

### THE CHIT FUNDS BILL, 1982

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRI JANARADHANA POOJARY); Sir I beg to move;

"That the Bill to provide for the regulation of chit funds and for matters connected therewith, as reported by the Select Committee, be taken into consideration."

Sir, this Bill seeks to provide for the regulation of chit funds and for matters connected therewith. As hon. Members are aware, this Bill was considered by the Lok Sabha in the light of the recommendations made in the report of the Select Committee of the Lok Sabha and passed by it on the 19th July 1982. In deference to the wishes of the hon. Members of this House, an official motion was moved to refer the Bill to a Select Committee of this honourable House on the 2nd August 1982. The Select Committee has already presented its report on 6th August, 1982. The Bill as reported by the Rajya Sabha Select Committee is now before the House for consideration.

The Select Committee of this House has suggested a few amendments and has recommended that the Bill as amended be passed. I will revert to these amendments later.

It would be relevant to explain the difference between these two kinds of chits. The *modus operandi* of 'prize chit' is that the promoter collects subscriptions in the lump-sum or by monthly instalments. Periodically, the numbers allotted to members holding tickets are put to a draw and the members holding lucky tickets get prizes either in cash or in the form of articles, such as, car, scooter, etc. The prize-winners in a prize chit are not generally required to continue to pay their subscriptions till the termination of the scheme. The prize amount so disbursed is also much smaller than the total amount collected by the promoter. These prize chits benefit primarily the promoter and

do not serve any useful purpose. On the contrary, being prejudicial to the public interest, they adversely affect the efficiency of the fiscal and monetary policy. The conduct of these prize chits or money circulation schemes has, therefore, been banned by the Act of Parliament in the larger interest of the public.

The 'conventional chit' is an old indigenous financial institution involving regular periodical subscriptions by a group of persons. It is, in law, a contract between a specified number of subscribers and the foreman which provides that subscribers shall subscribe a certain sum of money by periodical instalments for a definite period. Each subscriber shall, in his turn, as determined by draw or by auction or in such agreed manner, be entitled to the prize amount. There will be as many periodical instalments as there are members. The prize winner is, thereafter, ineligible for any further prizes although he has to continue to make the stipulated instalments for the duration of the chits. As there is a mutuality of interest among the small number of subscribers to each chit fund, it constitutes a convenient instrument combining savings and borrowings.

However, chit funds are open to abuse by the foreman who may resort to unfair methods for securing illegal gains. Such unfair methods include enrolment of fictitious members, delay in disbursing the prize amount, non-acceptance of security etc.

The Banking Commission (1972) had recommended inter alia that it was essential to have a uniform chit legislation applicable to the whole country and as such either an all-India Act may be enacted or a model law be prepared for adoption by all States. The matter had been gone into carefully by the Reserve Bank of India in the light of the recommendation of the Raj Study group constituted by it in June, 1974. The Study Group was unanimously of the view

that the Bill should be enacted as a Central legislation and that the administration of the law should be left to the State Government concerned which in turn could seek the advice and assistance of the Reserve Bank of India on policy matters.

The Bill now before the House takes into account the views expressed by the Raj Study Group, the various State Governments/Union Territories to whom it had been circulated earlier for comments as also some of the points made out in the representations received by the Government from time to time. May I for the benefit of the Hon. Members mention a few of the more important provisions contained in the Bill as passed by the Lok Sabha. These are:

Previous sanction of the State Government concerned and registration of the chit are necessary before a chit can be started, as per Clause 4.

The maximum amount of discount which a prize subscriber can forgo shall not exceed 30 per cent of the chit amount, as per Clause (3).

The minimum paid-up capital of a chit fund company shall not be less than Rs. 1 lakh. Companies having a paid-up capital of less than Rs. 1 lakh on the date of the commencement of the Act will be allowed time up to 3 years to increase their paid-up capital to bring it to the requirement of the prescribed level. However, a company carrying on chit business shall create a reserve fund and transfer to such fund a sum not less than 10 per cent of net profit each year before declaring dividend on its share, as per Clause 8. As per clause (11) any person conducting chit business will be required to use as part of his name at least one of the words, namely, 'chit' 'chit fund', 'chitty' or 'kuri'. As per clause (12) no company conducting chit business shall carry on any other type of business, except with the general or special permission of the State Government. As per clause (13), ceilings have been provided on the aggregate chit

amount of chit, which may be conducted by individuals, partnerships, companies and co-operative societies. As per clause (14) chit fund institutions shall utilise their funds only for carrying on chit business, giving loans or advances to non-prized subscribers, investing in trustee securities or making deposits with approved banks. Chit fund institutions are required to obtain prior approval of the Registrar of Chits within whose territorial jurisdiction their registered offices are located for opening a new place of business. Where a new place of business is opened by a foreman in a State other than the State in which his registered office or the place of his business is situated (State of origin), the Registrar of the State where a new place of business is set up, shall have the powers similar to those of the Registrar of the State of origin, as per clause 19. As per clause (20), for the proper conduct of the chit, every foreman shall give prescribed security before applying for a previous sanction. As per clause 47, besides the powers vested in the State Government to inspect those and other records of the foreman, the Reserve Bank has been vested with the powers to inspect the books and records of any foreman already available to it under the Reserve Bank of India Act, 1934. A self-contained machinery for the settlement of disputes relating to chit business arising between a foreman and a subscriber has been provided in the Bill. The jurisdiction of the civil court to entertain any suits or proceedings in respect of the disputes relating to chit business has been specifically barred as per clause 64(iii). It refers to clauses 04, 65, 66, 67, 68, 69, 70, 71 and 72. The Reserve Bank has been empowered to tender its advice on questions of policy on any matters to the State Government either on its own motion or on a request made by the State Government, as per clause 73. A provision has

been made to enable a foreman aggrieved by the decision of the Registrar to prefer an appeal to the State Government or an officer or any authority appointed by the State

Government whose decisions shall be final, as per clause 74(hi). Deterrent penalties have been provided for the contravention of the provisions of the Act, as per clause 76. Award of imprisonment extendable to a term of two years and fine have been provided for the second and every subsequent offences, as per clause 77. As per clause 86, banks have been specifically prohibited from conduct of chit business. To bring out a uniformity in the implementation of various provisions of this Act, the Act empowers the State Government to make rules in consultation with the Reserve Bank of India.

Sir, coming to the amendments proposed by the Select Committee of this House in its report submitted on 6th August, 1982, I may point out that there are only two amendments which require to be considered in this Bill. Both the amendments are procedural in nature.

Sir, the first amendment relates to adding sub-clause (d) to the proviso to sub-clause (2) of clause 7. The object of this amendment is to tighten the provisions relating to the registration of the chit agreement by the Registrar. He would be competent to refuse to register the chit agreement on the ground that the foreman 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. The second amendment relates to clause 16. In view of the fact that the presence of not less than two subscribers at the time of each draw has been made compulsory under this clause, the Committee was of the opinion that this clause should also provide for a contingency where two subscribers may not be present at the time of draw. Accordingly, it has proposed an amendment of sub-clause (3) to enable the Registrar of chits also to have the draw conducted in his presence or in the presence of any person deputed by him. Both these amendments are satisfactory and are commended for adoption.

Sir, the Government hope that the enactment of this Bill would be conducive to the growth of the conventional chit funds on sound and healthy lines and minimise the malpractices indulged in by the foremen to a large extent, thereby protecting the interests of the subscribers to the chits.

Sir, I move the Bill for the consideration of the House.

The question was proposed.

