

**"DHUKUTI" AS A NEW BANKING PRODUCT &
INVESTMENT ALTERNATIVE:
THE NEPALESE EVIDENCE**

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RECOMMENDATION

This is to certify that the thesis:

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"DHUKUTI" AS A NEW BANKING PRODUCT & INVESTMENT ALTERNATIVE: THE NEPALESE EVIDENCE

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DECLARATION

I hereby declare that the work reported in this thesis entitled **“DHUKUTI AS A NEW BANKING PRODUCT & INVESTMENT ALTERNATIVE:THE NEPALESE EVIDENCE”** submitted to the Central of Management, Tribhuvan University is my original work. It is done in the form of partial fulfillment of the requirements for the Master of Business Studies (M.B.S.) under the supervision and guidance of Prof. Snehalata Kafle and Mr. Pitri Raj Adhikari of Shankar Dev Campus, Putalisadak.

March, 2011

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Researcher

ACKNOWLEDGEMENT

The research work entitled **“"DHUKUTI" AS A NEW BANKING PRODUCT & INVESTMENT ALTERNATIVE : THE NEPALESE EVIDENCE”** is a Master Degree thesis prepared by partial fulfillment of MBS course under Tribhuvan University of Nepal. It aims to analyze the benefits of Dhukuti in terms of financial cost and return as well as to suggest recommendations for adopting Dhukuti as a banking product.

I would like to express my sincere gratitude to my thesis supervisors Prof. Snehalata Kafle and Mr. Pitri Raj Adhikari, Shankar Dev Campus, Putalisadak for their valuable inspiration, inducement and guidance throughout the work. I am thankful to Ms. Anita Shrestha for suggestion and help during the study period.

I would like to thank all those friends who helped me directly and indirectly to complete this study. At last, I am indebted to my family who has been great source of constant inspiration in every step of my study.

Despite my best effort and care, some mistakes might have crept in. I take the entire responsibility of any mistake in this research paper and beg a pardon for that.

March, 2011

Anil Shrestha

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Chapter-I

Introduction

1.1. Background of the Study

Dhikur (in Thakali), *Dhikuti* or *Dhukuti* (in Nepali) - literally a storage box, used for valuables or food grains - The Dhukuti is a financial self-help group which originated from a system of communal food grain storage for the needy. With the onset of the market economy, it expanded quickly and became a sophisticated informal people's bank, providing capital for small businessmen as well as farmers. Its resources are solely derived from internal savings mobilization.

Thus, the Dhukuti can be defined as a Rotating Saving & Credit Association (RoSCA) in which equal amounts of money are collected from the participants in regular intervals and allocated to one member at a time. Its rotation is mostly determined by secret tender, the fund going to the lowest bidder, except at the first and last rounds of a round. Dhukuti has become a major informal financial institution for small enterprise finance in Nepal, particularly for investments in non-farm and off-farm activities. In many cases, it is the only source of credit.

In many detailed studies made on Dhukutis between 1964 and 1988, the following features were identified:

- Very common, each with 10-30 or more members
- Access is open to all, both men and women. Individual shares may also be multiple or partial.
- Cycle of rotation is annual in the case of smaller groups and semi-annual in larger groups. The turn is determined by drawing lots/bids, except in the case of the first round and last rounds.
- Books are always kept, with records of all transactions and with all signed and witnessed contracts.

- Cases of defaulting, fraud or embezzlement have remained exceedingly rare at all times.

During the past half century Dhukuti spread as informal financial institutions all over the country and became the small businessman's self-help bank (Seibel & Shrestha 1988). This was mainly due to the extension of the money economy, the increase in business opportunities, an upsurge in the demand for money and, at the same time, the lack of formal financial institutions with convenient savings deposit facilities and broad access to credit. During that process of expansion, the Dhukuti underwent two major changes: the cycle of rotation changed from annual to monthly, and fund allocation by lots was replaced by secret bidding.

The Rotating Savings and Credit Association (RoSCA) plays an important role as a financial intermediary in many parts of developing countries. They flourish in both urban and rural settings, especially where formal financial institutions seem to fail to meet the needs of a large fraction of the population. Bouman (1979), for example, estimates that, in central African countries, about 20% of household savings are accumulated in informal RoSCAs. In the South- Indian state of Tamil Nadu with a population of 62 million, the turnover in formal RoSCAs has been estimated at 100 billion Rupees, about 2.5 billion US dollars, in 2001 (Rao,2001).

