

Crackdown on 'cheat' schemes

Udit Prasanna Mukherji & Rohit Khanna | TNN

Kolkata: The Union government has given the go-ahead to the Serious Fraud Investigation Office (SFIO) to crack down on chit fund companies in Bengal that depositors have complained against.

The department of corporate affairs has shortlisted eight companies — including the Saradha Group — based on specific complaints, say sources. Chit-fund companies have mushroomed since 2005-06 and have mopped up more than Rs 17,000 crore, say sources.

In public perception, several chit fund companies are seen as close to the ruling Trinamool Congress that is now desperate to distance itself from these firms.

"The Department of Company Affairs (DCA) informed the ministry almost a year back about these companies. There were some serious complaints against Saradha Group. Hopefully, action will now be taken. Some of these companies have mobilized over Rs 1,000 crore each," an official in the ministry said.

In response to a question in Parliament on March 14 this year (starred question No 244), minister of state for corporate affairs Sachin Pilot mentioned that the ministry has received complaints against companies for indulging in ponzi schemes like the Rose Valley Group, Saradha Group, RTC Group, Chakra Infrastructure, Tower Infotech, ICORE E-Service, MPS Group, Prayag Group, Rahul Group, Sunshine Group, Uro Group, Vibgyor Group and Waris



Group.

Capital market regulator Sebi has taken action against three such companies, whose appeals are being heard in Calcutta high court. According to financial experts, these firms had adopted some innovative techniques to raise money to bypass RBI and Sebi, like raising money through private placement of debentures and taking deposits against land. They offered very high returns — 20-30% — drawing lakhs of rural and semi-urban people.

TOI had written in October that the corporate affairs ministry has indicated that as many as 62 shady chit funds based in Bengal have mopped up over Rs 15,000 crore in the last

three to four years. A regional probe by the corporate affairs department unearthed another 15 such firms with individual net worth between Rs 100 crore and Rs 1,500 crore.

Till March this year, Bengal accounts for the largest number of complaints (73) against companies indulging in ponzi and multi-level marketing schemes.

According to data available with the corporate affairs ministry, many of these companies belong to the same group and work in different areas of the state. In 2011 Union minister of state Abu Hasem Khan Chowdhury had lodged a complaint with the Prime Minister's Office against Saradha Group, following which the home ministry had sought a report from the state government.

Sachin Pilot, during his last visit to the city had said that the ground is being prepared for strong action against chit funds and ponzi schemes.

According to financial experts, chit funds in Bengal dodge Sebi laws by taking deposits against a land parcel. As per CIS law no one can raise money from the investors even under the existing scheme, unless a certificate of registration is granted to it by Sebi. Sebi has already hauled up a leading chit fund of Bengal, which has interest in hospitality and films, for violating CIS. However, the company went to court where it is being heard.



“The cat is out of the bag. I have been raising issue since long. No one was paying heed. There is no denying that the chit funds flourished during the Mamata Banerjee regime. Trinamool men were hand in glove with them and used the ill-gotten money. They may spill the bins after they are arrested. I am not opposed to chit funds as such if they follow the law. I don't know how far the government can confiscate the assets and hand it over to prospective takers

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“I had raised the issue in the assembly. I had demanded that the government should take note of the illegally operated chit funds in Bengal. The government didn't do anything despite repeated caution notes from the RBI and Sebi. What's more is that these illegally operated chit funds demolished the entire chain of small savings deposits in nationalised banks

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