SHRI NIRMAL CHATTERJEE (West Bengal); Mr. Deputy Chairman. Sir, when I was listening to the speech of the hon. Minister, I was almost being overwhelmed—he is so captivating—by the way in which he was telling us that he wants to regulate, what is known as, the chits. Haven't we in the past regulated monopolies? Haven't we in the past regulated foreign capital? Haven't we in the past regulated whatever we desired to regulate? We have,

I The Vice-Chairman (Dr. Shrinati Najma Heptulla), in the Chair]

The change-over has taken place. Now I will be careful in addressing the Chair as Madam.

Now, Madam, before I get into this point of regulation, let me question the existence of the chits as such. Now, what, according to the Minister are the purposes of the chits? There are some people to mobilise savings and usefully to invest them, and to some others these chits are useful consumption loans. Now, these are excellent purposes.

Now, Madam, I want to draw the attention, through you, of the whole House and I want to ask that in terms of savings how much does our economy need the help of chit funds? Now we are not exactly in the days of the First Five-Year Plan. May I draw your attention to the fact that when the First Five Year Plan was being formulated we were having a rate of savings in the economy of the order of only 5 per cent of the

national income and our target was as high as in the course of the First Five Year Plan, a rate of 6.75 per cent. Then, we were trying to achieve a higher growth rate in the formulation of the Second Five Year Plan and in the perspective of the First Five Year Plan also we are proposing to ourselves in this Socialist, Sovereign, Secular Republic that we should have gradually an investment rate reaching the apex of 20 per cent.

Now, this was not a desire expressed only after Independence was achieved. This was the kind of a desire expressed even before independence by the Bombay Planners, i.e., the leaders of India's industry in those days. They also suggested a rate, learning very strangely from the experiences of the Soviet Union, and said that we must step up our rate of investment, though they said not as much as the Soviet Union has been able to do, but even then we should try to approximate that rate of investment and in the course of the Third Five Year Plan that was the Bombay Plan they would be achieving a rate less than that achieved in the Soviet Union but a rate around 20 per cent. And the Bombay planners, even before Independence, felt that we can "bid a good-bye to planning and re-introduce the market economy after the three five-year plan, period of 15 years is over. Now, we tried to emulate them. You remember, Madam, that after the Third Five-Year Plan we began to enjoy our plan holidays, that is, after 15 years of planning, we began to enjoy our plan holidays. But if any success is there in terms of our planning effort, let me submit, it is in terms of the rate of savings. Our rate of savings today hovers around 20 plus per cent. I will draw the attention of the House that the highest rate has been achieved during the Janata period. Perhaps, some of the results of it are being harvested by the present Government. Now, imagine, when an economy like ours is having a rate of investment and savings equal to 20 per cent let me give you some of the facts from

some other society. The Soviet Union, at the time of the very first five-year plan, were having a rate of investment which is very high—one-third of the national income. They came down to

25 per cent of the national income in course of the first five-year plan. Then it fluctuated between 20 and 25 per cent. With a 20 to 25 per cent investment in the economy, they were having a growth rate—let me say in the first five-year plan, of course, the growth rate was 19 per cent per annum so that in the course of the first five-year plan itself it was more than 100 per cent with the rate of investment per annum of averaging no more than 25 per cent. That is true also in case of another socialist economy, that is China. With around the same level of investment, they were having the rate of growth in the economy of

26 to 18 per cent. Now, Madam, ours is not a socialist economy—I have been told—despite the fact that we have written so in the Constitution. Even a non-socialist country like Japan has a rate of investment and savings at around 20 plus per cent. What is their growth rate? Would it surprise anybody here that while we are succeeding in the growth of savings and rate of investment from merely 5 per cent to around 20 plus per cent our growth remains constant? It was around 3 per cent in the First Five-Year Plan; it is around 3 per cent in the Second Five-Year Plan; it is around 3 per cent in the Third Five-Year Plan and it continues to be so today. That means, we have increased our rate of savings and investments without any result to show on the front of production. Why is it so? Does it not indicate that our economy has become highly inefficient? In terms of economics. Madam, it is usually expressed as investment-output ratio. One of the worst investment-output ratio in the world is under the leadership of our Prime Minister.

What is the source of this inefficiency? What is the explanation that at this level of savings, we are unable to produce more? There is a very simple explanation—not one but two. One

is in connection with the growth of monopolies in economy and as even an ordinary student of economics, including, perhaps, our Finance Minister knows, that as a rule, the law of monopolies—which is noted even by the western economists—is to restrict output, is to function on the basis of maximisation of profits on a lower output; that is the law of monopoly as it governs even in the West. We have successfully regulated the monopolies via the MRTP and other Acts and yet, the monopolies have grown to such an extent that our economy has become inefficient and our output growth, our investment-output ratio has worsened. The other reason is also known. The other reason is, most of the savings are not utilised for productive purposes at all. Most of the savings are utilised for non-productive, trading, purposes, speculative purposes, and for the purpose of generating more and more black money, so that, after some time, the Government may be provided with an opportunity to come before the House and say 'These are the days of progress because we have introduced the bearer bond scheme to snap up a part of that black money'. It is this speculative trend which is running the economy. If, out of this, 20 per cent of savings, we have, for our productive purposes, not more than 10 per cent, then, our investment-output ratio would not be that bad. But if savings are expressed in terms of stocks, inventories, and not in terms of machines, then, the economy has no other feature than what we are witnessing today. We have talked of recession. Only a few days back, a debate has taken place as to what is the meaning of recession. It was simple economics. But unfortunately, it could not be mentioned that day. What is happening today in some significant sectors; for example, in the engineering sector? This is once again a very simple economics. It is that those sectors which produce machines for other sectors, i.e. the non-consumer goods sector producing

machines for the consumer goods sector, are affected first when any recession takes place. Even if growth is there in the consumer goods sector, even if the consumer goods sector is recording a positive element in production, a positive growth in production, but that the rate of growth is lowered down, is it not easy to see that those who supply machines in order to add to the capacity in the consumer goods sector are affected? Immediately, a slump begins there. •Immediately, a cut-back begins there. The production in the consumer goods sector may be increasing simultaneously with a fall in the producer goods sector. But if any fall in production takes place in the consumer goods sector after the increase has taken place, immediately, the producer goods sector is affected more, severely. Immediately, a slump takes place in the producer goods sector. This is, in fact, what is happening today in our economy. For example, we have seen the recessionary trend in regard to wagons etc. This, of course, can be utilised—I am supplying an argument to the Government—in an excellent manner. Government can claim that we have become self-sufficient, that we are producing more and more. Previously, an argument was put forward that we are turning the sellers' market into a buyers' market. This is one road to self-sufficiency, one road to, in terms of the ethics of our Government, independence of the economy, that we are producing more than we consume. For the first time, this is what happened on the food front. We said on the basis of per capita availability of 50 gms., that we have become self-sufficient in foodgrains. You raise the price of foodgrains, we become more self-sufficient because there will be a large surplus and a few people will be able to buy. The same thing happens in other sectors. We are producing 36,000 motor cars; by the Birlas. And we have become self-sufficient. People can no longer buy even these 36,000 cars, which, by any standard, is no production at all in modern economy. We have become self-sufficient.

from food—an excellent beginning—to one after another in all other ge. tors and claim that we are producing much more than what is required. Raise the price. The road is wonderful. We have become economically independent. Combining this, Sir,...

AN HON. MEMBER; Madam.

SHRI NIRMAL CHATTERJEE; I am sorry. I hope Madam will excuse...

THE VICE-CHAIRMAN (DR. SHRIMATI NAJMA HEPTULLA): It is alright, because there is a Sir also.

SHRI NIRMAL CHATTERJEE: I am addressing both, the Sir and the Madam.

THE VICE-CHAIRMAN (DR. SHRIMATI NAJMA HEPTULLA): Sometimes it can fly over.