In each part of the world, RoSCAs come under different names, all of them share, however, some common features. More specifically, Calomiris and Rajaraman (1998) define a RoSCA as 'a voluntary grouping of individuals who agree to contribute financially at each of a set of uniformly-spaced dates towards the creation of a fund, which will then be allotted in accordance with some prearranged principle to each member of the group in turn'. Once a member has received a fund she/he is excluded from the allotment of future chits until the RoSCA ends.

Many empirical studies report that the funds obtained from a RoSCA are often used to purchase a lumpy good whose cost cannot be covered by a member's current income. In this connection, a random RoSCA has the merit of allocating the full amount of the chit to one of the members each time the group meets.

Informal financial institutions (IFIs), among them the ubiquitous rotating savings and credit associations, are of ancient origin. Owned and self-managed by local people, poor and non-poor, they are self-help organizations which mobilize their own resources, cover their costs and finance their growth from their profits. With the expansion of the money economy, they have spread into new areas and grown in numbers, size and diversity; but ultimately, most have remained restricted in size, outreach and duration. There are over 20,000 informal community based organisations, such as self-help groups and rotating savings and credit associations (ROSCAs), moneylenders, traders, friends and relatives. Friends and families are the main providers of informal loans in both urban and rural areas; they provide 84.4% and 60.5% of total informal loans respectively. (Citation: MICROFINANCE INDUSTRY REPORT, Nepal, 2009 page 19) Are they best left alone, or should they be helped to upgrade their operations and integrate into the wider financial market with a modification or without a modification? This question is yet to be answered.

1.2. Statement of the Problem

"When the change outside is greater than the change inside, the end is near" - Peter Drucker. New products are crucial because the market is changing. The old trend might become new again but it never stay still. Only constant is change. Therefore, any business house in the market has to develop new market products for its survival in the market. This is possible only by modifying existing market product or by introducing a new conceptual product.

More than two decades after Nepal liberalized the banking sector and witnessed its tremendous quantitative expansion. The banking sector has

contributed immensely to the Nepali economy and the Nepali people since the liberalization, as is demonstrated by the tremendous growth in deposits and lending. Not only has the access of the common people to banking grown during this intervening period, but their habit of channeling money into savings has also increased significantly. But banking seems to have become a victim of its own success, and things have now reached a tipping point. Unless there is serious reform and restructuring in the sector with new product developments, there are indications we may be headed for serious trouble in the future. Therefore, similar condition also applies to the banking sector. With the mushrooming pattern of banking sector, they do need new product concept for the market. Irrespective of the growing size of banking sector, the market is lacking of newer market products.

On the other hand, banking sector is also suffering from liquidity crisis. The year to year repeating cyclic nature of liquidity crisis has become one of the major challenge. The amount of C/D (Credit/Deposit) ratio is above the tolerable level and increasing. Such liquidity problems with Nepal's banking sector is caused by the opaqueness of most transactions, VAT evasion, under-invoicing, and the fact that many Nepalis are not in the tax net. One of the money circulations which does not come under the tax net of the state is the widely exercised unofficial practice of RoSCA in the form of Dhukuti. If this cash circulation could be diverted into the banking sector, there would be more cash available in the banking sector.

In addition, the Dhukuti schemes are being practiced unofficially because of which, on the one hand, a huge amount of money is out of the state tax bracket and on the other hand, people are unable to take legal actions against default and fraud in the absence of legal agreement. Despite the fact that it involves a higher risk of default in the absence of legal agreement, a huge amount of money is still being circulated via this sector. If the money could be diverted into the banking sector, this would have a dual effect of addressing liquidity crisis on one hand and meeting the people's aspirations and expectations on the other hand.

Beside, most of the banking products are taken as investment alternative as well. The returns of banking products are quite certain & predictable. But, the range of this investment-type banking products are in limited number. Adding new investment like banking product not only will attract new customers rather it will help to address liquidity crisis of the bank as well.

- i. Can RoSCA be introduced in the form of Dhukuti in banking sector?
- ii. Will this new product be able to address liquidity crisis of bank effectively?
- iii. How much liquidity will it inject in the banking sector?
- iv. Can Dhukuti be an investment alternative?
- v. Can each participants of Dhukuti be satisfied?

