

**GOVERNMENT OF INDIA  
CORPORATE AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:1058  
ANSWERED ON:28.11.2014  
VIOLATION OF COMPANY ACT  
Innocent Shri ;Kumar Shri Ashwini

**Will the Minister of CORPORATE AFFAIRS be pleased to state:**

- (a) whether the Government has taken note that many Non-Chit Fund companies are misusing public money by operating as Chit Fund companies thereby violating the provisions of the Company Act;
- (b) if so, the details thereof along with the number of such cases unravelled reported during the last three years and the current year; company, State/UT-wise;
- (c) the number of cases in which inquiries were conducted along with the action taken against the companies including imposition of penalties during the said period; and
- (d) the steps/measures taken/being taken by the Government to prevent such violations and protect the investors including providing assistance to shareholders/investors in such companies?

**Answer**

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

(a) to (d) There are no provisions in the Companies Act, 1956 or 2013 relating to Chit Funds or 'Chit Fund Companies'. Provisions to this effect are contained in the Chit Funds Act, 1982 which is a Central Act administered by the Ministry of Finance (Department of Financial Services) but its implementation vests in the State Governments concerned who register entities running Chit Funds and regulate their affairs and proceed against violators including by companies running chit funds without such registrations. Central Government has, however, interalia investigated affairs of 14 companies falling in the category of the so called 'Chit Fund Companies' for violation of the Companies Act. It has been decided to prosecute such companies under various provisions of Companies Act and to also share the findings of investigations with the CBI which is also investigating various alleged criminal activities of such companies.