

THE CHIT FUND ACT, 1982

CHAPTER I ---PRELIMINARY

Section 1. Short title , extent and commencement

Sub section 1) This Act may called the Chit Funds Act, 1982.

Subsection 2) It extends to the whole of India Except the state of Jammu and Kashmir.

Subsection 3) 3) It shall come into force on such dates in the Official Gazette Notification by the Central Government for diffeerent States and Union Territories.

Section 2. Definitions

- | | |
|--------------------------|--------------------------|
| a) Approved Bank | b) Chit |
| c) Chit agreement | d) Chit amount |
| e) Chit business | f) Defaulting subscriber |
| g) Discount | h) Dividend |
| i) Draw | j) Foreman |
| k) Non-prized subscriber | l) prescribed |
| m) Prize amount | n) Prized subscriber |
| o) Registrtar | p) Reserve Bank |
| q) State Government | r) Subscriber |
| s) Ticket | |

Section 3-----Act to override other laws, memorandum, articles, etc

CHAPTER II ---- REGISTRATION OF CHITS, COMMENCEMENT AND CONDUCT OF CHIT BUJSINESS

Section 4. Prohibition of chits not sanctioned or registered under the Act.

Sub section 1) No chit shall be commenced or conducted without obtaining the previous sanction of the State Government.

Duration of Previous sanction

As per CFA 1982-----12 months from the date of such sanction

With State Government Approval-----Further period of 6 months

Total 18 months

Sub section 2) Application for obtaining previous sanction in Form no. I

Sub section 3) Refusal of previous sanction on following grounds-

- a) If the foreman convicted any of the offence under CFA 1982 or any other chit related business and sentenced to imprisonment
- b) Defaulted in the payment of fees or filing of statements or records
- c) Sentenced to imprisonment for any of the offences including moral turpitude unless a period of five years has elapsed since his release.
- d) Violation of any provisions of this CFA 1982.

Sub section 4) The refusal order of the State Government shall be final

Sub section 5) Appeal against such refusal to the State Government within 30 days of the date of communication to him

Section 5.----Prohibition of invitation for subscriptionsExcept under certain conditions.

For inviting the public to subscribe for tickets in any chit through notice, circulars, prospectus,boards, banners etc. need

- a) previous sanction order
- b) particulars of such sanction

Section 6--- Form of chit agreement.

Sub section 1) Every chit agreement shall be in duplicate signed by

- a) Each subscriber or any person authorised by him in writing
- b) The foreman
- c) Two witnesses
- d) Assistant Registrar of Chits (after registration)

Sub section 2) Duration of a chit shall not extend

- a) As per CFA 1982 -----5 years
- b) With State Government permission-----10 years

KSFE is permitted to conduct chitties having duration of which extends upto 10 years.

Sub section 3) The amount of discount shall not exceed 30% of the chit amount.

Sub section 4) The prized subscriber at any installment to be determined by auction and if more than one person offer maximum discount, shall be determined by lot.

Section 7----- Filing of chit agreement.

Sub section 1) Every chit agreement shall be filed in duplicate by the foreman with the Registrar

Sub section 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.

Refuse to give endorsement of registration by Registrar on following grounds.

- a) Security offered by the foreman under section 20 is insufficient.
- b) If the foreman convicted any of the offence under CFA 1982 or any other chit related business and sentenced to imprisonment
- c) Defaulted in the payment of fees or filing of statements or records
- d) Sentenced to imprisonment for any of the offences including moral turpitude unless a period of five years has elapsed since his release.

Subsection 3) Every endorsement of registration of a chit shall lapse if the declaration by the foreman under section 9(subsection 1) is not filed within

- a) 3 months from the date of such endorsement or
- b) further period of 3 months with State Government approval

Total 6 months.

Section 8-----Minimum capital requirements for the commencement and creation of reserve fund by a company.

Subsection 1) Subject to the provisions of The Companies Act, 1956, A company shall not commence or carry out chit business unless it has a paid- up capital of not less than rupees one lakh.

Subsection 2) If not rupees one lakh on the date of commencement of this Act, increase its paid up

capital not less than rupees one lakh within

- a) 3 years as per CFA 1982
- b) further 2 years with State Government approval

Total 5 years.

Subsection 3) Every company carrying on chit business shall create and maintain a reserve fund a sum equal to 10% of profit furnished in the P & L account.

Subsection 4) No company shall appropriate any sum from the reserve fund without the prior approval of Registrar.