1.3. Objectives of the Study

The main objective of this study is to address the problem statements and recommend a viable solution to it. Beside this, the study has some definite objectives which have be pinpointed below.

1. To analyze the viability of Dhukuti as a new banking product.
2. To examine the rate of return from Dhukuti as an investment alternative.
3. To scrutinize & present international practices and legal framework (especially in India as Chit fund)
4. To establish a theory of Dhukuti analysis
5. To explore the current Dhukuti practice and determine the key elements which affects the Dhukuti participation.
6. To examine the liquidity and profitability aspect of Dhukuti in banking sector.

1.4. Significance of the Study

The main significance of this study is that this will find best solution to address the problem statements and recommend a viable solution to it. In addition to this, the study will further provide a clear direction and ground for future study in this regard. Beside this, the study will help to main-streamline unofficial Dhukuti practice to into the banking sector, reveal pros & cons of Dhukuti and provide a ground for Dhukuti practice analysis. It will also help the banks to develop new market product for them.

1.5. Limitation of the Study

Each and every study has its own limitations. No study can be free from constrains; such as specific objectives, secondary data etc. Under this study, besides these the following specific limitations are also mentioned:

- i) Since Dhukuti is being practiced unofficially, the collected data might be far from reality.
- ii) This study is based on sample survey of 100 Dhukuti participants and secondary data collected from previously conducted research within Nepal and from reports & journals from Indian Chit Fund Companies.
- iii) Limited time & budget will limit the research to surfacial study only.
- iv) This study is undertaken for the partial fulfillment of the master degree program.

1.6. Organization of the Study

This thesis is organized into five major chapters.

Chapter I: Introduction

This chapter is organized as background of the study, statement of the problem, objectives of the study, significance of the study, limitation of the study and organization of the study.

Chapter II: Review of Literature

This chapter is devoted to review of various related books, journals, other publications as well as unpublished master level dissertations.

Chapter III: Research Methodology

This chapter is about the methodology adopted in carrying out the present study. It explains the nature and sources of data, population and sample, data collection and processing techniques and methods of analysis.

Chapter IV: Presentation and Analysis of Data

This chapter is the major part of the study. This chapter includes presentation and analysis of data using financial tools, statistical tools and showing tables and graph if necessary. Beside, this chapter also comprises a theory building (induction) analysis, hypotheses testing, potentiality analysis for addressing liquidity crisis and the findings.

Chapter V: Summary, Conclusion & Recommendations

This chapter is the conclusion or solution part of the study. It consists of the summary, conclusion and recommendation for RoSCA's effective implementation and improvement in terms of Dhukuti.

Bibliography and Annexes

This part of the report embraces reference bibliographies and relevant contents as Annexes.

Chapter II

REVIEW OF LITERATURE

This chapter deals with literature review. It consists of two sections: first, conceptual review and second, review of empirical studies.

2.1. Conceptual review

2.1.1. Dhukuti

Dhikur (in Thakali), *Dhikuti* or *Dhukuti* (in Nepali) - literally a storage box, used for valuables or food grains - The Dhukuti is a financial self-help group which originated from a system of communal food grain storage for the needy. With the onset of the market economy, it expanded quickly and became a sophisticated informal people's bank, providing capital for small businessmen as well as farmers. Its resources are solely derived from internal savings mobilization.

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2.1.2. Rotating Saving & Credit Association (RoSCA)

A Rotating Savings and Credit Association or ROSCA is a group of individuals who agree to meet for a defined period of time in order to save and borrow together. ROSCAs are the poor man's bank, where money is not idle for long but changes hands rapidly, satisfying both consumption and production needs.

Meetings can be regular or tied to seasonal cash flow cycles in rural communities. Each member contributes the same amount at each meeting, and one member takes the whole sum once. As a result, each member is able to access a larger sum of money during the life of the ROSCA, and use it for whatever purpose she or he wishes. This method of saving is a popular alternative to the risks of saving at home, where family and relatives may demand access to savings.

Every transaction is seen by every member during the meetings. Since no money has to be retained inside the group, no records have to be kept. These characteristics make the system a model of transparency and simplicity that is

well adapted to communities with low levels of literacy and weak systems for protecting collective property rights.

The system further reduces the risk to members because it is time limited—typically lasting no more than 6 months. This reduces the size of the loss, should someone take funds early and not pay back.

