

## Chit Funds Act, 1982

### Section 6 - Form of Chit Agreement

---

(1) Every chit agreement shall be in duplicate and shall be signed by each of the subscribers or by any person authorised by him in writing and the foreman and attested by at least two witnesses and it shall contain the following particulars, namely:-

- (a) full name and residential address of every subscriber;
- (b) the number of tickets including the fraction of a ticket held by each subscriber;
- (c) the number of instalments, the amount payable for each ticket at every instalment and the interest or penalty, if any, payable on any default in the payment of such instalments;
- (d) the probable date of commencement and the duration of the chit;
- (e) the manner of ascertaining the prized subscriber at each instalment;
- (f) the maximum amount of discount which the prized subscriber has to forego at any instalment;
- (g) the mode and proportion in which the discount is distributable by way of dividend, foreman's commission or remuneration or expenses for running the chit, as the case may be;
- (h) the date, time and place at which the chit is to be drawn; (i) the instalment at which the foreman is to get the chit amount;
- (j) the name of the approved bank in which chit moneys shall be deposited by the foreman under the provisions of this Act;
- (k) where the foreman is an individual, the manner in which a chit shall be continued when such individual dies or becomes of unsound mind or is otherwise incapacitated;
- (l) the consequences to which a non-prized or prized subscriber or the foreman shall be liable in case of violation of any of the provisions of the chit agreement;
- (m) the conditions under which a subscriber shall be treated as a defaulting subscriber;
- (n) the nature and particulars of the security to be offered by the foreman;
- (o) the dates on which and time during which the foreman shall, subject to the provisions contained in section 44, allow inspection of chit records to non-prized and un-paid prized subscribers;
- (p) the names of the nominees of each subscriber, that is to say, the name of the persons to whom the benefits accruing to the subscriber under the chit may be paid in the case of the death of the subscriber or when he is otherwise incapable of making an agreement;
- (q) any other particulars that may, from time to time, be prescribed.

Explanation.-For the purpose of this sub-section, it shall be sufficient if the signature of each subscriber is obtained in separate copies of the agreement.

(2) The duration of a chit shall not extend beyond a period of five years from the date of its commencement:

Provided that the State Government may permit the duration of a chit up to a period of ten years if it is satisfied that it is necessary so to do, having regard to,-

- (a) the financial condition of the foreman;
- (b) his methods of operation;
- (c) the interests of prospective subscribers;
- (d) the requirements as to security; and
- (e) such other factors as the circumstances of the case may require.

(3) The amount of discount referred to in clause (f) of sub-section (1) shall not exceed<sup>1</sup>[forty per cent.] of the chit amount.

(4) Where the prized subscriber at any instalment of the chit is required to be determined by auction and more than one person offer the maximum discount, the prized subscriber shall be determined by lot.

---

1. Substituted for the words "thirty per cent" by The Chit Funds (Amdt.) Act, 2001. w.e.e. 01.10.2001

---