SHRI NIRMAL CHATTERJEE: Therefore, in the context of economy, Madam and Sir, one has to look at the provisions of the Chit Fund Bill. What have you provided there? You are saying that you are going to control it. It is a question of simple arithmetic. The Minister appeared to be boasting that they have imposed a control. Now let us examine the control. Control number one is that the discount rate can only be 30 per cent. I am sure the Minister understands the arithmetic of the discount. 30 per cent discount rate simply means a rate of interest of 43 per cent. I need not explain this arithmetic. Now, supposing these are savings for investment, which are the sectors which have a return of more than 43 per cent? Which particular industry, let me know from the Minister, declares a dividend, declares a profit higher than 45 per cent<sup>+</sup> and more, say, 100 per cent in order to justify its existence<sup>s<5</sup> that such savings can go to such productive field? No industry excepting some foreign branches of pharmaceutical industries and some such others. What does that mean? That means, to the extent this chit

fund mobilises savings at the rate of 45 per cent, this<sup>j^</sup> has to be utilised for speculative purposes and for no other. To that extent the Government may say that through speculation, on the basis of ruination of the economy and raising of the prices, making goods less and less available because of the rising prices, you are marching towards more and more self-sufficiency.

Here is the second point. Maybe, they are called 'chits'. I am using the English spelling of the word 'chits'. Frankly while reading it at the first hand I thought it might be carrying an American influence and spelling of an English word which has 'ea' as letters between 'ch' and 't'.

Later on, of course, I convinced myself that that is not so. Our connection with the English has been for two hundred years and with the multinationals and IMF only 30 years. So, I came to realise what this 'chit fund' means. So, assuming, Madam and Sir, that these chit funds are not utilised for savings, but they are utilised for consumption, now what are you going to do? Then you are reaping from the poor a rate of interest which is 43 per cent. What else is usury? What else is a backlog of the semi-feudal situation in the countryside if not this rate of interest? And the funniest part of it is, let me draw the attention of the House, Madam and also Sir, this kind of usurious rate of interest. I do not believe in quotations really. I never utilise quotations when I teach in my statistical institute, but there are people who are fond of them. He has referred to the Banking Commission. Now let us see what the Banking Commission says. I will not say that I am agreeing with them, but they also agree with the point of view that I am trying to expound here about the chit fund. Now it is a Banking Commission's quote which says: It would appear that the likelihood of productive use of the prize money is small.

The rate of interest generally involved in a chit fund is so high that an inference can be drawn that the prize money is mostly used for consumption or speculative purposes. It is not unlikely that some persons join chit funds and are prepared to pay high rates of interest involved in large discounts for the purpose of hoarding scarce commodities. 'Inflate the price, Mr. Minister, we will be more self-sufficient.

Then another paragraph says:

"It will be clear from above that as saving institutions, chit funds do not offer to all their savers schemes superior to those offered by commercial banks and other financial institutions. Nor does the chit fund *prima facie* extend credit to productive enterprises in the economy".

About the consumers, here is the quote from the Banking Commission once again, to which a reference has been made. (Time bell rings) Am I not continuing to be relevant, Madam?

THE VICE-CHAIRMAN (DR. SHRIMATI NAJMA HEPTULLA): You are relevant, but the time is very irrelevant.

SHRI NIRMAL CHATTERJEE: We have saved a lot of time on the previous two Bills. So I am utilising that.

The quote is:

"In fact there is a large number of cases where the foreman and his associates have disappeared after collecting large amounts."

The unscrupulous among the foremen resort to some unfair methods, to secure illegal income.

The Minister will say: "Yes, that is why we want to regulate it". I will give you a story of regulation from my own personal experience. In the '60s, Sir—this time it is to the

Minister, Madam—I was busy in a piece of research work which involved study of regulated markets all over India. I will not name them. I covered three biggest markets in Maharashtra and two biggest in Punjab. Regulated market is a huge affair. We met the wholesalers there. The markets are regulated by the Government and there are Inspectors in those markets to regulate it, to see that those who bring their grains—jowar in the case of Maharashtra, wheat in the case of Punjab—are justly treated by the wholesalers. We met the wholesalers also and the wholesalers said this. We enquired: "What do the Inspectors do?" They said; "What do they do? They take money from the Government and they take more from us and don't come to the market". Each of the wholesaler there was equipped with many more telephones than even the most important Minister in the Central Government of Cabinet rank has, and the number of trunk calls, in the very short period that we were staying with the wholesaler, that he was making throughout India was not just to be remembered in terms of finger count. These are Inspectors, whom through revision of pay scales recommended by Pay Commissions, you pay what you consider a magnificent sum but that is only a sum which is one-hundredth of what is paid by those whom he wants to regulate. You will also similarly regulate these foremen of the chit funds with all the authority that you have got.

Now before I conclude, Madam, with the experience of their regulation and the functioning of these chit funds. I want to draw the attention of the Minister to another wonderful experience of such financial deals. The Minister, perhaps, is anticipating this. Coming from West Bengal that I am. I am referring to Sanchaita. Everybody knows about it. But let me remind the House that the happenings in Sanchaita are considered, not by me but by the court itself, to be bizarre. What is bizarre about it?

Fermi\* me, Madam, to give some quotations because I think that will carry more weight, though not weight enough to make the Ministry move even by a thousandth part of a mili. metre. Even then the statement is, what j\* bizarre about Sanchaita investments? Please don't compare Antulay. He is no match to these people. The Maharashtrian Antulay may learn from this Bengali Sanchaita and profit and make the ruling party profit along with him. "A token capi. tal of Rs. 7000 has begotten a wealth of crores of rupees"—mark you—"within a span of five years." Successful savings! The rate of savings increased from—how much?—6.75 per cent to 20 per cent. <'A Bank account opened by the firm in a fictitious name had a sum of Rs. 28 crores in it, which was withdrawn within a week before the lodging of the F.I.R. Interest was being paid to depositors"—not at 43 per cent in terms of the calculation of the chit fund, but:—,"at the incredibl<sub>e</sub> rate of 48 per cent per annum." Even a law. yer belonging, of course, to the Supreme Court and also belonging to the Congress Party, appearing for the firm asked the Supreme Court Judges "to be free to proceed on the assumption that the exorbitant amount of interest was being paid from out of unaccounted money..." I will not go into more quotations. I will not take very much more time of the House also. This is a private thing. The difference with Sanchaita Investment is only this, compared with a chit fund—it is very simple. The ex-Finance Minister of West Bengal requested the Finance Minister at the Centre that even the Supreme Court was pleading that such investment schemes cannot be controlled in terms of the present system of Acts. He wanted to control it and, as you know, control means two things—one in West Bengal, the other

at the Centre. They were requesting that an Act be passed—not something unheard of. Such an Act was passed even before Independence in the princely State of Mysore which can forfeit such investments like Sanchaita

and such robbers ruining the economy could be caught in terms of the Act without which even the Supreme Court feels helpless. Madam, yours i<sub>s</sub> not a deaf ear, but it fell 'on the deaf ears of the Ministry of Finance at the Centre. And what you are suggesting by the chit funds, by giving legality, I know. Some small people, without rates of interest, can benefit from this chit fund. But by and large, essentially, these chit funds outside the orbit of the banks will rather be an agency of loot while inflating the rate of savings than an agency for the development of production.

Madam, the most curious- thing is—I am making my last point... (Time bell rings) Madam, are you giving me a zero?

THE VICE-CHAIRMAN [DR. (SHRIMATI) NAJMA HEPTULLA]:  
No zero. It is a wind up sign.

SHRI NIRMAL CHATTERJEE: I thought I may get some marks from you coming from the academic profession.

