

# 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 1977), or a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976 (21 of 1976), or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or a banking company as defined under clause (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 said agreement 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;

---

Revision #9

Created 16 January 2024 11:34:39 by Mohana Priya

Updated 20 January 2024 04:31:48 by Mohana Priya