

# AN EMPIRICAL STUDY ON CHIT FUND CRISIS IN TRIPURA

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**Abstract** *The study examines the motivating factors of the respondents for investment in chit funds, perception towards chit fund companies and strategies to properly manage chit funds of Tripura. It obtained primary data from 160 respondents from all the eight districts of the state using quota and convenient sampling technique through questionnaire and personal interviews. Different statistical tests like Mann-Whitney U test, Pearson's Chi-square test, factor analysis like Principal Component Analysis were performed to assess support for the hypotheses. The reliability of the questionnaire and sample adequacy test was also carried out. The results of data analysis reveal that exorbitant rate of interest offered by chit fund companies, lack of industrialisation, financial illiteracy and rigid banking formalities are the key motivating factors for investment. The study indicates that excessive greed, absent of Government's small investment schemes, multi-regulations, political patronage, weak Chit Fund Act are the causes behind scams and frauds. The study further emphasizes on provision of CAG audit, proper coordination among regulators, inclusion of Government's nominees in the Board of Management of chit funds, exercising control in the scope of operations as well as investors' education.*

**Keywords** *Collective Investment Scheme (CIS), Chi-Square Test, Mann-Whitney U Test, Descriptive Statistics, Rotated Component Matrix.*

## THE CONTEXT

For the last few years the ethical values and moral standards are at their lowest ebb in India- due to the detection and exposure of series of scams and frauds in all forms of businesses like corporate, non-corporate, financial sector and in government organisations. Thus, in a country like India where scams, corruptions and financial shenanigans spread in the economy like an epidemic, the quote of a French author "*the only thing that should surprise us is that there is still something that can surprise us*" may be aptly applicable. The Transparency International (TI)'s corruption perception index (CPI) shows that since 1995 to 2003 there was no visible trend of corruption in India which, deteriorated substantially from 2004 till 2012 reflected by the upward swing in the index. Such increasing trend accompanied by slow GDP indicates that there is a negative correlation between these two.

Chit funds and Ponzi schemes are very common avenues of parallel investment since long past. Time and again newspaper headlines report the collapse of such funds and narrate the plight of gullible investors. These media reports so far gain no much attention as the volume of scams were in lakhs. But, in recent years a good number of frauds have been exposed involving thousands of crores rupees. It is obvious that whenever a single large collapse like last year's expose of Saradha Chit Fund fraud in West Bengal and a number of chit fund frauds in Tripura, Assam, Orissa can spread panic

and rush by investors to get back their invested money from such chit funds, its band wagon effect may lead to social unrest, violence, physical harassment and even suicide by agents and the victim investors. This paper tries to analyze the motives behind investment in chit funds, causes of chit funds' cheating and to suggest preventive measures to curb its recurrence.

## CHIT FUND AND ITS MODUS OPERANDI

According to section 2(b) of the Chit Fund Act, 1982, "*Chit means a transaction whether called chit, chit fund, chitty, committee, kuri or by any other name by or under which a person enters into an agreement with a specified sum of money (or a certain quantity of grain instead) by way of periodical installments over a definite period and that each such subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be specified in the chit agreement, be entitled to the prize amount.*" In other words, a chit fund or a committee is a close group formed by a number of savers, say five persons, who make a commitment to contribute a specified amount (say INR 1,000 per month) for a finite number of months (say for 6 months) to pool a common corpus which can be used for lending the members on priority basis. The amount is given as loan to a member who has an urgent need on the offer of highest rate of interest (implicitly discount) the member

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ready to bear to the normal size of loan and the interest is shared between the members. The person who runs such fund or committee is supposed to get a good chunk of fund. In the second month, the winner of first month will be debarred from bidding the interest rate so that remaining members can get an opportunity to bid. The discount i.e. the implicit rate of interest is the function of aggressiveness of the bids and it fluctuates. For the non-prize winners, the reward is the discount earned by way of bidding and if he does not run away with the money at his disposal, the chit fund is viable.