Section 9-----Commencement of chit.

Subsection 1) Every foreman shall file a declaration with the Registrar regarding the tickets are fully subscribed.

Subsection 2) The Registrar grant a certificate of commencement to the foreman.

Subsection 3) No foreman shall commence any auction or draw of any chit unless a certificate of commencement is obtained by him.

Section 10-----Copies of chit agreement to be given to subscribers.

Subsection 1) A foreman shall furnish to every subscriber, a copy of the chit agreement not later the first draw of the chit.

Subsection 2) A foreman shall within 15 days after the close of the month in which the draw for the first installment of the chit, file a certificate with the Registrar regarding subsection 1.

Section 11-----Use of words chit, chit fund, chitty of kuri.

Subsection 1) No persons other than a person carrying on chit business shall use such words.

Subsection 2) For adding or deleting such words as the part of his name he shall get the duration

- a) of one year as per CFA 1982
- b) further period of one year with the State Government approval.

Total 2 years.

Section 12---- Prohibition of transacting business other than chit business by a company.

Subsection 1) No company carrying on chit business shall conduct any other business without the general / special permission of the State Government.

Subsection 2) Duration to wind up such business.

- a) 3 years from commencement of CFA, 1982
- b) further period of 2 years with State Government approval

Total 5 years

Section 13-----Aggregate amount of chits.

Subsection 1) No foreman shall commence or conduct chits having aggregate amount of Rs. 1 lakh

Subsection 2) Limit of aggregate chit amount that can be commenced or conducted by a foreman

Foreman (No. of individuals)	Aggregate chit amount(in lakhs)
1	1
2	2
3	3
4 persons and above (firm)	6

Subsection 3)

**company/ co-operative society
(Net Owned Funds) 10x NOA**

Section 14-----Utilisation of funds.

Subsection 1) Money's collected from the subscribers should be used for the following purposes

- a) For carrying on chit business
- b) For giving loans and advances to non prized subscribers
- c) For investing in trustee securities(as per section 20 of Indian Trust Act, 1882)
- d) For making deposits with approved banks.

Subsection 2) Utilisation of money's for other purpose before the commencement of CFA 1982

- a) secure such money's within 3 years from the date of commencement of this Act
- b) extention of further period of 1 year as per State Government approval.

Total 4 years.

Section 15---Alteration of chit agreement.

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

Section 16----Date, time and place of conducting chits.

Subsection 1) Every draw in a chit shall be held on the date, time and place mentioned in the chit agreement.

Subsection 2) Minimum subscribers needed to conduct the draw of the chit is 2.

Subsection 3) If not 2 numbers, the draw shall be conducted in Registrar's presence or any persons deputed by him.

Section 17-----Minutes of proceedings.

Subsection 1) The minutes of the proceedings of every draw shall be signed by

- a) The foreman
- b) The prized subscribers/their authorised agents
- c) At least two other subscribers present
- d) The Registrar or any person deputed by him.

Subsection 2) Contents of minutes.

Section 18-----Copies of minutes to be filed with Registrar

True copy of the minutes certified by the foreman shall be filed within 21 days from the date of draw.

Section 19----Restriction of opening of new place and business

Subsection 1) No person carrying on chit business shall open a new place of business without obtaining the prior approval of the Registrar.

Subsection 2) Before granting approval, the Registrar shall consult the Registrar of State.

Subsection 3) A person carrying on chit business open a new place of business in a State other than the State in which registered office is situated, the Registrar of new state perform the powers and functions of the Registrar of State of origin.

Subsection 4) Place of business include Branch office, sub office or any place of business conducted by such person.

CHAPTER III---RIGHTS AND DUTIES OF FOREMAN

Section 20---- Security to be given by foreman.

Subsection 1) For proper conduct of a chit, every foreman shall

- a) Deposit in an approved bank in the name of Registrar an amount equal to 50% of chit amount in cash and 50% of chit amount as Bank Guarantee or
- b) Government securities having face value not less than 1.5 times the chit amount
- c) Trustee ship securities under section 20 of Indian Trust Act, 1882 having face value not less than 1.5 times the chit amount.

Subsection 2) If foreman conducts more than one chit, shall furnish security for each chit.

Subsection 3) The Registrar may permit the substitution of security having the same face value or market value offered as per subsection 1.

Subsection 4) The security or substituted security shall not be attached in execution of a decree until the chit is terminated and the claims of all the subscribers are fully satisfied.