ROSCAs have different names across the world. They are called “chit funds”, “chits” or “committees” in India, susus in West Africa and the Caribbean, tontines in Cambodia, wichin gye in Korea, arisan in Indonesia, xitique in Mozambique and djanggis in Cameroon, Peru “pandero” in Peru whereas in Nepal they are called “Dhukuti” or “dhikur”. In India, ROSCAs are widespread. Originating in South-India (Bouman, 1995b; 1999; Rakodi and Lloyd-Jones 2000) the ancient Indian ROSCA fund was already in existence before the advent of British Rule. They were originally based on grain contributions, but later on they changed into a monetary “chitty” (Bouman 1995b). Only migrants who had worked in South India, or who knew colleagues with working experience from there were aware of ROSCAs. Originating in South India, ROSCAs are still today more common in South India than in the North.

The literature distinguishes in general three different types of RoSCAs, depending on how the pot is allocated. The pot may be allocated randomly (random RoSCAs), through a bidding process (bidding RoSCAs) or according to pre-determined order (deterministic RoSCAs).

2.1.3. Chitty or Chit Funds as a ROSCA practice in India

According to Primitive civilizations, a book written by Edith Jemima Simcox, the ‘Malabar Kuri’ system existed from ancient Dravidian times and is somewhat similar to the systems in China. In China it developed to what is popularly known today as the Chinese lottery. Dr NM Nampoothiri in his work 'Legacy of Nila' refers that the Village Banking system known as Kuri has its origins from the ‘Kaavu tattakam’ social group system. ‘Kavu tattakam’ refers

to the territorial jurisdiction of a 'kaavu' or temple to a specific area. There were many such Thattakams and all 'Kaavu Tattakams' were finally linked to Zamorin's Tirunavaya Mamankam. There are usually four kinds of chits. The 'Simple Kuri', the 'Lelam Kuri or Auction Chit', the 'Sahaya Chit' and the 'Prize Chit or Lottery' where a certain amount of gambling is involved. In Travancore, the usual term used is 'Chitty' from where 'Chit' comes whereas 'Kuri' or 'Panam Payattu' is the name employed in Cochin and Malabar regions. Chit fund become very popular in the 19th century when ruler of erstwhile Cochin state, Raja Rama Varma, gave a loan to a Syrian Christian traders, keeping a certain portion of it to himself for administrative and other expenses. Later, to manage the increasing numbers of those seeking loans, he ordered a cast of lots and gave the accumulated amount to those who drew the lot on the principle of equity. Gradually the practice spread to other parts of the world including Myanmar and Sri Lanka. But the modern operations of chit funds started between 1830 and 1835, when the Chaldean Syrian church in Thrissur started Kuries under its name and issued passbooks to subscribers as evidence of enrolment. Another version of the origin of Chit fund is linked with Portuguese missionaries from China, who visited Muziris (Kodungalloor) for evangelization and established a seminary at Vypeencotta village in 1577. They reportedly encouraged promotion of chit fund in Kodungalloor.

2.1.4. Indian Acts

Chit funds in India are governed by various state or central laws. Organised chit fund schemes are required to register with the Registrar or Firms, Societies and Chits.

- Union Government - Chit Funds Act 1982 (Except the State of Jammu and Kashmir)
- Kerala - Kerala Chitties Act 1975
- Tamil Nadu - Tamil Nadu Chit Funds Act, 1961
- Karnataka: The Chit Funds (Karnataka) Rules, 1983
- Andhra Pradesh - The Andhra Pradesh Chit Funds Act, 1971
- New Delhi- The Chit Funds Act, 1982 and Delhi Chit Funds Rules, 2007

- Maharashtra - Maharashtra Chit Fund Act 1975

2.1.5. Commercial ROSCA funds

While originating in the informal economy, ROSCAs have become a big business in urban settings. In some major cities of India, large ROSCA fund companies run as many as 10,000 auction ROSCAs simultaneously. The steady growth of commercial (auction) ROSCA funds has induced Indian legislators to pass a specific law that regulates this part of the financial sector.

The Government has also set up a Chit Fund Department, to control the activities of the Chit Fund Companies and to publicise registered Chit Fund companies and disqualified chit fund companies.