## OBJECTIVES OF THE STUDY

The objectives of the study are

- To analyze the motivating factors of investment in chit funds in Tripura.
- To study the causes of frauds committed by chit funds in Tripura.
- To suggest the ways of proper managing of chit funds in Tripura.

## REVIEW OF LITERATURE

The relevant volume of empirical research on the operations of chit funds conducted in other states of India is less in number. Although some of the relevant literature on the activities of chit funds have been studied and the findings are incorporated in this review of literature section. Kapoor *et al.* (2013) concluded that the chit fund industry addresses the savings needs of people, is considered very safe and also offers loans at lower interest rates than money lenders. Eeckhout and Munshi (2010) finds that by bringing both, borrowers and lenders, in close proximity and by stimulating the competition, chit fund effectively created an informal credit market subject to different constraints. Ferri (2010) classified Ponzi agents as those who borrow more and more in order to repay their interest with the simplistic anticipation that profit and capital gain will be available to repay their commitments when they become due. Mannion (2009) concludes that Ponzi schemes' arrangement usually falls apart when a large number of investors want to withdraw their investments at the same time, especially during times when there is not enough new money being supplied by new investors. Rhee (2009) suggests that the informal credit market is vulnerable to the credit risk, interest rate risk, inflation risk, re-investment risk, market risk, operation risk etc. Once any of the risk materializes, the entire informal credit market collapses like anything. Nielsen (2012) finds that whistle-blowers' appeals did not pay attention to the regulators. This can result in exposure of corporate's wrong doing, inaction by regulatory institutions and hindrance

to institutional reform. Hudon (2008) finds that under the veil of microfinance, the chit fund companies collect fund from the poor people and the research further shows that even though the chit funds are registered under Companies Act, Societies Act, RBI Act and SEBI Act, these are equally unsafe like their unregistered counterparts. Sathye (2007) suggests that to prevent scams of chit funds Financial Intelligence Unit (FIU) should be formed. Roy (2012) concluded that many chit fund companies are using the media business as a stepping stone by which they will be able to establish contacts with the political establishments, more so with people in power. Sen (2013) suggests that all the banks should conduct random check to the accounts of the chit fund companies which collect money through collective investment schemes across the country. Bansal (2005) suggests that the international consensus in preserving the soundness of the banking system has highlighted a number of necessities including careful attention to the audit report prepared by the internal and external auditors.

## SOME INFAMOUS CHIT FUND SCAMS IN THE RECENT YEARS

### Meghalaya Cooperative chit fund scam (2007)

Several investors of Literature Centre Cooperative Society Limited (LCCSL) lodged a complaint at the local police station against a congress leader for duping them over INR5 lakh.

### Criminal case against Karnataka Milk Federation director for cheating a Chit company (2008)

A criminal case was filed against a director of KMC for cheating a private chit fund company when he defaulted to repayment of chit fund prize money when it becomes due and his post-dated cheque bounced.

### Secured Investment Making Services (SIMS) scams, Vizag (2009)

Criminal cases were registered in different police stations against SIMS which, according to an estimate vanished with INR100 crores in adjunct areas of Vizag. The owner and director of the chit fund company were absconding.

### Balsore chit fund scam (2009)

The Orissa HC ordered a CBI probe against Fine Indi sales, a chit fund owned by a Bollywood actor-cum-film producer. The scam amount was around INR 578 crores involving 2.5 lakhs people of Orissa. The multi-level company (MLM) transferred a good portion of collected fund to produce a movie called 'Shadow'.

**Multi – crore marketing scam in Karnataka (2011)**

Sanjay Tenginkai, a businessman was booked by police for the changes of duping people of different parts of Karnataka involving fraud amount of INR4.20 crores.

**Kapil chit fund scam (2011)**

A subscriber of Kapil chit fund lodged a complaint against the chit fund for fraud amounting to INR35000 which the investor deposited through cheques. The perpetrators encashed both of these cheques.

**Chit fund fraud in Bhubaneswar (2012)**

Around 20 people lodged a case against 'Future India' chit fund which promised to pay monthly dividend @ 2 percent but suddenly stopped the payment in April, 2012. The local police arrested two company officials on the basis of investors' complaint.

