

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO. 664
ANSWERED ON TUESDAY, THE 15TH JULY, 2014**

FLAGRANT VIOLATION OF RULES BY CHIT FUND COMPANIES

QUESTION

664. SHRI VIJAY GOEL:

SHRI PRABHAT JHA:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) whether it is a fact that the country has seen a spate of chit fund companies in the last few years;
- (b) if so, the details thereof, State-wise;
- (c) whether cases of the flagrant violation of registrations and administrative rules by the chit fund companies have come to light;
- (d) if so, the details thereof; and
- (e) the action Government has taken so far in the matter of scams and frauds committed by chit fund companies?

ANSWER

THE MINISTER OF STATE
IN THE MINISTRY OF CORPORATE AFFAIRS

(SMT. NIRMALA SITHARAMAN)

(a) to (e) Chit Funds are registered by the State Governments under the Chit Funds Act, 1982 – an Act administered by the Ministry of Finance but with responsibilities of implementation resting with the States. Cheating by Chit Fund company through fraudulent schemes is an offence under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. The power to investigate and prosecute lies with the State Governments.

Insofar as Companies Act is concerned, cases of violations of the provisions of the Act by Chit Fund companies are dealt with in accordance with the Act. So far the Ministry has ordered investigations against 68 such companies by Serious Fraud Investigation Office (SFIO) under the provisions of Section 235 of the Companies Act, 1956. These investigations are in addition to action initiated by State Police Authorities under the laws referred above.
