

## **Chit fund or Ponzi scheme**

73 companies in West Bengal have been recently blacklisted by SEBI, for running Chit fund, where in the name of giving back a superlative return has cheated thousands of investors and has made the agents run away from their house or even commit suicide. But are these companies really Chit funds? A Chit fund is a kind of savings scheme which is more of a company managing, conducting or supervising, as foremen, agent or in any other capacity, chits. Chit means a transaction known by various names like chit, chit fund, chitty, kuri or by any other name by or under which a person enters into an agreement with a specified group of persons that every one of them shall subscribe a certain sum of money 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. Such chit fund schemes may be conducted by organized financial institutions or may be unorganised schemes conducted between friends or relatives. Chit Funds are also misused by its promoters and there are many instances of the founders running away with the money and abscond. A different scheme is the Ponzi scheme which pay returns to its investors from their own money or the money paid by subsequent investors, rather than from profit earned by the individual or organization running the operation. The Ponzi scheme usually entices new investors by offering higher returns than other investments, in the form of short-term returns that are either abnormally high or unusually consistent. Perpetuation of the high returns requires an ever-increasing flow of money from new investors to keep the scheme going.

Usha Multipurpose Cooperative Society Limited is neither of the above and is simply a Cooperative, which is an organization centering on members. The members form the Cooperative for upliftment of their socio economic condition. However, in order to make the Cooperative successful, the participation of each and every member in its functioning is absolutely necessary. Each and every member must remember that she is the owner as well as user of the services of the Society. The success of the Cooperative Society depends on the implementation of the work plan by the members. This way the social fabric becomes stronger with more care for the cooperative and

increased accountability. This Cooperative has grown day by day, with the aforesaid targets in mind and has been an exemplary organization to show light to other cooperatives. The Board members of Usha along with the staff have tried to explain the loopholes in the Ponzi scheme more commonly called as the 'chit funds', but the poor and less educated individuals are often trapped in the process of making money through investment because of the projected high rate of return. As many of these less literate people cannot even read the terms and condition of their investment, the organization or individual running the system are making huge gain based on the innocence and ignorance of the commoners who are men and women from unorganized labour sector including sex workers. As many of them do not have access to financial institutions like bank, post offices, insurance companies etc. because of the stringent laws governing them are lured by the process simplicity and high rates of interest. Usha has undertaken a number of awareness programs but has not been successful in all cases and thus now many of the commoners including the sex workers have lost all their life's income.