Customers of commercial ROSCA funds usually don't interact with other members of the ROSCA group to which they belong (Klonner, 2002). Auction ROSCAs are an exception in this respect. If members do not interact, the organiser or chairman has a bigger responsibility to enforce payments. Yet in commercial ROSCA funds, the company collects the contributions, and pays the winner of a ROSCA. Members are not even aware of defaults or late payments by other participants (Klonner 2002, pp. 2-3).

In Nepal, "Dhukuti" or "committee" is the most common form of Rotating Credit Association. A Dhukuti has the same basic principle as a ROSCA. They are found in different degrees of sophistication. ROSCAs and Dhukutis were originally set up for the poorer members of a community. Yet they have evolved into a largely commercialized and regulated system of small-enterprise finance. At the same time, informal Dhukutis still exist.

2.2. Review from Related Journals and Articles

2.2.1. Review from Related Journals and Articles

As there seems to be not sufficient publication regarding Dhukuti or ROSCA practice in Nepal due to its unofficial practice, journals related to Indian ROSCA practice (Chit fund) are reviewed extensively. However, some newspaper articles related to Dhukuti are also reviewed here.

Some journals and articles found to be important are reviewed as follows:

Dhukuti: bachatko sajilo madhyam [Dhukuti: the simple way of saving], NARI (Electronic version 2067 Paush 1)

This newspaper article exhibits how popular is Dhukuti among Nepalese women. Women have by-nature saving behaviour and Dhukuti, indeed, helped them to save their hard earned money in hassle-free way. It further tells about the common practice of Dhukuti, how is it played, what is the process, how much risk it involves etc. Kitty party, an advanced form of Dhukuti gathering, is also becoming use-to to high class Nepali women. Some of women are interviewed those playing Dhukuti at the moment and they have told that they are satisfied with Dhukuti playing. This article also reveals that in-an-average they go for Rs.1 lakh to Rs.10 lakh Dhukuti scheme and some of them are also involved in more than one Dhukuti scheme. Default rate is quite low among women group as they are less likely to deceive by-nature.

bank ko byaja tirna dhukuti khelne badhe [Dhukuti players soared to pay the bank interest], NEPALI PATRA (Electronic version 2067 Paush 25)

This newspaper article reveals the substantial surge in Dhukuti practice among businessman as well as higher and middle-level income group as bank interest rates shoot up followed by looming liquidity crunch. It further adds, the spreading popularity of Dhukuti group, particularly in Marbadi business class, is due to its convenience, easiness of establishment, operation and collateral free nature. Despite the fact that it involves a higher risk of default in the absence of legal agreement, a huge amount of money is being circulated via

this sector. Strict & tightening debt policy of central bank, shrinkage of real-state sector, and looming liquidity crunch have exerted pressure on borrowers for their loan repayment. Such an exertion has contributed Dhukuti to raise its popularity dramatically.

Puji palayan bare rajdhani bahira chanbin [A probe has been initiated for capital flight], welovenepal.com (Electronic version 2067 Falgun 29)

This newspaper article reveals the fact that transaction and flow of money beyond banking sector is adversely affecting the economy. The article further claims that Dhukuti is one of the major areas of unofficial money transaction. In order to arrive at the root causes for unofficial practice of money transaction, the central bank of Nepal, Nepal Rastra Bank (NRB), has initiated a special study and investigation in this regard. This study will ascertain the amount of money that is being transacted through informal sectors.

Chit funds generate 3.4% of household savings, BUSINESS STANDARD (Electronic version November 3, 2009)

This article has claimed that the Indian chit fund industry generates an estimated 3.39 % of household savings (or IRs 5.88 crore), compared to 4.92 % invested in shares and debentures. According to the article, Large companies have managed to attract investors. The \$1.3 billion (IRs 6,110 crore) Chennai-based Shriram Group, for example, which runs the largest chit fund business in the country, manages a corpus of IRs 3,200 crore annually. In fact, chit funds offer as strong a parallel banking service as the moneylender or pawnbroker, servicing just as wide a network of small businessmen, housewives and salaried individuals. Chit funds' popularity continues despite rising awareness of mutual funds and the equity market. Around 67% of them use them mainly for savings. They yield better returns on savings and on borrowings, the funds are available at better interest rates comparable to other financial vehicles for the poor such as Micro Financial Institutions, and the paperwork and collateral required are less. Around IRs 11,088 crore is being circulated via chit fund schemes in the southern states of Tamil Nadu, Andhra Pradesh and Kerala. Around 58 million house holds have participated in chit fund schemes. Small

traders and businessmen participate extensively in chit funds. Chit funds provide an opportunity for small business houses to save their excess cash on a daily or monthly basis and, at the same time, to have access to easy finance. Generally, the funds are used as either working capital, for expansion of business or as emergency funds. Chit funds have helped these enterprises to overcome their financial constraints and it is also profitable to invest in chit funds, since they earn good returns.

