

LOK SABHA

Monday, March 11, 1968/Phalgun 21,
1889 (Saka)

*The Lok Sabha met at Eleven of the
Clock.*

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

FINANCE AND CHITFUND COMPANIES

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*540. SHRI UMANATH :
SHRI VISWANATHA
MENON :
SHRI P. GOPALAN :
DR. RANEN SEN :

Will the Minister of FINANCE be pleased to state :

(a) whether the attention of Government has been drawn to the large scale swindling by Finance Companies, Chit Fund Companies and housing colonizers;

(b) if so, whether Government have investigated the matter; and

(c) the steps taken by Government to stop this evil ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI K. C. PANT) : (a) Certain complaints regarding non-repayment of deposits and similar liabilities have been received mostly from the Delhi region.

(b) These relate primarily to matters which are of a contractual nature and the normal remedy for the affected parties would lie in civil proceedings. However, whenever called for, the appropriate statutory authorities have investi-

gated and taken necessary action in the matter.

(c) As regards the non-banking financial companies, a gist of directions issued by the reserve Bank regulating their business is laid on the Table of the House. These are likely to improve the operation of these companies in the long run. As for chit funds, there are special enactments in force in Kerala, Madras and Delhi where they are relatively popular.

Statement

(i) The direction is applicable to all financial companies, whether or not they accept deposits from public, viz. loan companies, hire purchase finance companies, housing finance companies, investment companies, miscellaneous finance companies, chit fund companies, Nidhis and mutual benefit finance companies, [Insurance companies and stock exchanges and companies carrying on mainly the business of brokers or jobbers are excluded.]

(ii) In the case of a hire purchase or a housing finance company, it will be required to (a) maintain in cash or current accounts with scheduled banks or in unencumbered or other trustee securities, an amount equal to 10% of the outstanding deposits; and (b) collect its debts in a way such that the aggregate receipts by way of instalments, due to the companies under hire purchase contracts, during each of the two half years shall not be less than 25% of the amount outstanding under such contracts as on the close of business on the last working day of the previous financial year.

(iii) No non-banking financial company shall accept deposits repayable on demand or notice or after a period of less than twelve months (six months for

hire purchase and housing finance companies).

(iv) No non-banking financial company (other than hire purchase and housing finance companies) shall accept deposits in excess of 25% of its paid-up capital and free reserves.

(v) No non-banking financial company shall issue an advertisement soliciting deposits, unless such advertisement carries necessary details regarding the company, such as its nature, business, profits for the last financial years, paid up capital, reserves and similar particulars.

(vi) Every non-banking financial company shall furnish to every depositor a receipt for every amount which has been received by the company and the company shall keep registers giving full particulars of each deposit.

(vii) The report of the Board of Directors of the company should, among other things, contain particulars of information regarding (a) total number of depositors of the company whose deposits have not been claimed by the depositors or paid by the company after it has become due for renewal (b) the amounts remaining unclaimed or unpaid beyond the due dates.

(viii) Interest on deposits repaid prematurely will be at rates prescribed by the Reserve Bank.

SHRI UMANATH : Notwithstanding the various legislations, acts and other things which the hon. Minister said are in force in various States, many citizens are being deceived by these chit fund companies and other institutions. For examples, they ask for a loan of Rs. 20,000 from a financial company and then the man would not be seen at all. Because most of the people involved in this are middle-class and lower class people, who are taking loans for building houses and other things and they are the main sufferers, I would like to know whether Government have reviewed the working of these various institutions, and I would also like to know how many people have suffered on account of this and whether the present legislations and acts are sufficient for protecting these people ?

SHRI K. C. PANT : This is one of those matters which are constantly under review. So far as the persons who became victims of these companies are concerned, I think it is a sufficient warning to them that so many companies have failed and duped people. They should take a warning from this very fact. So far as the laws in this respect are concerned, they are certainly under review and even now certain proposals are under consideration.

SHRI UMANATH : Does Government propose any new legislation to be brought with a view to protecting these victims on the basis of the review which the hon. Minister said he has undertaken already ?

SHRI K. C. PANT : It is a little premature to say precisely what would be done, but it is being examined.

