CHAPTER I - PRELIMINARY

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Preliminary (1 to 2)

THE CHIT FUNDS ACT, 1982

No.40 OF 1982 [19th August, 1982.]

An Act to provide for the regulation of chit funds and for matters connected therewith. Be it enacted by Parliament in the Thirty-third Year of the Republic of India as follows:-

CHAPTER I - PRELIMINARY

1.Short title, extent and commencement.-
(1) This Act may be called the Chit Funds Act, 1982.
(2)It extends to the whole of India except the State of Jammu and Kashmir.
(3)It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different States.

2.Definition.- In this Act, unless the context otherwise requires, -

(a)"approved bank" means the State Bank of India constituted under section 3 of the State Bank of India Act, 1955 (23 of 1955), or a subsidiary bank constituted under section 3 of the State Bank of India (Subsidiary Banks) Act, 1959 (33 of 1959), or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970 (5 of 1997), or a Regional Rural Bank established under section 3 of the Regional Rules Banks Act, 1976 (21 of 1976) , or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or a banking company as defined under clause (e) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), or a banking institution notified by the Central Government under section 51 of that Act or such other

banking institution as the State Government may, in consultation with the Reserve Bank, approve for the purposes of this Act;

(b)"chit" means a transaction whether called chit, chit fund, chitty, kuri or by any other name by or under which a person enters into an agreement with a specified number of persons that every one of them shall subscribe a certain sum of money (or a certain quantity of grain instead) by way of periodical installments over a definite period and that each such subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be specified in the chit agreement, be entitled to the prize amount.

Explanation.- A transaction is not a chit within the meaning of this clause, if in such transaction, -

(i) some alone, but not all, of the subscribers get the prize amount without any liability to pay future subscriptions; or

(ii) all the subscribers get the chit amount by turns with a liability to pay future subscriptions;

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

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

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

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

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

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

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

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

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

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

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

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

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

(p) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934);

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

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

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

3. **Act to override other laws, memorandum,articles, etc.-** Save as otherwise expressly provided in this Act,-(a) the provisions of this Act shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force or in the memorandum or articles of association or bye-laws or in any agreement or resolution whether the same be registered, executed or passed, as the case may be, before or after the commencement of this Act; and (b) any provision contained in the memorandum, articles, bye-laws, agreement or resolution aforesaid, shall, to the extent to which it is repugnant to the provisions of this Act, become or be void, as the case may be.