Now, in this Bill itself you have provided—should I mention the clause Or it is not necessary?—that banks should not be permitted. Now the entire tenor of the Banking Commission report is—I am not quoting but this is what he is quoting. He is less than true, I would suggest, not in terms of quotation, but in not stating that the primary recommendation of the Banking Commission, and after words of Dr. James Raj Committee, was to incorporate the whole thing in the banking system itself, particularly, when the banks are in the public sector. If you do not do that what you are doing may be regarded as, what in mathematics nowadays is known as the\* second best or the third best solution, only that comes in in terms of regulation of chit funds. Now, what is the first and best solution recommended by all experts in the banking activity? We have »



banking system. Why don't you introduce such rules by which at lower rates the people in the rural areas can get loans? And they can give Safer returns. The public sector bank manager may say that somebody in collusion with some dacoit, either here or in Madhya Pradesh, may loot banks. It may happen in one or two banks. AH the same, under the overall guarantee scheme, now as compared to the past when the banks were not given into the hands of the public sector, there is a great deal of more security in the banks. Why are you excluding banks and cooperatives? I am told by my Kerala friends that co-operatives are much better there. I know coming from Bengal that they are in a hopeless mess there. But the banks and the co-operatives, while they are good, should be able to do all that the chit funds propose to do and precisely escape the fanning of fire of simultaneous inflation via speculation and also inviting recession. I am not a believer of God, Madam, but I would like those who believe to be blessed for success, the Minister to be blessed for his success, in ruining the economy.

SHRI R. R. MORARKA (Rajas-than): Madam, Vice-Chairman, I want to begin the discussion on this Bill by quoting what the Banking Enquiry Commission says. To some extent—a portion of it—it was quoted by my predecessor, but I would like to give the full quotation:

"It will be clear from the above that savings institutions of chit funds do not offer to their savers a scheme superior to those offered by commercial banks and other financial institution. Not that the chit fund's existence catered to productive enterprises in the economy. Since chit funds are of indigenous origin and have so increasing popularity, their removal without offering alternative schemes will, however, create a gap. The problem therefore is how to regulate them."

Madam, it is in pursuance of this recommendation of the Banking Enquiry Commission that this Bill has come. Now this recommendation was made in January, 1972. Then a study group was constituted by the Reserve Bank in 1974. The Bill was introduced in the Lok Sabha on 20th November, 1980, referred to a Select Committee on 23rd December, 1980, the Select Committee reported on 25th November, 1981, it was passed by the Lok Sabha on 19th July, 1982. Then, Madam, it came here. It was referred to a Select Committee which was given four days to make a report, and it has come up for discussion today. The first point is that after the Banking Enquiry Commission examined this thing, studied the problem of chit funds, it has taken more than a decade for the Government to come with this Bill to regulate this thing. In the meantime, as my predecessor mentioned, there have been many frauds in the name of chit fund like Sudarshan, Sanchait and many others.

Madam, the main point is that the Banking Enquiry Commission's recommendation are not fully incorporated in this Bill. And I regret to say that though this Bill was referred to the Select Committee of this House—and by doing that we have vindicated a principle—in fact, sufficient time has not been given to the Select Committee and proper justice has not been done to the examination of this Bill, with the result that there are many shortcomings still left in this Bill; the Bill could have been improved further. When I come to this individual point, with your permission, I will be able to point these out. Now, the first point is, the Banking Enquiry Commission said that if the Constitution permits, the Bill should be an all-India Bill, and the Banking Enquiry Commission did not say that its administration should be left to the States. Madam, here I want to make two points. First of all, the implementation of this Bill which is being enacted as a Central Act

left to the States. Why? What is our experience of the Acts which are being implemented by the States and what is our experience of the Acts which are implemented by the Centre? I will only give two examples. The Companies Act is an Act implemented by the Central Government, and it is done reasonably well. The corporate sector is well managed, well controlled and well regulated. Madam, the co-operative societies, as you know, are regulated by the individual States. I would not say much, but I can only say that it has left much to be desired because the functioning, the performance of the co-operative societies in different States is not that good as one would like it to be.

The second point is that even after the enactment of this Bill as a Central law, they have left it to the States to frame rules under this Act. Why? Why can't we have a set of model rules here and give it to all the States? These rules are not going to be placed on the Table of our House. They are going to be placed on the Table of those state legislatures. Madam, there will not be any uniform implementation of this Act. Each State will have its own whims, its own fancies. And the real implementation of an Act is generally governed by the rules which are made. So I think the hon. Finance Minister, while answering, will try to explain why the rules are left to be framed by the individual States or why at least a set of model rules is not being sent from here. Madam, I must admit that there is one redeeming feature and that is that each State will have to frame those rules in consultation with the Reserve Bank. To that extent there is some uniformity, some safeguard, but yet our Parliament will have no say in it.

Now, so far as the legislative competence is concerned, it is made clear that under Schedule 7, List III,

entry 7, the Centre has a right to legislate for these chit funds. Therefore, I still do not see any reason why the implementation or administration of this Act should be left to the States. Madam, if you will excuse my ignorance, I would like to know under what provision of this Bill, the administration of this Bill is being left to the States. Of course, I have heard the Minister's statement. I have also read the debate in the other House where he said that this would be implemented by the States. But I am not sure whether there is any provision in the Bill itself which gives such a power to the States concerned.

AN HON. MEMBER: Framing of the rules.

SHRI R. R. MORARKA: Under the rules you cannot give the implementation or the administration of the Act to the States. There should be a substantive provision to that effect or there should be a general law, of which I am unaware.

Now, another recommendation of the Banking Enquiry Commission was that these chit funds should be conducted only by public limited companies. But in the Bill we find that there is no restriction at all on any type of company, public or private, even proprietary concerns, partnership firms and individuals. Madam, I would like to know why this recommendation of the Banking Enquiry Commission is not heeded to. What were the difficulties? The Banking Enquiry Commission also said that it would be desirable to ask the commercial banks to start this business in competition with the others. But, Madam, under the clauses of this Bill, I think it is clause 86, the banks are prohibited from undertaking this business. The Bill in terms prohibits the bank from doing or undertaking this business. Why? Because, they say there is some element of speculation, gaming, in this business, and therefore, no. This has been consi-

dered by the Banking Inquiry Commission and even after considering it fully, they came to the deliberate conclusion that a scheduled bank should be allowed to undertake this business. Not only that. They went a step further and said that even the public sector—a, they did in Kerala, I am told—public sector corporations should be started to undertake this type of business. That again is not done.

The chit funds are generally evolved to meet the needs of small people, the credit needs of small and middle class people, particularly in rural and semi-rural areas. It was never conceived that they would meet the requirements of big industry or commerce or trade or development or things like that. One thing visibly lacking, according to me, in this Bill is that it does not prescribe the limit below which the chit funds would not come within the mischief of this Act. There is a provision, I think, in Clause 85(b) which states "chit fund below Rs. 100". If my reading is correct, that in these days is no limit at all. You must have a reasonable limit, say, Rs. 5000 or Rs. 4000, below which the chit funds need not submit themselves to all these requirements and rigmarole; otherwise, the small people whose needs are met by this mutual mode of financing would suffer. So, I think if we were to appear before the Select Committee at that time, we would have urged this point that chit funds below a certain limit should be kept outside the mischief of these provisions. Unfortunately that is not done.

I may tell you that chit funds are very popular in the south. There chit funds are conducted for small things, silver jewellery, domestic utensils, Madam, even for sarees. This mode of financing, mutual cooperation, is very well developed there, and to bring all those small things within the mischief of his 90—Clause Bill would be really creating a hardship for them. Therefore, I suggest that in due course—since this

Bill is going to Lok Sabha in any case—the honourable Finance Minister must consider whether it is possible even at this stage to exempt all the small chit funds from the purview of this Bill.

