

## The Chit Funds (Amendment) Bill, 2019

### Why in News?

The Chit Funds (Amendment) Bill, 2019 which seeks to amend the Chit Funds Act, 1982 was introduced in Lok Sabha this month.

### What is the 1982 Act about?

- The 1982 Act **regulates chit funds**, and prohibits a fund from being created without the prior sanction of the state government.
- Under a chit fund, people agree to pay a certain amount from time to time into a fund.
- Periodically, one of the subscribers is chosen by drawing a chit to receive the prize amount from the fund.

### What are the names for a chit fund?

- The Act specifies various names which may be used to refer to a chit fund. These include chit, chit fund, and kuri.
- The Bill additionally inserts '**fraternity fund**' and '**rotating savings and credit institution**' to this list.

### What the terms that are substituted?

- The Act defines certain terms in relation to chit funds. It defines:
  1. 'Chit amount' as the sum of subscriptions payable by all the subscribers of a chit;
  2. 'Dividend' as the share of the subscriber in the amount kept apart for running the chit; and
  3. 'Prize amount' as the difference between chit amount and the amount kept apart for running the chit.
- The Bill **changes the names of these terms** to 'Gross chit amount', 'Share of discount' and 'Net chit amount', respectively.

### How can the subscribers join the chit now?

- The Act specifies that a chit will be drawn in the presence of at least two subscribers.
- The Bill seeks to allow these subscribers to join via video-conferencing.

### **How much is the Foreman's commission increased?**

- The Act specifies that the 'foreman' is responsible for managing the chit fund. He is entitled to a maximum commission of 5% of the chit amount.
- The Bill seeks to increase the commission to **7%**. Further, the Bill allows the foreman a right to lien against the credit balance from subscribers.

### **What is the aggregate amount of chits?**

- Under the Act, chits may be conducted by firms, associations or individuals.
- The Act specifies the maximum amount of chit funds which may be collected. These limits are:
  1. Rs. 1 lakh for chits conducted by individuals, and for every individual in a firm or association with less than four partners, and
  2. Rs. 6 lakh rupees for firms with four or more partners.
- The Bill increases these limits to Rs. 3 lakh and Rs. 18 lakh respectively.

### **What is the applicability of the act?**

- Currently, the Act does not apply to:
  1. Any chit started before it was enacted, and
  2. Any chit (or multiple chits being managed by the same foreman) where the amount is less than Rs 100.
- The Bill removes the limit of Rs 100, and allows the state governments to specify the base amount over which the provisions of the Act will apply.

**Source: PRS India**