Subsection 5) Where the chit is terminated and the claims of all the subscribers are fully subscribed, the Registrar shall order the release of security or substituted security furnished by the foreman.

Subsection 6) Any thing contrary to the above, shall be null and void.

Section 21----Rights of foreman (7 rights)

Subsection 1) The foreman shall be entitled to

- a) the first installment of the chit without any deduction
- b) 5% of the chit amount by way of commission, remuneration and for other expenses to run a chit.
- c) interest and penalty payable on any default in the payment of installments.
- d) receive all subscriptions from all subscribers and to distribute the prize amounts to the prized subscribers
- e) demand sufficient security from the prized subscribers for the due payment of subscriptions payable by him

Property security- 1.5 times the future subscriptions

Other securities -- 1.3 times the future subscriptions

f) Substitute subscribers in place of defaulting subscribers

g) do all other acts may be necessary for the proper conduct of chit.

Subsection 2) Any disputes regarding the value of the property security, shall be referred to the Registrar for arbitration under section 64.

Section 22-----Duties of foreman (6 duties)

Subsection 1) On furnishing the sufficient security by the prized subscriber, the foreman shall bound to pay the prize amount

If a subscriber opts to avail the prize amount after deduction of future subscriptions of chit

a) payment should be made within 7 days after the date of draw or before the date of next succeeding installment whichever is earlier

b) Amount so deducted shall be deposited in the approved bank and shall not withdraw such amount except for the payment of future subscriptions.

Subsection 2) If the prize amount unpaid until the date of next succeeding installment, the foreman shall deposit the prize amount in a separate account in an approved bank and intimate in writing to the prized subscriber and the Registrar.

If a prized subscriber does not draw the prize amount within 2 months from the date of draw, foreman may conduct another draw in respect of such installment.

Subsection 3) Every payment of the prize amount or amount of future subscriptions and the details of deposit in separate bank account shall be intimate to the subscribers and entered in the minutes of the proceedings of the next draw.

Subsection 4) The foreman shall not appropriate any amount to himself against what is stated in the chit agreement

Subsection 5) The foreman shall not admit any person as a subscriber to a chit in which the total number of tickets mentioned in the chit agreement is increased

Subsection 6) The foreman shall distribute among the subscribers the dividend either in cash, grain or by the way of adjustment towards the subscriptions payable for the next installment.

Section 23---Books, records to be kept by the foreman

Section 24----Balance sheet

I. As per Rule 30 (1) KCFR, 2012

Part I---Form of Balance sheet

Part II---Form of profit and loss account

Shall be filed within a period of 3 months from the expiry of each financial year

Filing fee---Rs. 1000/- per year.

II. Individual chit group as per Rule 30 (1) KCFR, 2012

Shall be filed in form no XXVIII within a period of 2 months from the termination of chit when the duration of the chit does not exceed 1 year

If the duration exceeds 1 year, on expiry of every 12 months and also on the termination of chit.

Filing fee----- If the chit amount upto 5000	25
>5000---15000	60
>15000---25000	120
>25000---50000	200
>50000---1 lakh	500
>1 lakh	1000

Section 25-----Liability of foreman to subscribers

Subsection 1) Every foreman shall be liable to account to the subscribers for the amount due to them

Subsection 2) If more than one foreman, a firm or association of individuals each one of them jointly or severally and if the foreman is a company, the company as such shall be liable as per Subsection 1.

Section 26-----Withdrawal of foreman

Subsection 1) No foreman shall withdraw from the chit until its termination unless such withdrawal is assented to writing by all the non prized and unpaid prized subscribers and a copy of such assent has been filed with registrar.

Subsection 2) Such withdrawal shall not affect the security given by him under section 20 and section 31.

CHAPTER IV---RIGHTS AND DUTIES OF NON PRIZED SUBSCRIBERS

Section 27---Non prized subscribers to pay subscriptions and obtain receipts.

Section 28---Removal of defaulting subscribers

Subsection 1) A non prized who defaults in paying his subscription shall be liable to remove from the list of subscribers and written notice of removal shall be given by the foreman to the defaulting subscriber within 14 days of date of removal

If the defaulter pays the defaulted instalment with interest within 7 days of the date of receipt of such notice, his name shall be re-entered in the list of subscribers.