**Shri Suba Shri Finance and Chit Fund Scam (2012)**

A woman and her sibling were arrested for duping investors around INR12 crores in Vellore in a chit fund fraud case.

**87 Chit Fund and MLM companies come under MCA scanner in 2012**

The minister in charge of Company Affairs said in the Parliament that complaints were registered against 87 chit fund and multi-level-marketing (MLM) companies in 2012. The Registrar of Companies (ROC) was asked to scrutinize the books of accounts of those companies.

**Krishi Vikas Shilpa Kendra (KVSK) and Sanmarg Burdwan Scam (2013)**

The Arambag police of Hooghly district of West Bengal arrested two chit fund company directors in the allegation of fraud changes in the tune of INR9 crore.

**Saradha Chit Fund Scam (2013)**

The collapse of Saradha Group of Companies led to arrest of the Chairman and Managing Director Sudipta Sen along with two associates in West Bengal. Multiple investigating agencies are carrying out investigation. The estimated amount of fraud is INR 20,000 crores.

**Shiram Chit Fund Scam**

One investor alleged that a manager and a staff create dummy bidders and bids for the chits and take away the money, which is illegal since they are barred from bidding in the chits.

**Chennai Chit Fund Scams**

In recent years crores of rupees were misappropriated by different legal and illegal chit funds and several cases were registered against them. Few arrests too took place.

**DATA AND RESEARCH METHODOLOGY****Primary data**

The primary data have been taken from the investors to study the motivating factors, unearth the causes of frauds as well as their opinion regarding managing chit funds in Tripura through questionnaire and personal interviews.

**Questionnaire**

In the light of the stated objectives of the present study a questionnaire was framed and a survey of total 160 investors from all 8 districts of Tripura was conducted. The questionnaire comprising of 47 questions including socio-economic background of the respondents was used to collect the primary data.

**Sampling Design**

The population for the sample comprised of all 8 districts of Tripura i.e. West, Sepaijala, Gomati, South, Khowai, Dhalai, Unokoti and North. There are several stages in which the sampling process is carried out. The stages are:

**1. First Stage**

At this stage the entire state has been divided on the basis of districts in which maximum number of chit fund investors is living by using the cluster sampling method.

**2. Second Stage**

By using quota sampling, all the 8 districts have been selected in order to make the sample more representative.

**3. Third Stage**

The eventual sampling was selected on the basis of convenience-cum-random sampling. At this stage a base of 200 investors from each of 8 districts has been taken into consideration as it is a Herculean task to know the exact number of investors. Further, data from each district has been divided on the basis of 4:1 ratio between men and women investors (i.e. 75 men and 25 women investors on the base of total 100 respondents). It was found during the survey that most of the investors are men and hence the ratio of men and women respondents was taken as 75 percent and 25 percent respectively. Again, it was difficult to contact each and every respondent in each district, hence quota of 10 percent was fixed for every district as well as for men and women investors. The final sample size consists of 160 investors, out of which 120 were men and the rest 40 were women.

**Table 1: Sample Size of the Respondents**

Name of the districts	No. of investors considered			10% sample for every districts based on male and female		Quota and convenient sampling
	Male (75% of base)	Female (25% of base)	Total	Male	Female	
West	150	50	200	15	5	20
Sepaijala	150	50	200	15	5	20
Gomati	150	50	200	15	5	20
South	150	50	200	15	5	20
Khowai	150	50	200	15	5	20
Dhalai	150	50	200	15	5	20
Unokoti	150	50	200	15	5	20
North	150	50	200	15	5	20
Total	1200	400	1600	120	40	160

## Tools and Techniques Used

The data collected through questionnaire and personal interviews and have been further processed SPSS (Statistical Package for Social Sciences). Non-parametric tests mainly the Mann-Whitney Test and the chi-square test has been used to test the hypotheses. The Mann-Whitney U test is a non-parametric statistic test most frequently used to assess whether two independent groups are significantly different from each other. A Chi-square test for independence is applied when two categorical variables are generated from a single population. It is used to determine whether or not there is a significant association between the two variables.