There are two more points. One is about the penalties for offences. They are prescribed under Clause 76(1.) and Clause 76(2). I think that some of the penalties which are prescribed are quite disproportionate to the offence for which they are prescribed. I will give you one example. Under Section 24 if a person fails to file the balance sheet with the Registrar in time—kindly mark my words, Madam—if he fails to file the balance sheet with the Registrar in time, the penalty is two years rigorous imprisonment and fine of Rs. 50001-. This is disproportionate by any standard. Like that there are many other cases. I think the Select Committee of either House did not pay any attention to this Clause 76. Some provisions, some penalties, I agree, are necessary. But to have such harsh penalties and provisions for technical offences is not proper. Even under the company law we have penal provisions for failure to file accounts, balance sheets and profit and loss account. There what is the penalty? Only a fine, unless the offence is repeated and all that. In view of this I think the hon. Finance Minister should consider whether this is not a very harsh, almost savage provision, by way of penalising people for such minor, commercial, technical offences.

Finally, I want to make a suggestion. Instead of creating a separate paraphernalia of the office of Registrar and various other things, I think it would be advisable if the Central Government or the State Government, as the case may be, nominate one of the officers in the office of the Registrar of Companies for doing this particular work and designate him as Registrar of Chit Funds. If that is done, it would be economical and also it would be possible to harness

the services of more experience persons.

**उपसभाध्यक्ष डा. (श्रीमती) नीजमा हेप-तुल्ला:** श्री राम लखन प्रसाद गुप्त, आपने थर्ड रीडिंग में मांगा है लेकिन आप अब बोलें।

**श्री राम लखन प्रसाद गुप्त (बिहार):** श्री भाभड़ा जी का नाम पहले था, उनकी जगह पर मेरा नाम है। उपसभाध्यक्ष महोदया, यह जो चिट फंड ...

**एक माननीय सदस्य:** चिट नहीं चीट...

**श्री राम लखन प्रसाद गुप्त:** एकचुअली यह चीट ही है सही मतलब में यह चिट फंड नहीं है। और यह समूचे हिन्दुस्तान में है सिर्फ साउथ में नहीं बल्कि नार्थ में भी बड़े पैमाने पर चल रहा है। मैंने कई कम्पनियों को नजदीक से देखा है और उनके कार्यकलापों को भी देखा है। वे कभी भी अपनी कम्पनी या फर्म के ऑब्जेक्ट को नहीं बताते हैं लोगों को कि उससे क्या क्या लाभ हो सकता है इस कारण से कंट्रीब्यूट कीजिए यह नहीं बताते हैं वह सम्बन्ध जोड़ कर, दोस्ती के बहाने या सम्बन्ध के बहाने या प्रभाव बढ़ा कर इस तरह उसको इनवाल्ड करते हैं और इनवाल्ड कर के उससे रुपया धोखे से चीट करते रहते हैं। कभी भी कोई मैनबर यह सांच कर कि बड़ी अच्छी कम्पनी है इसलिए हम जाएं यह वह नहीं करते हैं उसके आदमी सब जगह जाएंगे और जा कर के इस तरह से रुपये इकट्ठा करते हैं और इकट्ठा कर के उसके बाद में एक संस्था के विषय में हमारे भाई ने बहुत ही बढ़िया ढंग से कहा है और सुप्रीम कोर्ट का जो जजमेंट उसके ऊपर है वह जजमेंट पढ़ने के लायक है कि किस तरीके से सात हजार की पूंजी से करोड़ों रुपए उसने सिर्फ कुछ दिनों के अन्दर बना लिए। 48 परसेंट इंटररेस्ट वह अपने सब्सक्राइबर्स को देता है। 48 परसेंट इंटररेस्ट कहां से देगा यह सांचने की जरूरत नहीं कि 48 परसेंट इंटररेस्ट कहां से लाभ होता है। यह भी बात है कि जो लोग वसूल करते हैं रुपया वे सांच लेते हैं कि अब यह रुपया मेरा हो गया इसको

लोटाने का कोई सवाल ही नहीं है। इस तरह से अपना रुपया उसको बना लेते हैं, मान लेते हैं उसी तरह से उसका उपभोग करते हैं। अब इसके विषय में सारे हिन्दुस्तान में बहुत हल्ला हुआ और उसके बाद यह सारे नियंत्रण में लाये गए हैं यह ठीक है परन्तु इस कानून के अन्दर जो अभी बिल हमारे सामने है उसके अन्दर राज रिपोर्ट में जो कहा है, उसको जो स्पिरिट है उसको साफ साफ कहा है उस पर इस में कोई भी प्रावधान नहीं है। जेम्स राज, चेयरमैन, स्टडी ग्रुप आन नान-बैंकिंग कमीशन, यह फार्म किया गया रिजर्व बैंक के द्वारा उसने जो रिपोर्ट दी है 1974 में। उसने रिपोर्ट दी है, मैं सिर्फ दो पैराग्राफ पढ़ देता हूँ एक पैराग्राफ पांच है। जो शुरू में लेटर उसने डिप्टी गवर्नर रिजर्व बैंक को लिखा है, उसमें है:

"The major recommendation of the Group is that while the acceptance of deposits by non-banking non-financial companies may not be prohibited altogether, it should be discouraged and reduced in due course. An important element in the scheme of regulations suggested by the Group is, therefore, to limit and reduce over a period of time the quantum of deposits so that they cease to be a significant source of finance for industry and trade. This would indirectly reduce to some extent the risk to the depositors. The Group has also recommended that non-banknig non-financial companies should keep a portion of the deposits maturing during the course of the year in liquid assets and should in their advertisements present their financial position in a more informative manner."

**पैराग्राफ सात में कहा है:**

"As regards the miscellaneous non-banking companies, the Group has recommended that the activities of fho companies conducting prize chit benefit schemes should be banned. As for the convential chit funds, it has already furnished its comments to the Reserve Bank for draft model Bill for regulating their working."

उपसभाध्यक्ष महोदय, इसमें जो पैरा पांच में कहा है कि इस तरह का प्राविजन हो कि धीरे-धीरे इतना सिगनीफिकेंस समाप्त हो जाय कि यह रिड्यूस होकर निल हो जाय। तो निल शब्द तो नहीं है लेकिन रिड्यूस इतना हो कि सिगनीफिकेंस न रहे। लेकिन इस बिल के अंदर कहाँ इस तरह प्राविजन है और उस पर कुछ भी नहीं हुआ है कि गालुग हो कि धीरे-धीरे वह कंपनी बिल की अनुसार समाप्त हो जाएगा। अब ये कहते हैं कि रेगुलेंट करना जरूरी है। यह बात सही है कि प्राइस? चिट बैंक है और कन्वेंशनल चिट के लिए इन्होंने कहा है कि रेगुलेंट करना है। यह बात भी सही है अगर कोई चीज कन्ट्रोल नहीं हो सकती। क्योंकि बाहर में और अपने आप समाज में लोगों को रहने और जीने के लिए रुपए की जरूरत भी होती है और रुपया बचाकर रखने की भी जरूरत होती है उससे फिर कभी कर्ज लेने की जरूरत होती तो यह सब पद्धति चलेगी अगर उसका एक उचित रास्ता नहीं रहा। उचित रास्ते में जो भी हिन्दुस्तान के नेशनलाइज्ड बैंक्स हैं, किसी ने इसके ऊपर नहीं सोचा है और इस तरह का काम शुरू नहीं किया है। अगर छोटे स्तर के लोगों तक उनकी पहुँच हो और उस तरह से रुपया जमा करें तो उसमें जो डिपॉजिटर्स हैं उनकी भी भलाई हो, सरकार और बैंक की भी भलाई हो। परन्तु ये सोचते हैं कि हम 6-7 हजार बैंक्स खोल चुके हैं... अभी से घंटी बजा दीजिएगा?