DR. RANEN SEN : Taking advantage of the poverty of the common people these chit fund companies and housing financial companies are growing like mushrooms almost everywhere in India. In spite of certain precautions taken by the Reserve Bank as laid down in the statement, these companies are growing and more and more people are being trapped in their clutches. May I know how many cases have been launched against such companies and how many people have been prosecuted under the existing directives and laws that are prevalent today in India ?

SHRI K. C. PANT : Apart from the directives to which the hon. member referred, there is the Madras Chit Fund Act which has been extended to cover Delhi also and under this Act there are various provisions to control the functioning of these companies. I could mention one or two of those provisions. One is, no action or drawing in respect of any chit will be permitted unless the chit has been registered with the Registrar of Chit Funds. Secondly, the firms will have to execute an indenture of mortgage of trust in favour of the Registrar of Trustees providing by way of security property equal in value to the aggregate value of the amount subscribed initially in one instalment. Then, the foreman

will be entitled to collect payments due and a commission not exceeding 5 per cent of the chit amount and so on. The chit may be wound up under the direction of the district court if it is not being satisfactorily conducted. These are some of the other regulations that apply. Apart from this, only recently, on the 15th December 1967, a detailed list of the names of the companies in respect of which complaints have been received has been placed on the Table of the House, and there we have indicated the action taken by the police as well as the Registrar.

श्री कंबरलाल गुप्त : मन्त्री जी ने कहा कि बहुत सारी चिट फंड कम्पनीज और फाइनेंस कम्पनीज बन्द हो गई हैं, उनका दिवाला निकल गया है। उनका मोडस आपरेन्डी यह है कि छोटे छोटे लोगों में पैसा ले लेते हैं और उसके बाद वह अपने फंड्स डाइवर्ट कर देते हैं अपने रिश्तेदारों के नाम से, अपने बीबी बच्चों के नाम से। चूकि लिमिटेड कम्पनीज होती हैं इसलिए उनपर कोई सिविल केस भी नहीं चलाया जा सकता। वह दूसरे नाम से अपनी इंडस्ट्रीज चलाते हैं, किसी ने सिनेमा बना रखा है, सैकड़ों विडोज ऐसी हैं जिनका पैसा उन्होंने ले लिया है और आम्बे पर्सनल का पैसा लिया हुआ है। मेरी इन्फार्मेशन तो यह है कि 5 करोड़ रुपया इन डिफेन्स कम्पनीज और चिट फंड कम्पनीज ने लोगों का खा लिया है। मैं माननीय मंत्री से पूछना चाहता हूँ कि जो उनका यह मोडस आपरेन्डी है जिस तरह से वे आपरेट करते हैं, उनके खिलाफ कोई क्रिमिनल केस बन सके, इस प्रकार की कानून में कोई व्यवस्था आप करेंगे ताकि अगर वह रुपया ट्रांसफर भी कर दें किसी दूसरे के नाम तो भी वह क्रिमिनल आफेंस ट्रीट किया जाए?

दूसरी बात यह है कि दिल्ली में ऐसे कितने केसेज हैं और उनमें कितना रुपया इन्वाल्ड है?

SHRI K. C. PANT : If the police find it that there is a case of criminal misappropriation, then they take action. I

may say that in all these cases the company law administration and the Reserve Bank of India pass on their reports to the police and if the police find that there is a case of criminal misappropriation involved, they will take action.

श्री कंबरलाल गुप्त : सिविल केस तो बनता है

SHRI K. C. PANT : Let me complete my answer. Ordinarily, in a matter of breach of trust—I am not a lawyer but I understand the position is this—only civil proceedings lie. But in case the police find that there is a case of criminal misappropriation, they will take suitable action under the law.

श्री कंबरलाल गुप्त : मुझे तो मालूम है इसलिए बीच में टोकना चाहता था कि मिस-एप्रोप्रिएशन का केस नहीं बनता, सिविल केस बनता है लेकिन सिविल केस सालों तक चलता रहता है। तो क्या उनके खिलाफ कोई क्रिमिनल केस बने, इस तरह की तरफीम आप कानून में करेंगे। दूसरी बात यह है कि दिल्ली में इस तरह के कितने केसेज हैं?

MR. SPEAKER : About Delhi I do not know, but this is the position everywhere.