## PRIMARY DATA ANALYSIS

A close ended questionnaire with a 5 point Likert scale has been used for analyzing the perception of the respondents. The 5 point scale in the questionnaire bears the corresponding prefix, e. g. 1 as agree, 2 as strongly agree, 3 as disagree, 4 as strongly disagree and 5 as do not know. To test the reliability of the questions Reliability test was carried out. The Cronbach's Alpha score comes out as 0.974 hence it was accepted, since Alpha score above 0.90 is treated as very good in social sciences. To consolidate the data, factor analysis was carried out. On the factors obtained through factor analysis, the Mann-Whitney U test was applied to see if there is difference in opinion of male and female respondents on the factors so obtained. We have used various statistical tools like Descriptive Statistics, Mann-Whitney Test, Chi-square ( $X^2$ ) test and factor analysis to test the hypotheses which we generated from the primary data. The following hypotheses consist of eleven parameters for managing chit funds (Questionnaire, Part C) which has been tested using Chi-square test.

**Table 2: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.974	.974	35

The hypotheses areas follows

1.  $H_0$ : There is no association in the perception of the respondents towards managing funds.
2.  $HA_1$ : There is association in the perception of the respondents towards managing chit funds.

Finally, the data were processed through the use of SPSS and hence the findings and necessary recommendation were provided for the study.

The null hypotheses of the study are as follows

- $H_{01}$ : It is perceived that a number of factors motivate the investors to invest in chit funds.
- $H_{02}$ : It is perceived that a good number of factors have direct impact in the operation of chit funds.
- $H_{03}$ : It is perceived that a number of factors contribute in the chit fund scams.

## Demographics of the Respondents

The study has revealed that majority of the respondents are Hindus (52.50%), in their middle age (40.62%) having education up to Matriculation (33.75%). The study further reveals that most of the respondents are scheduled caste (30.62%) having association with chit funds for a period of around 2 years (48.75%).

**Table 3: Age Group of Respondents**

Age Group	Frequency	Percentage
18-25	47	29.38
26-35	65	40.62
36-45	33	20.62
46-65	13	8.12
66 and above	2	1.26
Total	160	100

**Table 4: Education Level of Respondents**

Level of Education	Frequency	Percentage
Under Matriculation	25	15.62
Matriculation	54	33.75
Higher Secondary	48	30.00
Graduate	23	14.38
Post graduate	7	4.38
Any other	3	1.87
Total	160	100

**Table 5: Religion of Respondents**

Religion	Frequency	Percentage
Hinduism	84	52.50
Muslim	48	30.00
Christen	11	6.88
Buddhism	17	10.62
Jainism	Nil	Nil
Any other	Nil	Nil
Total	160	100

**Table 6: Caste of Respondents**

Caste	Frequency	Percentage
General	41	25.62
Scheduled Caste	49	30.62
Scheduled Tribe	47	29.37
Other Backward Caste	23	14.39
Total	160	100

**Table 7: Respondents' Tenure of Association with Chit Funds**

Tenure	Frequency	Percentage
0-2 years	78	48.75
2- 5 years	59	36.88
5 years and above	23	14.37
Total	160	100

## ANALYSIS OF DATA

A total of 160 respondents were participated in the study. Part B of the questionnaire (refer to appendix table) consisted of twenty four key issues related to chit funds. Principal Component Analysis (PCA) has been conducted to find and club the component under the suitable head. The result of the PCA is as follows:

**Table 8: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.867
Bartlett's Test of Sphericity	Approx. Chi-Square	8262.185
	Df	300
	Sig.	.000

As the KMO and Bartlett's Test showed the favourable measure of sample adequacy (>0.50), PCA has been carried out in order to analyze the various components. PCA is a classical method. This linear transform has been widely used in data analysis and comparison. PCA is central to the study of multivariate data. PCA of a data matrix extracts the dominant pattern in the matrix in terms of a complimentary set of score and loading plots. The PCA gives the following result:

**Table 9: Component Transformation Matrix**

Component	1	2	3
1	.844	.463	.271
2	.214	-.754	.621
3	-.492	.466	.735

Extraction Method: Principal Component Analysis.  
Rotation Method: Varimax with Kaiser Normalization.