उपसभाध्यक्ष (डा. श्रीमती) नाजमा हंष-तुल्ला): दो मिनट है, सिग्नल दिया है।

श्री राम लखन प्रसाद गुप्त: अभी दो मिनट भी नहीं बोला हुआ... (व्यवधान)

तो नेशनलाइज्ड बैंक ने कोई इस तरह का उपाय नहीं किया है। इसलिए उचित यह है कि और मेरी तो यह सलाह होगी कि नेशनलाइज्ड बैंक को इस तरह का प्रश्न देना चाहिए, उसको गाइड करना चाहिए कि छोटे-छोटे डिपॉजिटर्स तक

पहुँचें और पहुँच करके उनकी भलाई की बात करें। अन्यथा इसके अन्दर परेशानी होगी।

मैं एक छोटा उदाहरण देना चाहता हूँ, वह मनी लेंडिंग का है, महाजनी का काराबार है। हर जगह साहूकार कानून या मनी लेंडर्स एक्ट बना कर ऐसा उसको कर दिया गया है कि लोग अब रुपया नहीं दे सकते हैं किसी को। महाजन जो एक-दो या तीन परसेंट व्याज पर देते थे वे नहीं दे सकते हैं। सिम्पल इंटरेस्ट लेने का प्राविधान है, कम्पाउंड इंटरेस्ट नहीं ले सकते हैं। अगर वे जमीन पर देते हैं तो वह जमीन भी सात वर्ष के अन्दर आप से आप लौट जाएगी। इसलिए अब महाजन लोग किसी की जमीन को लेता नहीं है। नतीजा यह है कि गरीब आदमी को अब अपनी जमीन की बिक्री करनी पड़ती है। गरज के समय में शादी या श्राद के समय में जरूरत हो तो उसको जमीन बेचनी पड़ती है। दूसरी तरफ जितने नेशनलाइज्ड बैंक्स हैं या कोई भी बैंक है वे कम्पाउंड इंटरेस्ट ले सकते हैं। बैंक है तो वे कम्पाउंड इंटरेस्ट लेंगे लेकिन व्यक्ति है तो कम्पाउंड इंटरेस्ट नहीं ले सकता है। तो यह सब एनोमली हो जाती है, जिसके कारण यह दिक्कत होती है। तो मैं यह कहूँगा कि इससे जो आम जनता है, उसका भी नुकसान है। वह भी इसके कारण परेशान हो रही है। इकानोमी जो है, उसको भी काफी नुकसान हो रहा है क्योंकि हर जगह पर यह पैरेलल मनी का सवाल हो जाता है और इसमें तो सुप्रीम कोर्ट ने कहा है कि कितना ज्यादा ब्लैक मनी और पैरेलल मनी इस तरह से हो जाएगा और अगर कोई भी इसमें तरक्की कर रहा है, तो सिर्फ ब्लैक मनी ही तरक्की कर रहा है।

तो रेगुलेशन की बात इसमें कम है, क्योंकि मैं तो यह समझता हूँ कि शायद इसमें भी कोई वेस्टेड इंटरेस्ट है, जो बड़ी-बड़ी कंपनियाँ हैं उनके वेस्टेड इंटरेस्ट के इंस्टॉक्स पर ही यह कानून ना कहीं बनाया हो क्योंकि उनका वेस्टेड इंटरेस्ट उसमें हो सकता है।

रगुलेशन को अगर बात होती, अगर आप रगुलेट करते हैं, तो रगुलेट तो हमेशा ब्लैक मनी को करते हैं, जैसे इन्कम-टैक्स के अन्दर आपने जब कभी दो, चार, पांच वर्ष के बाद वालंटरी डिस्कलोजर आप निकालते हैं कि वालंटरी डिस्कलोजर किजिद, यानि कि आपने एक्साईट किया है कि इतने दिन तक तो ब्लैक किया है आपने और अब उसको वालंटरी डिस्कलोजर कर दीजिए। वालंटरी एक्ट के अन्दर एक परमानेंट प्रोविजन यह भी है कि जिसके अनुसार आप साल में भी वालंटरी डिस्कलोजर कर सकते हैं। उसके अन्दर भी प्रावधान है, सुविधा है कि अगर अपने आप से ब्लैक मनी डिस्कलोजर करते हैं, तो आपको क्या-क्या सुविधा मिलेगी।

फिर बैरर बाण्ड जो आप चालू करते हैं और इस तरह से कई और बाण्ड भी चलाया करते हैं, उसमें भी कहते हैं कि यह सब नहीं पछागे कि यह रकबा कहां से आया है और ब्लैक मनी को भी रगुलेट कर रहे हैं और इस तरह से इसको भी रगुलेट करनी है कि इस तरह से जो ब्लैक मनी जंगरेट हो रही है हर जगह के ऊपर और उसको भी रगुलेट करने के लिए इस तरह के नियम ला रहे हैं, तो इसीलिए यह जो कानून बनाया है, यह सचमूच में बहुत सी चिट फण्ड को जिस तरह से टूट किया जा रहा है, वह उचित नहीं है। इसके लिए और भी स्ट्रिजेंट कानून बनना चाहिए और गरीबों को बचाना चाहिए।

SHRI U. R. KRISHNAN (Tamil Nadu):  
Madam, Vice-Chairman, I rise to support the Bill. The chit fund system, for the regulation of which this Bill has been brought forward, has been in existence for about 150 years in India, and it originates from South India. The previous speakers spoke about the difference between a prize chit and the conventional chit fund. Of course, there was an Act banning the prize hit passed by Parliament and now the Parliament has come forward to regulate the conventional chit fund. Why has such a situation arisen to bring such a Bill in this Parliament? It is because of the mushroom growth of chit fund companies and the promoters of such companies who indulge in all sorts of misdeeds and cheat people, poor people

who earn very little and subscribe to a certain chit and after one or two years they' came to know that the chit fund is dissolved or the promoter who was there cannot be found out at all. There are so many instances of even very big chit fund companies as the Sudarshan Chit Fund, Gatuda Chit Fund and others. Some two years back there was a collapse of a chit fund in West Bengal also. There, I understand the West Bengal promoter who had himself Rs. 7000 was having Rs. 35 crores, and he disappeared, and the persons who were cheated even went to the Supreme Court and but because of some technical nature the case against him, I was told, was quashed. In order to safeguard the interests of the rural people and the poor people, such an Act has been brought forward.

Madam, Vice-Chairman, in the year 1972 the Banking Commission had recommended

that it was essential to have a uniform chit legislation applicable to the whole of the country. The Reserve Bank of India were into their recommendations very carefully and the Raj Study Group was constituted in the year 1974. The Raj Study Group gave its report to the Government with a recommendation that a Bill regarding chit funds should be enacted in the Central legislation and the administration of the law should be left to the respective State Governments which, in turn, would seek the advice and assistance from the Reserve Bank on policy matters. The present Bill incorporates the recommendations of the Raj Group and the various State Governments and the Union Territories opinion was also sought for. Then opinion has also been incorporated. The Foreman of the Chit, should not be allowed to collect deposits. Some of the chit companies are taking the first chit amount even without any auction or draw. How is it? If the Foreman, after depositing the chit amount to the concerned authorities is allowed to draw the amount in any form, then definitely, he will resort to all sorts of mischief. He should also be placed in the same position along with other subscribers and he should also follow the procedures laid down in that Act.