Subsection 2) Every such removal shall with date be entered in the relevant book maintained by the foreman

Subsection 3) A true copy of the entry shall be filed by the foreman with Registrar within 14 days from the date of removal

Subsection 4) Any defaulting subscriber aggrieved by such removal within 7 days of the date of receipt of the notice of removal refer the matter to the Registrar for arbitration under section 64.

Section 29--- Substitution of subscribers

Subsection 1) A foreman may substitute any person in the place of defaulting subscriber.

Subsection 2) Every sustitution shall with date be entered in the relevant book maintained by the foreman and true copy of such entry shall be filed by the foreman with the Registrar within 14 days from the date of substitution.

Section 30---- Amounts due to defaulting subscribers

Subsection 1) Amount due to the removed subscriber and amount realised from the substituted subscriber to be deposited in a seperate account in an approved bank before the date of next succeeding installment.

Subsection 2) The amount so deposited shall be paid to the defaulting subscriber as and when he claims.

Subsection 3) The contributions of any defaulting subscriber who has not been substituted till the termination of chit, shall be paid to him within 15 days from the date of termination of the chit.

CHAPTER V----RIGHTS AND DUTIES OF PRIZED SUBSCRIBERS

Section 31--Prized subscriber to furnish security

Every prized subscriber shall furnish suffricient security for the due payment of all future subscriptions.

If the foreman is a prized subscriber, he shall give security for the due payment of all the future subscriptions to the satisfaction of Registrar.

Section 32--Prized subscriber to pay subscriptions regularly.

Every prized subscriber shall pay his subscription regularly on the date and the place mentioned in the chit agreement.

If he fail to do so, he shall be liable to make a consolidated payment of all the future subscriptions.

Section 33-- Foreman to demand future subscriptions by written notice

Subsection 1) A foreman shall not entitled to claim a consolidated payment from a defaulting prized subscriber unless he makes a demand in writing.

Subsection 2) Where a dispute is raised under subsection 1, the Registrar or his nominee hearing the dispute shall make an order directing the subscriber to pay the foreman the future subscriptions on or before the dates on which they falls due with interests and cost of adjudication of the dispute.

Provided that if any such dispute is on a promissory note, no order shall be passed.

Subsection 3) Any person who holds any interest in the property furnished as security, shall be entitled to make the payment under subsection2.

Subsection 4) All consolidated payment of future subscriptions realised by the foreman shall be deposited in an approved bank before the date of next succeeding installment and the amount so deposited shall not withdrawn for the payment of future subscriptions.

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

CHAPTER VI---TRANSFERS

Section 34----Restrictions on transfer of rights of foreman

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

Subsection 2) Any such transfer shall defeats or delay the interests of non prized and unpaid subscribers, be avoidable

Subsection 3) Any such transfer is disputed by a subscriber, the burden of proving that the foreman is insolvent is on transferee

Section 35--- Transfer of non prized subscribers to be in writing

Every such transfer shall be in writing dully attested by at least two witnesses and filed with the foreman

Section 36---Recognition of transfer by foreman

Every transfer under section 35 shall within a period 14 days from the date of receipt be recognised by the foreman

Section 37-----Entry of transferee name in the books

Every transfer under section 34 or section 35 shall be entered in the books by the foreman and true copy of such entry shall be filed with the Registrar within 14 days from the datae of such entry

CHAPTER VII---MEETING OF GENERAL BODY OF SUBSCRIBERS

Section 38---Meeting of general body of subscribers

Subsection 1) The foreman convene a special meeting of the general body of subscribers for considering any proposal to pass a special resolution

Subsection 2) The foreman shall convene such a meeting on the requisition in writing

a) not less than 25 % of the number of non prized and unpaid prized subscribers

b) shall be held within 30 days of the date of such requisition

c) if the foreman refuses or fails to call such a meeting within 14 days of the date of such requisition not less than 25 % of the number of non prized and unpaid prized subscribers may give notice to the Registrar

Subsection 3) The Registrar within 21 days of the receipt of the notice convene or direct the convene of a special meeting

Subsection 4) Notice of not less than 14 days shall be given all the subscribers of a meeting specified the object, time , hour and place of meeting

CHAPTER VIII----TERMINATION OF CHITS

Section 39---Provision for continuation of chits in certain cases

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

Subsection 2) Where the foreman is adjudicated as insolvent or withdraws from the chit or fails to conduct the chit, any one or more of subscribers agreed upon by a special resolution take the place of foreman and continue the chit or make other arrangements for the proper conduct of chit

Section 40----Termination of chits

Section 41----Copy of assent of consent to be filed with the Registrar

Within 14 days from the date of such assent.