THE DEPUTY PRIME MINISTER AND MINISTER OF FINANCE (SHRI MORARJI DESAI) : It is not possible to divide cases into criminal cases in the matter. This has been considered before. Where civil liabilities are there you cannot convert them into criminal liabilities. And when people knowingly go and deposit money with these people in spite of all this, which is also publicised, how can we help such people, I do not know. They go and deposit even with private people, not only with companies; they do it because they get a higher rate of interest. It is the greed which is responsible for this.

SHRI LOBO PRABHU : The prosperity of the chit funds, hire purchase and even the indigenous money lender, those who operate on money, is an indication that there is a demand for credit which is not met by the existing institutions. Since Government is thinking of

socialising banking, is it not legitimate for the Government to consider including hire purchase as part of the socialisation of banking? Is it possible for the Government to make the State Bank to undertake some of these operations?

SHRI MORARJI DESAI : The State Bank does not want to go into these matters and should not.

MR. SPEAKER : Shri Surya Narayana.

SHRI LOBO PRABHU : Then how is the demand for credit to be met? Merely saying that the State Bank will not undertake the operation indicates a certain attitude. Is he giving any reason for it?

MR. SPEAKER : I have called Shri Suryanarayana.

SHRI LOBO PRABHU : Sir, I want your protection. When a question is asked, the Minister has to give an answer.

MR. SPEAKER : He has given the answer—the State Bank cannot undertake it.

SHRI LOBO PRABHU : Then who will undertake it, could he tell me?

MR. SPEAKER : Then it becomes a matter of debate.

SHRI MORARJI DESAI : Those who are undertaking it will continue to undertake it.

SHRI K. SURAYANARAYANA : May I know whether any State Government has approached the Government of India for starting this kind of chit fund companies?

SHRI MORARJI DESAI : Not yet.

SHRI K. SURAYANARAYANA : May I know whether the Kerala Government has published that they are contemplating to ban such societies and to stop these kinds of societies?

SHRI MORARJI DESAI : I have received a representation from some of the Chit Fund people that Kerala Government is contemplating such an action. I do not know anything beyond that.

श्री ओ० प्र० त्यागी : जब सरकार को यह जानकारी हुई कि कुछ इस प्रकार की कम्पनियों ने बेईमानी की है तो क्या सरकार ने इस बात की जांच करने का प्रयत्न किया है कि कितने आदमियों के साथ बेईमानी हुई और कितने रुपये की बेईमानी की गई है, यदि हां तो उसके आंकड़े क्या हैं?

श्री मोरारजी देसाई : इस की जांच करना मुश्किल है कि कितने लोग ठगे गये और कितने रुपये की बेईमानी की गई। खास करके दिल्ली शहर में इसे कैसे किया जाय?

श्री क० ना० तिवारी : बहुत से लोग लालचवश अपना रुपया जमा कराते हैं और उसमें ठगे जाते हैं। मैं जानना चाहता हूँ कि क्या भारत सरकार ने कोई इस तरीके का सर्वे कराया है या कराने का विचार है ताकि यह पता चल सके कि पब्लिक मनी इस तरीके से लोगों का बैंकों को छोड़ कर यहां कितना लगा हुआ है कितना यहां जमा है?

श्री कृष्ण चन्द्र पन्त : जी हां सेन्ट्रल ब्यूरो आफ इन्वेस्टिगेशन ने हाल ही में सर्वे किया था और इस बात का अध्ययन किया था कि यह चिट फंड कम्पनियां किस तरीके से कार्य करती हैं।

श्री क० ना० तिवारी : जो रुपया जमा किया गया है उसका कोई सर्वे किया है?

श्री मोरारजी देसाई : वह कैसे किया जाय?

श्री कृष्ण चन्द्र पन्त : मैं बतला रहा हूँ कि चिट फंड कम्पनियों के बारे में सी०बी० आई० ने जांच पड़ताल की है और कुछ कदम उठाये हैं। उसका ब्योरा दिया जा चुका है।

PUBLIC SECTOR UNDERTAKINGS

*541. **SHRI HARDYAL DEVGUN :** Will the Minister of FINANCE be pleased to state :

(a) the expert bodies which have tendered their advice during the last 5