2.2.2. Review from Research reports

From Informal to Formal Finance: The Transformation of an Indigenous Institution in Nepal by Seibel & Schrader [Published in: Dhikuti revisited: from RoSCA to Finance Company in: Savings and Development (Milan), Quarterly Review Vol. XXIII, no. 1 (1999), pp. 48-55]

Rotating savings and credit associations (RoSCAs) are, next to moneylenders, the most prevalent type of informal finance around the world. In 1988, Seibel & Shrestha traced the evolution of the dhikuti, as RoSCAs are called in Nepal, and published the results under the title Dhikuti: The Small Businessman's Informal Self-Help Bank in Nepal in Savings and Development (XII, 2:183-200). Ten years later, a remarkable institutional innovation had occurred, benefiting from a change in the legal framework: the transformation of an organization of dhikuti origins into the Himalaya Finance & Savings Company. No subsidy or technical assistance was involved. HFSC provides doorstep savings collection services to low-income people throughout the country, shifting at the same time from group to individual technology. Matching assets and liabilities, it combines two categories of term finance: medium-term savings contracts and medium-term loans. Continuing its morphogenesis, HFSC is now ready to transform itself into a bank and to pursue an even more vigorous course of internal resource mobilization.

Mainstreaming Informal Financial Institutions by Seibel [Published in: Journal of Developmental Entrepreneurship vol. 6 no. 1 (April 2001): 83-95]

This study has made an assessment of past-to-present development of Informal Financial Institutions. Traditional organizations (Seibel & Massing 1974), a term which – at best - evoked the interest of anthropologists. During the 1970s, technical assistance agencies rediscovered these organizations under an old name used by Raiffeisen a hundred years earlier: self-help groups (ROSCs, Seibel & Damachi 1982) In the mid-1980s, they changed into informal financial institutions (Seibel & Marx 1987). Finally, in 1990, inspired by the 1989 World Bank Conference on Microenterprises, many Microfinance, comprising both microsavings and microcredit (Seibel 1996) emerged. This new term reflects the fact that it becomes increasingly difficult to clearly distinguish between formal and nonformal origins and practices.

Savings and Credit Associations and Remittances: The case of Far West Nepalese Labour Migrants in Delhi, India by Susan Thieme [Employment Sector, International Labour Office, 2003, Geneva ISBN: 92-2-114854-8 (printed version)]

Labour migration to India has been fuelled by impoverishment, indebtedness and unemployment in Bajura and Bajhang, by the long-standing tradition of migration and by job opportunities in Delhi. Working as watchmen and their participating in financial self-help groups in Delhi, the migrants have managed to find an economic and social niche.

Nepalese labour migrants working in Delhi are facing problems because of their undocumented status, informal work, illiteracy, lack of knowledge about labour rights, existing supportive facilities like embassies, banks, existing Nepalese Immigrant Associations and economic literacy like income, spending, saving, borrowing, sending money home etc. These issues compound their invisibility. Most migrants do not acquire any new skills or attitudes, so their marginality is maintained.

To cover their living costs, travel expenses and other expenditures such as marriages, they take a loan, either from a wealthier family in their villages of origin, or from savings and credit associations in Delhi, which are run by the migrants from the villages. Many migrants also have to repay the debt that they incurred to “buy” a job in Delhi. Many consider debt as panacea, or at least as a tool to manage their livelihoods. Yet debt can also impoverish them, and make them dependent.

Chit funds – A boon to the small enterprises, 2007 [Institute for Financial Management and Research (IFMR), Chennai]

Chit funds are a very good tool for financing the activities of small businesses. This study reached at a conclusion that, in recent years, there have been some unscrupulous activities in the industry that have instigated the Government to take serious measures. The occasional failure of chit funds is generally attributed to expansion beyond capacity. A chit fund is not a scalable model unless the chit manager or company has sufficient personal resources as a backup for financial contingencies. However, in recent times, big companies like Shriram Chits and Margadarshi Chits have given a new meaning to the concept of chit funds with their national outreach and presence.