I do not understand why there is a bar in this Bill for conducting chit fund or chit transactions by the banks. Some of the Banks and some of the State Governments are also running their chit companies in a very efficient manner. I request that this should be considered and the Banks and other State Governments, if they are willing to conduct the chit, should be permitted. (*Time Bell rings*) I have not taken much time I will need two or three more minutes.

THE VICE-CHAIRMAN [DR. (SHRI-MATT) NAJMA HEPTULLA]: You are reading and I am keeping the time.

SHRI U. R. KRISHNAN: It should be ensured that all the money would be properly accounted for and receipts would be issued. Money would be deposited in the banks, the amounts would be properly audited and the Income-Tax authorities would also have a say in this matter. The funds of the people or the rural people should be suitably protected by this Act. The chit fund companies can be asked to have a paid-up capital of Rs. 1 lakh if they are licensed. Today, the promoters will be put to great difficulties. The penalties are many and even for technical or trifling reasons, an honest promoter of the chit need not be penalised. Regarding the Bill, I would ask the Minister what is the criterion for putting the minimum capital as Rs. 1 lakh. Suppose I start a small chit of Rs. 1,000 I have to have a paid-up capital of Rs. 1 lakh. Suppose some other person starts a chit worth about Rs. 1 lakh, is it enough that he should have a paid-up capital of Rs. 1 lakh.

In clause 21, the Foreman can take the chit amount even without deduction or the discount. Why is it so? Even if it is allowed for one chit, what happens if the Foreman subscribes to more than one chit? Will he be allowed to take the first chit after deducting discount? This should be made clear.

With these words, I conclude.

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में कहा था कि अगले सेशन के फास्ट वीक तक रिपोर्ट आना चाहिए। लेकिन मंत्री महोदय ने जिस फूरती से और जिस जल्दबाजी से हम लोगों के सुझाव को मान लिया तो मुझे उस पर हैरानी हुई कि इतनी जल्दी खुश हो गये हमारे सुझाव पर, इस में बात क्या है। यह बात अभी तक मुझे को समझ में नहीं आ रही है, लगा कि दाल में कुछ काला जरूर है। यह लोग कहते हैं तो मान लो- एक रिचुअल के रूप में मान लिया, तीन-चार दिन में 6 तारीख तक रिपोर्ट आ जाए। सुबह-शाम बैठ कर रिपोर्ट भी आ गई। सलैक्ट कमिटी की रिपोर्ट आने के बाद जो बातें माननीय मोरारका जी और गुप्त जी ने कहीं उन से साफ होता है कि बहुत सी कमियां उस में अभी भी हैं। मेरा कहना यह है कि इस में कोई सेंस नहीं होगा कि यूनिफार्मिटी लाने के लिए चिट फण्ड का इंस्टीट्यूशन हो। जो व्यवस्था है, जो प्रावधान है उस में यूनिफार्मिटी सारे देश में हो इस के लिये कानून यहां से बने लेकिन उस के इंप्लीमेंटेशन की जिम्मेदारी स्टेट की हो, कांफ्लिक्ट यहां पर शुरू होता है और जिस देश में यह व्यवस्था थी उसी में से यह रहेगी। दूसरे शब्दों में इस का जो मकसद है कि इस को रेगुलेट किया जाए वह होगा नहीं और हो सकता है कि सरकार को इस के लिए फिर बिल लाना पड़े कोई दूसरा कॉन्ग्रिगेशन बिल लाना पड़े। तो मैं चाहता हूँ कि चिट फण्ड की जो व्यवस्था साउथ में है और कुछ ने कहा कि नार्थ में भी है तो इट इज ए टाइम इंस्टीट्यूशन। यह हमारी एंशियेंट इकोनामिक कल्चर है जो सरवाइव कर रही है और इस विधेयक से उस को रिवाइव करने का इन्तजाम किया गया है। मेरा कहना है कि चिट फण्ड की व्यवस्था का जो सिलसिला है उस को स्कैप कर देना चाहिए, नहीं तो जो हमारे नेशनलाइज्ड बैंक हैं उन को बास जिम्मेदारी दी जाए और वे स्टडी कर के कोई रास्ता निकालें कि जो काम यह कर रहे हैं वह कैसे हो सकता है। ऐसा होने पर स्माल सेविंग्स को मोबिलाइज करने की जो बात है वह पूरी हो सकेगी, वरना ब्लैक मनी को रेगुलेट करने की बात बेमानी हो जाती है। इस लिए मैं समझता हूँ कि यह एक तात्कालिक कदम होगा। मेरा सुझाव है कि लोक सभा

में यह निधेयक जायगा और अगर अगले संवत् में भी पास होगा तो कौन पृथ्वी उलट जाएगी। इस को न होने से कौन सी खराबी होने जा रही है। अगर यह दो महीने और सेलेक्ट कमिटी चला जाएगा और वह इसे देख लेगी तो क्या हर्ज हो जाएगा। इसलिए मैं चाहता हूँ कि जो हमारी इकोनामिक इन्फ्लेटिंग है, उस को इकोनामिक कन्ट्रोल कहिए यह आउटलिव हो गयी है। इस को स्टेश करना चाहिए और इस को फिर से सेलेक्ट कमिटी में भेज कर इस पर पुनर्विचार किया जाना चाहिए करना यह काम एक रिचूअल के रूप में और एक गिप सर्विस के रूप में किया जा रहा है और कुछ नहीं हो रहा है।

SHRI JANARDHANA POOJARY: Madam Vice-Chairman, I heard the hon. Members with rapt attention, and also I am grateful to the hon. Members for their valuable suggestions and contributions. But before proceeding, I may bring to the notice of the august House the history of this Bill.

Madam, this Chit Fund Bill was first approved by the Cabinet in the month of October in 1978 by the then Government, and it was introduced in the month of February, 1979. Because of the devolution of the then Lok Sabha, the Bill was taken into consideration. ...

SHRI SHIVA CHANDRA JHA: You need not keep on repeating that.

SHRI JANARDHANA POOJARY: Please allow me to proceed. In fact, when it was introduced, the same draft was introduced in the year 1980 with the change of signature. When it was introduced in 1979, the Bill contained the signature of the then hon. Finance Minister, Mr. Charan Singh. When the Bill was introduced in Lok Sabha in the year 1980, it contained the signature of the then hon. Finance Minister, Mr. Venkataraman. Afterwards, as all the hon. Members of this august House are aware, it was referred to the Select Committee of the Lok Sabha and that Committee and 25 sittings. They received memoranda from individuals, from association

of individuals, from state Governments and from the federations of chit funds and also from various other associations. All these views expressed in these memoranda and before the Committee were taken into consideration by the Select Committee of the Lok Sabha and also the Select Committee of the Rajya Sabha. At this juncture, Madam, I will be failing in my duty if I do not refer to the wonderful work done by the Select Committee of the Rajya Sabha. My reference is particularly to the good and hard work done by the Chairman of the Select Committee. In a short span of three days he has done very good work and the Select Committee has also done good work. I will be failing in my duty if I do not place on record my sincere appreciation of the good work done by the Chairman and also the Members of the Select Committee. Without sufficient time being given, this Bill was considered in all its details by the Select Committee of the Rajya Sabha also.

Madam, as the hon. Members have pointed out, this scheme of chit funds is one of the oldest indigenous financial institutions of this country and it is continuing to play a popular part amongst certain sections of the society because of its relatively easy manner in which the money could be secured or obtained to meet the requirements of certain sections of the Society.

SHRI SANKAR PRASAD MITRA: Which section?

