or other association of individuals of a company or co-operative society, shall commence or conduct chits, the aggregate chit amount of which at any time exceeds **twenty-five thousand rupees**

31. Where the foreman is a company or co-operative 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

32. "**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 co-operative 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.

33. 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.

34. Every draw in a chit shall be conducted in accordance with the provisions of the chit agreement and in the presence of not less than **two subscribers**.

35. 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

36. For the proper conduct of the chit, every foreman shall, before applying for a previous sanction under section 4, deposit in an approved bank an amount equal to the chit amount in **the name of the Registrar**

37. The foreman shall be entitled 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

38. The prize 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 installment, whichever is earlier:

39. 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 installment.

40. Without prejudice to the provisions of the Companies act, 1956 (1 of 1956.), every foreman shall prepare and file with the Registrar, 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 the forms set out in Parts I and II of the Schedule

41. No foreman, 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.

42. 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

43. 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 deductions as may be provided for in the chit agreement.

44. 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.

45. 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 days from the date of making such entry.

46. The foreman shall convene a special meeting meeting on the requisition in writing of not less than twenty-five per cent of the number of non-prized and unpaid prized subscribers

47. The meeting so convened shall be held within thirty days of the date of receipt of the requisition

48. 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.

49. "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

50. A chit shall be deemed to have terminated, 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

51. 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:

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

53. 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 account pass book balance sheet and profit and loss accounts and such other records as may show the actual financial position of the chit.

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

55. Without prejudice to the provisions of sections 209 and 209A of the Companies Act, 1956 (1 of 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

56. The Registrar or an officer authorised by the State Government 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

57. 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 1934).

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

59. 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 (5 of 1998)

60. 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.

61. 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.

62.) There shall be paid to the Registrar such fees as the State Government may, from time to time prescribe, for

(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;

(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

(h) such other matters as may appear necessary to the State Government

63. 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.

64. Any foreman aggrieved by the decision of the Registrar within thirty days of the communication to him of such decision, appeal to the State Government.

65. The Registrar may allow the foreman further time not exceeding fifteen days to file copies of such documents.

66. Whoever contravenes or wilfully makes a statement in any document required to be filed which is false under any of the provisions of sections or sub sections of CFA 1982 shall be punishable with imprisonment for a term of two years or with fine of five thousand rupees or both.

67. Whoever contravenes or fails to comply with any of the requirements under CFA 1982 shall be punishable with fine of three thousand rupees.

68.The State Government may in consultation with the Reserve Bank by notification in the official Gazette make rules for giving effect to the provisions under CFA 1982.

69.No court inferior to that of a Metropolitan Magistrate or a Judicial Magistrate of the first class shall try an offence punishable under CFA 1982.

70.The Registrar and all officers appointed by the State Government to perform any functions under CFA 1982 shall be deemed to be the public servants within the meaning of section 21 of the Indian Penal Code.

THE CHIT FUNDS (AMENDMENT) ACT 2001

(ACT NO 10 OF 2001)

Chit Funds (Amendment) Act, 2001 enacted by Parliament in the fifty secondYear of the Republic of India

Received the assent of the President on --- **09-05-2001**

Published in the Gazette of India on ---- **09-05-2001**

Amendment of Section 1

This Act may be called the Chit Funds (Amendment) Act, 2001

Commencement of this Act come into force on States and Union territories on ----- **01-10-2001**

Amendment of Section 6

In sub-section 3 of CFA 1982, for the words thirty per cent, forty per cent shall be substituted

Amendment of Section 13

a) In sub-section 1 of CFA 1982, for the words Twenty five thousand rupees, rupees One lakh shall be substituted

b) In sub-section 2 (a) for the words one lakh, Six lakhs shall be substituted

(b) for the words Twenty five thousand rupees, rupees One lakh shall
be substituted

Amendment of Section 20

In sub-section 1 (a) of CFA 1982, deposit in the name of Registrar an amount equal to:-

fifty per cent of the chit amount in cash in an approved bank and
fifty per cent of the chit amount in the form of bank guarantee from an _____
approved bank

By G Gopakumar

Manager, KSFE Statue Evening Branch

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