**Table 10: Rotated Component Matrix**

Particulars	Component		
	1	2	3
Attraction due to exorbitant rate of interest	.925		
High Commission	.905		
Low bank interest rate	.877		
Unbanked population	.856		
Vibrant economy	.851	.388	
Lack of financial literacy	.847		.399
Lack of Govt. sponsored small investment scheme	.826	.416	

Lack of industrialisation	.815		.402
Rigid banking formalities	.797		
Vice pressures	.761		.458
Multi-regulatory system		.874	
Political patronage	.435	.867	
Surrogate CIS	.364	.851	
Work related pressures		.748	.523
Examples does not work	.588	.741	
Auditor-auditee nexus	.624	.705	
Unsustainable business model	.619	.689	
Unfeasible rate of interest		.621	
Excessive greed of the organizers	.364		.903
Weak Chit Funds Act			.818
Weak regulations	.588		.692
Willful default	.624		.664
Culture of rule breaking	.419		.583
Decay in moral values		.525	.531

Extraction Method: Principal Component Analysis.  
 Rotation Method: Varimax with Kaiser Normalization.  
 a. Rotation converged in 8 iterations.

On the basis of Rotated Component Matrix, the 24 parameters in the questionnaire are segregated into three components. For each parameter, the highest factor loading has been taken for consideration for the under different components. Hence, the three components derived from PCA are as under:

On the basis of the above three components, the three hypotheses have been generated for the study. The three null hypotheses for the study have been tested using SPSS. Mann-Whitney U Test has been conducted in order

to validate the hypotheses. The Mann-Whitney U test is a non-parametric statistic test most frequently used to assess whether two independent groups are significantly different from each other. Thus, it is often referred as equivalent to ‘Students’-test’.

### INTERPRETATION

At 5% level of significance, The Mann-Whitney test statistic is insignificant for all the factors. Hence, we conclude that:

- There is no significant difference among male and female respondents regarding the motivating factors of investment in chit funds.
- There is no significant difference among male and female respondents regarding the factors which have direct impact in the operation of chit funds.
- There is no significant difference among male and female respondents regarding the contributing factors in the chit fund scams.

### Descriptive Statistics

Most of the investors believe that weak regulations (2.2625) are the prime reason behind the scams in chit funds while unbanked population (2.5125) are attracted to chit funds in Tripura. The respondents believe that the chit fund business models are unsustainable (2.2063) in the long run as they collect money with surrogate CIS (2.1813)and investors further added that they are involved as the state lacks in industrialisation (2.1563). The participants of the present study also said that work related pressure (2.1438), auditor-auditee nexus (2.1188), weak Chit Fund Act (2.1063), high commission (2.1063), examples does not work (2.0938), excessive greed of the organizers (2.0500), lack of Govt.

**Table 11: Components Derived form PCA**

Component 1	Component 2	Component 3
Attraction due to exorbitant rate of interest	Multi-regulatory system	Excessive greed of the organizers
High Commission	Political patronage	Weak Chit Funds Act
Low bank interest rate	Surrogate CIS	Weak regulations
Unbanked population	Work related pressures	Willful default
Vibrant economy	Examples does not work	Culture of rule breaking
Lack of financial literacy	Auditor-auditee nexus	Decay in moral values
Lack of Govt. sponsored small investment scheme	Unsustainable business model	-----
Lack of industrialisation	Unfeasible rate of interest	-----
Rigid banking formalities	-----	-----
Vice pressures	-----	-----

**Table 12: Test Statistics**

Particulars	Mean_C1	Mean_C2	Mean_C3
Mann-Whitney U	2343.500	2391.000	2388.000
Wilcoxon W	3163.500	3337.000	3208.000
Z	-.416	-.724	-.059
Asymp. Sig. (2-tailed)	.677	.469	.953