SHRI JANARDHANA POOJARY: Particularly the common people, the weaker sections. It was very popular among the weaker sections particularly in the southern India. As the hon. Members belonging to the opposition parties have pointed out it was very very popular among certain sections of our society. That is why after taking into consideration all the views expressed by the people of this country the Banking Commission recommended the continuance of this system. If I may be permitted to read, Sir, from the report of the Banking Commission, at page 427, point 7.42: "Since the Chit Funds are of indigenous origin and have



show a increasing popularity, their removal without offering alternative schemes will, however, create a gap. The problem, therefore, is how to regulate them." Then the Study Group headed by Dr. James Raj, has clearly laid down certain points and it has gone to the extent of recommending, Madam, and may I read: "Whatever be the position, the fact remains that the savings mobilised by chit funds and disbursed by them by way of resources did satisfy the felt needs of a section of the community. Since the chit funds as institutions have come to stay and have shown increasing popularity, ways and means have to be found to regulate their working so as to ensure that they function on sound lines and the malpractices usually observed in the conduct of chits are obliterated to the extent possible". 1

Madam, here I may point out that I  
admit that there were complaints to tue  
fact that public funds are misused by  
unscrupulous foremen.

The main functionary in the business is the foreman. In other words, I can say, he is the promoter. The success or otherwise of the chit fund business depends upon the integrity of this foreman. Now, in order to regulate the functions of this foreman, the Government has come up with this regulatory measures with safety clauses to prevent them misuse of this chit fund business, in order to prevent them from misusing the funds, in order to safeguard the interest of the innocent people, the illiterate people of the country. The Government has felt that the functions of this foremen have to be regulated and it has come before the House with this regulation.

Madam, Shri Morarka was pleased to refer to the functioning and administration of the State Government. I may state that the Select Committees of both; the Lok Sabha and the Rajya Sabha have taken this aspect into consideration and keeping in view the recommendations of the Banking Commission and also the recommendations of the Study Group, the Government has come to the conclusion that it has to be enacted as a central legislation and administration should be left to the State administration. Further, he

raised another point that exemption limit of the chit value should be kept at Rs. 100 within the provision of this Bill. It has been done. But he stated that the limit should be raised up to Rs. 5000; but after taking into consideration the Government has felt, and even the Select Committee of the Rajya Sabha and the Lok Sabha, felt that it is not necessary and it is not advisable also. That is why only chit up to Rs. 100 only is left out of the provision of this Act.

Some hon. Members stated that the entire functioning of the chit funds should be banned. Some Members stated that punishment is deterrent; some other hon. Members went to the extent of saying that the punishment is not so deterrent. Now, it is for the Government to take a balanced view, whether we can have deterrent punishment. Some people felt that it is a Draconian law. So, we have to strike a balance and the Government has to bring up a balanced legislation before the nation in order to regulate the functions of the chit funds and also in order to put them on a correct footing. The Government has to strike a balance and the Government has to come forward with a legislation which is acceptable to all the sections of the society. It has been also stated by hon. Member Shri Gupta who made a reference to non-financial banking companies. But, Madam, this is a separate subject by itself. Unfortunately, it has been referred to. So far as the observations of the Raj Committee are concerned which relate to the conventions, they do not refer to non-financial banking institutions. So, the Government also has taken into account all these aspects while formulating this Bill, and has taken into account all the views expressed during the course of the proceedings of the Select Committee in the Lok Sabha and Rajya Sabha.

Mr. Chatterjee referred to Sanchayita institution.

About this, my distinguished senior colleague, the hon. Finance Minister, has replied in detail in the course of a half-an-hour discussion in this House. And in fact, even in the Supreme Court judgement, there is an observation to the effect that if the State Government had been a

little more strict, the matter would not have gone, to this extent. It is not correct to put the blame entirely on the Central Government that the Central Government had not taken any action. Unfortunately, the State Government has not taken any action, in spite of the fact that it was brought to the notice of the State Government in time, on or before 1979, by the then Deputy Finance Minister, when he received allegations from an hon. Member of this House. But unfortunately, action was not taken. Immediately, after the Supreme Court judgement, the Central Government has started taking action. They asked for the records pertaining to this case. But in the meantime, the concerned institution, San-chaita, had gone on appeal to the High Court. The matter is now sub judice. The matter is pending before the High Court. Meanwhile, the Income-tax Department has taken action. The Income-tax Department is seized of the matter. In the case of the State Government, the State Government's action is stayed by the High Court. So far as the Sanjivani Chit Fund is concerned, in that case also, action has been taken by the State Government. This is also before the High Court. The High Court has stayed further proceedings. Since the matter is sub judice, I do not want to say anything further.

Hon Members have referred to another point that the banks are prohibited from conducting the chit fund business. I may, Madam, say only one point here. The functioning of the banks is quite different from the functioning of the chit funds. In the case of banks, one has to see, the bank has to see the viability of a scheme, the bank has to see the quantum of loan which has to be given and the bank has also to see the end use of the money which is given, how the borrower is going to use the money, whereas, in the case of chit funds, the functioning is quite different. The borrower, the subscriber, is free to use the funds as he likes. He can use the funds for the purchase of a house, he can use the funds for the marriage of his daughter, he can use the funds even for unproductive purposes. But in the

case of banks, the functioning is quite different. Under these circumstances, Government has come to the conclusion that it is not advisable to give the chit fund business, to give the conduct of the chit fund business, to the banking sector. Therefore, I would appeal to the hon. Members not to press this point. I have taken note of their suggestions. I am grateful to the hon. Members. At the same time, I am requesting the hon. Members to give a fair trial to this legislation. Let us see how the legislation works. If the legislation requires any change if the legislation needs any amendment, in the near future, if the Government comes to the conclusion that it is not workable, that these regulations are not sufficient, then, we can see, we can think of, what more provisions we should make to regulate the functioning of chit funds. In the meantime, I would request hon. Members not to come to the conclusion, not to proceed with the conclusion, that it is not going to work. Let us see how the legislation works. After seeing the performance of this legislation, we can come to a conclusion, at a later stage, whether it is going to work or it is not going to work.

Madam, hon. Members have referred to another point that it is going to help the growth of black money. All these points, that it is going to help the hoarders etc., have been raised. Here my submission would be, I do not know how it is going to help the black money. The chit agreement is registered with the Registrar of Chits. The account is audited by the auditors and all the accounts are subject to inspection by the Registrar of Chits and also by the Reserve Bank of India. Under these circumstances, I do not think it is going to help the black money. Someone in the other House also said that it is going to have parallel economy. I do not think it is going to have parallel economy. On the contrary the money supply is being regulated it is accounted for and there will not be any scope for any black money to flow in the economy.

With these remarks I congratulate once again the hon. Members for their valuable suggestions and I conclude with these remarks.

THE VICE-CHARMAN (DR. (SHKIMATI) NAJMA HEPTULLA): Now I will put the motion.

The question is:

"That the Bill to provide for the regulation of chit funds and for matters connected therewith, as reported by the Select Committee, be taken into consideration."

*The motion was adopted*

THE VICE-CHAIRMAN (DR. )SHRIMATI) NAJMA HEPTULLA): We shall now take up clause by clause consideration of the Bill.

*Clause 2 to 90 and the Schedule were added to the Bill.*

*Clause 1, the Enacting Formula and the Title were added to the Bill.*

SHRI JANARDHANA POOJARY: I move:

"That the Bill be passed'.

*The question was put and the motion was adopted.*

THE VICE-CHAIRMAN (DR. SHRIMATI) NAJMA HEPTULLA): The House adjourns till Monday, the 9th August, 1982. ?

The House adjourned at fifty eight minutes past four of the clock till

of the clock on Monday, the 9th August, 1982.