Section 42----Refund of non prized subscribers subscriptions

a) Every non prized subscriber shall be entitled to get back his subscriptions at the termination of the chit without any discount for dividend if any earned by him.

b) If a chit terminates on a date earlier than the date originally fixed in the chit agreement, the non prized subscribers claim shall be deemed to the date of notice to him

Section 43----Subscribers dues to be first charge on chit assets

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

CHAPTER IX---INSPECTION OF DOCUMENTS

Section 44--- Foreman to allow certain subscribers to inspect chit records.

Every foreman shall on payment of such fee not exceeding five rupees , allow the non prized and unpaid prized subscribers on all the dates of draw or such other dates prescribed in the chit agreement to inspect chit records

Section 45---Preservation of chit records by foreman

All the records pertaining to a chit shall be kept by the foreman for a period of 8 years from the date of termination of chit.

Section 46----Inspection of chit books by Registrar

Subsection 1) Without prejudice to the provisions of sections 209 and 209 A of the Companies Act, 1956, the Registrar or any officer authorised by State Government may inspect chit books and all records of a chit during working hours on any working day at the premises of the foreman without notice.

Subsection 2) The Registrar or any officer authorised by State Government after giving 7 days notice in writing to foreman, direct him to produce for inspection such chit books and records at the time and place mentioned in the notice

Subsection 3) If any defects are found, the Registrar may bring such defects to the notice of the foreman and ordered to rectify such defects within the time specified in the notice.

Subsection 4) Every foreman be bound to comply with the directions contained in the order as per Subsection 3.

Section 47-----Power Reserve Bank to inspect chit books and records

Subsection 1) The Reserve Bank has the power 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).

Subsection 2) The Reserve Bank forward a copy of its report to the foreman for taking necessary action

Subsection 3) Every foreman shall bound to comply with the directions given by the Reserve Bank and submit the report regarding the action taken by him

Subsection 4) The Reserve Bank forward a copy of such report to the State Government within whose jurisdiction the registered office situated.

CHAPTER X---- WINDING UP OF CHITS

Section 48---Circumstances under which chit may be wound up

A chit may wound up by the Registrar on his own motion or an application made by any non prized and unpaid prized subscriber.

Section 49----Application for winding up

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)

Application shall contain the following particulars

- a) presented by non prized and unpaid prized subscribers representing not less than 25% of the chit
- b) With the previous sanction of the State Government

Section 50----Bar to winding up proceedings

No petition for winding up of a chit shall be entertained by the Registrar

- a) if proceedings relating to insolvency are pending against the foreman
- b) against all partners, if the foreman is a firm
- c) if the foreman is a company or co-operative society

Section 51---Commencement and effect of winding up order

An order for the winding up of a chit shall operate in favour of 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 winding up.

Section 52---Injunction order

The Registrar may on the application of the foreman or any subscriber to whom amounts are due at any time after the presentation of the application for the winding up or before making an order for the appointment of interim receiver or for the winding up of the chit, restrain any other proceedings instituted against the foreman for the realization of amounts due from him.

Section 53----Powers of Registrar

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 order that he deems fit.

Section 54----Vesting of chit assets in Registrar or other persons

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

Section 55---Suits , etc to be stayed on winding up order

When a winding up order has been made, no suit or other legal proceedings shall be continued or commenced against the foreman by a subscriber.

Section 56-----Notification of winding up order

On making of a winding up order, the Registrar shall make entry in the book relating to the chit and shall notify in the Official Gazette.

Section 57----Cessation of winding up proceedings on the insolvency of foreman, etc or the winding up of the company and transfer of such proceedings

The winding up proceedings shall cease and the distribution of the chit assets shall be made by the insolvency court.

Section 58--- Award of compensation to foreman

Subsection 1) Where the application for winding up of a chit is dismissed and the Registrar is satisfied with the petition is frivolous or vexatious, on application by the foreman he may award not exceeding 1000/- rupees as compensation for the expenses or injury caused to him and such amount may be realised as if the award were a decree of a civil court.

Subsection 2) On making of an award, no suit for compensation shall be entertained.

Section 59----Right to appeal

The foreman or any subscriber or any other person aggrieved by a decision or order of the Registrar in any of the proceedings for the winding up of a chit within 60 days from the date of such decision or order , appeal to the State Government.

Section 60----Limitation

Notes Prepared by Sri. Gopakumar G , Manager
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