Grouping Variable: Gender

**Table 13: Descriptive Statistics**

Particulars	Mean	Std. Deviation	Analysis N
Attraction due to exorbitant rate of interest	2.0000	.48887	160
High Commission	2.1063	.64033	160
Low bank interest rate	1.8500	.39174	160
Unbanked population	2.5125	1.11585	160
Vibrant economy	1.9875	.73534	160
Lack of financial literacy	2.0063	.62943	160
Lack of Govt. sponsored small investment schemes	2.0438	.68540	160
Lack of industrialisation	2.1563	.79738	160
Rigid banking formalities	2.0250	.70888	160
Vice pressures	1.9438	.54075	160
Multi-regulatory system	2.0125	.47567	160
Political patronage	2.0125	.65385	160
Surrogate CIS	2.1813	.76784	160
Work related pressures	2.1438	.66206	160
Examples does not work	2.0938	.87449	160
Auditor-auditee nexus	2.1188	.83457	160
Unsustainable business model	2.2063	.79382	160
Excessive greed of the organizers	2.0500	.74226	160
Weak Chit Funds Act	2.1063	.62038	160
Weak regulations	2.2625	2.2625	160
Willful default	1.9438	.57459	160
Culture of rule breaking	2.0063	.65873	160
Decay in moral values	1.9688	.46813	160

sponsored small investment scheme (2.0438), rigid banking formalities (2.0250), multi-regulation & political patronage (2.0125), lack of financial literacy & culture of rule breaking (2.0063), exorbitant rate of interest (2.0000) are the reasons for scams in chit funds.

A Chi Square Test has been conducted to test the hypotheses generated under Part C of the questionnaire. A Chi-square test for independence is applied when two categorical variables are generated from a single population. It is used

to determine whether or not there is a significant association between two variables.

The hypothesis to be tested for Part C of the questionnaire is as follows:

1.  $H_{01}$ : There is no association in the perception of respondents towards the strategies of managing chit funds in Tripura.

**Table 14: Chi-square Results – at 5% level of significance  
(Refer Appendix for Questionnaire)**

Question No.	Pearson Chi-Square	Value	df	Asymp. Sig. (2-sided)
1	Pearson Chi-Square	1.128a	4	.952
2	Pearson Chi-Square	93.134a	4	.000
3	Pearson Chi-Square	106.260a	4	.000
4	Pearson Chi-Square	110.769a	4	.000
5	Pearson Chi-Square	136.842a	4	.000
6	Pearson Chi-Square	118.000a	4	.000
7	Pearson Chi-Square	142.545a	4	.000
8	Pearson Chi-Square	80.584a	4	.000
9	Pearson Chi-Square	149.508a	4	.000
10	Pearson Chi-Square	117.010a	4	.000
11.	Pearson Chi-Square	138.043a	4	.000

2.  $H_{A1}$ : There is association in the perception of respondents towards the strategies of managing chit funds in Tripura.

## Analysis

The Pearson Chi-square statistic tests whether the two variables are independent. If the significance value is small enough (conventionally sig. must be  $<.05$ ) then we reject the hypothesis and conclude that they are some way related. If the value is significantly high ( $p < .005$ ), indicating that a variable have a significant effect on the other. In other words, the highly significant result indicates that there is an association (pattern of response) between the male and female respondent investors of chit funds of Tripura.

At 5% level of significance, the following null hypotheses were rejected

Q 1 There is a requirement of stringent Chit Fund Act.

Q 2 Proper coordination needed among the regulators.

Q 3 Rationalisation of banking norms is the need of the hour.

Q 4 Close monitoring is needed.

Q 5 Stringent license norms are required to be implemented.

Q 6 There should be provision for CAG audit.

Q 7 There must be cap in the size of Ponzi schemes.

Q 8 There must be Government's nominees in Board of Management.

Q 9 The scope of operation should be limited and controlled.

Q 10 Investors' Education should be highlighted.

The accepted null hypothesis

## RESEARCH FINDINGS

- The study shows that the existing weak regulations and a large unbanked population who have invested in such chit funds paved the way for the perpetrators to commit frauds.
- Lack of industrialisation, high commission, exorbitant interest rates offered by the chit fund companies lured the investors to invest in chit funds of Tripura.
- The study reveals that excessive greed, absent of Government's small investment schemes, multi-regulations, political patronage, weak Chit Fund Act, auditor-auditee nexus and culture of rule breaking are the causes behind such frauds.
- The respondents also believe that the business models of the chit funds are unsustainable in the long run since they mainly collect funds through surrogate Collective Investment Scheme (CIS) just to by-pass Sec. 11 AA of SEBI Act.
- The study also indicates that lack of financial literacy and rigid banking formalities also motivate the investors to invest in chit funds instead of in formal banking systems.
- The study suggests that for proper managing of chit funds proper coordination among the regulators, close monitoring, cap in the size of different Ponzi schemes and rationalisation of banking norms is needed.
- The study further emphasizes on provision of CAG audit of chit fund books of accounts, inclusion of Government's nominees in the Board of Management of chit funds, exercising control in the scope of operations as well as investors' education.

## CONCLUSION

The business of chit funds, Ponzi schemes, nidhi, committee, kuri or by any other name is running in India for long past especially in South India which spread across the country with the passage of time. The fraud allegations against these are not new but what are concerned are the aftermath and the amount involved in such financial disasters – thanks to our weak regulation. At present the money market regulator RBI assumes the regulation of NBFC while the market watchdog SEBI covers the CIS. In the presence of these two regulators and weak provisions of the Chit Fund Act, 1982 along with relaxed attitude of state governments under whose jurisdiction the controlling of chit fund falls. The need of the hour is framing of unified regulatory structure which can monitor the businesses of chit funds and the like. The primary responsibility of state governments is to maintain social peace whenever any such schemes are exposed and they should closely vigil other similar funds running business in the states' territory which collects money from investors offering exorbitant returns. Financial literacy campaign needs to be strengthened and banks should accelerate their financial inclusion mission by covering more unbanked population, rationalizing KYC norms. Last but not least, the potential investors must carry out their own due diligence before investing their hard core money in the chit funds and they should design their portfolio with bank savings account, fixed deposits, post office recurring deposits, IRDA approved insurance companies, in gold and in state government approved small saving schemes rather than exclusively in chit funds and Ponzi schemes.

## SCOPE OF FURTHER RESEARCH

Hardly, there has been any empirical research conducted in Tripura on the chit fund saga. There lies a huge shortfall in the literature on this area in Tripura although a few studies have been conducted about how the chit funds are doing business in other parts of the country. This facilitates the need to expedite the research to address every dimensions of this relevant social issue of not only Tripura but also at a national arena by the Government as well as by the private sectors in order to have a fair understanding of the modus operandi of chit funds.

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## APPENDIX: QUESTIONNAIRE

Note: The questionnaire has three sections, namely A, B and C. For each section the response style is mentioned in the beginning. You are requested to follow the response style and mark your response category by changing it into BLUE color.

Your cooperation is highly appreciable.

### Section A: General Profile of Respondents

(The purpose of this Section is to collect the general information about the participants)

1. Name of the Respondent:	
2. Date of birth:	
3. Occupation:	
4. Place of job, if any:	
5. Contact number:	
6. E-mail address:	
7. Gender	Male
	Female
7. Age group:	18-25 years
	26-35 years
	36-45 years
	46-65 years
	66 and above
9. Educational Qualification:	Under Matriculation
	Matriculation
	Higher Secondary
	Graduate
	Post graduate
	Any other
10. Religion:	Hinduism
	Muslim
	Christian
	Buddhism
	Jainism
	Any other
11. Caste:	General
	Scheduled Cast
	Scheduled Tribe
	Other Backward Cast
12. Tenure of investment in chit funds:	0-2 years
	2- 5 years
	5 years and above

### Section B: Motivation for Investment/ Operations of Chit Funds/ Causes of Fraud

Please read each of the statements carefully and indicate your level of agreement and disagreement that you think is the best describing your opinion about chit funds. Indicate your response by changing the response category into BLUE color. Please use the following scale for giving your response.

A= Agree, SA= Strongly agree, D= Disagree, SD= Strongly disagree, DK= Do not know

1. Do you believe that the attraction to the chit funds due to exorbitant rate of interest?	A	SA	D	SD	DK
2. Do you believe that the high commission is motivated to join in chit funds?	A	SA	D	SD	DK
3. Do you believe that the current bank interest rate is low?	A	SA	D	SD	DK
4. Do you believe that the unbanked population is attracted to chit funds?	A	SA	D	SD	DK
5. Do you believe that the vibrant economy is a factor to invest in chit funds?	A	SA	D	SD	DK
6. Do you believe that due to lack of financial literacy investors were attracted?	A	SA	D	SD	DK
7. Do you believe that due to lack of Govt. sponsored small investment schemes investors invested in chit funds?	A	SA	D	SD	DK
8. Do you believe that the lack of industrialisation in Tripura is a factor to attach with chit funds?	A	SA	D	SD	DK
9. Do you believe that the present banking formalities are rigid?	A	SA	D	SD	DK
10. Do you believe that the vice pressures motivate many investors?	A	SA	D	SD	DK
11. Do you believe that the multi-regulatory system inspired the chit fund companies?	A	SA	D	SD	DK
12. Do you believe that the political patronage motivate the chit fund companies to flourish?	A	SA	D	SD	DK
13. Do you believe that the fund is collected through surrogate collective investment schemes (CIS)?	A	SA	D	SD	DK
14. Do you believe that the work related pressures motivate many to involve in corruption?	A	SA	D	SD	DK
15. Do you believe that the examples of earlier money market frauds do not work for the chit fund companies?	A	SA	D	SD	DK
16. Do you believe that there is an auditor-auditee nexus?	A	SA	D	SD	DK
17. Do you believe that the business models are unsustainable in the long run?	A	SA	D	SD	DK
18. Do you believe that the rate of interest offered by chit fund companies is unfeasible?	A	SA	D	SD	DK

19. Do you believe that the recent years scams were committed due to excessive greed of the organizers?	A	SA	D	SD	DK
20. Do you believe that the present Chit Funds Act, 1982 is weak in its operation?	A	SA	D	SD	DK
21. Do you believe that the weak regulations are responsible?	A	SA	D	SD	DK
22. Do you believe that the scams are the result of willful default?	A	SA	D	SD	DK
23. Do you believe that the culture of rule breaking is common?	A	SA	D	SD	DK
24. Do you believe that nowadays there is decay in moral values?	A	SA	D	SD	DK

**SECTION C: Managing Chit Funds**

Please read each of the statements carefully and indicate your level of agreement and disagreement that you think is the best describing your opinion about chit funds. Indicate your response by changing the response category into BLUE color. Please use the following scale for giving your response.

A= Agree, SA= Strongly agree, D= Disagree, SD= Strongly disagree, DK= Do not know

1. Do you believe that the requirement of stringent Act is essential?	A	SA	D	SD	DK
2. Do you believe that the proper coordination is needed among the regulators?	A	SA	D	SD	DK
3. Do you believe that the banking norms should be rationalized?	A	SA	D	SD	DK
4. Do you believe that the close monitoring is needed?	A	SA	D	SD	DK
5. Do you believe that the stringent license norms should be implemented?	A	SA	D	SD	DK
6. Do you believe that there must be provision for CAG audit?	A	SA	D	SD	DK
7. Do you believe that there should be cap in the size of Ponzi schemes?	A	SA	D	SD	DK
8. Do you believe that the Government's nominees should be included in the Board of Management?	A	SA	D	SD	DK
9. Do you believe that the scope of operation should be controlled and limited?	A	SA	D	SD	DK
10. Do you believe that there should be provision for caution deposit?	A	SA	D	SD	DK
11. Do you believe that the investors' education must be encouraged?	A	SA	D	SD	DK