This study also analyzed the impact of regulatory statute enactment. The regulatory hurdles that the chit companies face due to the stringent rules proposed by the Government progressively, have been a setback to the growth of the industry. The effect of the increased costs of operations for the registered chit companies has been to push these companies 'underground'. Many companies have, in the recent past, either folded up or shifted their operations entirely to the informal arena becoming an 'unregistered' chit fund. The unorganized chit fund market is huge and growing (6000 unregistered chit funds in Hyderabad out of the total 7300). This causes serious problems not only for the industry and its participants, but also for the Government, which loses its revenue.

The study finally concludes that in order to promote this concept, which is generally beneficial to all the parties concerned, it is imperative that more rigorous research be done on the issues that they face. A strong lobby should also be developed in their favor. The day when the Government and the industry participants alike understand the importance of chit funds to the economy would mark the beginning of a new era.

Chit Funds as an Innovative Access to Finance for Low-income Households, 2009 [Institute for Financial Management and Research (IFMR), Chennai]

A study by the institute for financial management and research (IFMR) has found chit funds prove to be successful providing an innovative access to finance for low income households.

This study claimed to be the first organised large scale study carried in the urban areas of the four southern states and Delhi, it showed 67% of the surveyed participants used chit mainly for savings as it gave them better returns. Besides, the funds are available at better rates compared to other financial vehicles such as MFI and demanding less paperwork and collateral/guarantee. The research team included Preethi Rao and Sharon Buteau of small enterprise finance centre of IFMR, under the guidance of prof Mudit Kapoor, ISB, Hyderabad and Prof Antoinette Schoar, Massachusetts Institute of Technology, Cambridge. It was funded by Bill & Melinda Gates foundation. The findings were recently submitted to the Union Finance Minister Pranab Mukherjee. The report formally released at a seminar in Trichy on November 7. It is expected to be attended by over 1000 persons representing the industry, government and public.

The research showed that on an average 50% of the chit fund members are below poverty line (household consumption less than IRs 62.5 a day). Self employed and salaried employees formed a major part (78.9%) of the membership of chit fund schemes.

The interest charged per annum ranged from 8% to 28%, though higher than bank loans, was lower compared to 24% to 36% charged by other private financiers. Plus, the chit funds provided better returns on the investment than other options available to members.

It is often said that people find the chits more advantageous as they require less collateral and documentation. The chit amount is collected from the participants at their doorstep on a flexible when the participants are able to pay. The businessmen also find it more useful for easy money rotation than bank loans.

The main findings of the report are listed below:

- The registered chit fund industry is much larger than regulators and participants previously estimated. The percentage of households participating in registered chit funds is between 5-10% of the total household population (except Delhi). On average the money circulated via chits is around IRs.50000 per household (except Kerala).
- The recent trend in the chit fund industry shows a move towards fewer but much larger chit schemes over the last decade. These findings suggest that registered chit funds are moving away from serving the very poor.
- These trends are concerning, since historically chit funds provided access to financial services for the poor. The research shows that on average 50% of chit fund members are below the poverty line (household income of less than IRs.62.5 per day).
- A survey of chit fund members shows that for the majority of participants in chit funds this is their primary financial instrument. In fact almost 2/3rds of the participants use the chit for savings purposes rather than borrowing. 96% of registered chit fund members consider the chit company they participate in to be safe. Even chit members who are not currently participating in chit funds think they are safe.
- Analysis of the bidding data of participants in chit funds shows that on average the interest rates are comparable to other financial vehicles for the

poor such as MFI loans. Moreover, the interest rates that participants are willing to bid in the chit funds respond to changes in the credit conditions in the broader financial market.

2.3. Research Gap

Since Dhukuti is being practiced unofficially, it seems that there are limited articles, journals & research conducted about ROSCA practice in Nepal. Available research reports are also outdated, focused to some part of the country and not conducted rigorously. Contrary to this, our neighboring country India has made a long stride on this regard. They have established adequate legal & institutional framework for giving a formal way for ROSCA practice as Chit Fund and has conducted very rigorous studies on this instance. Despite the fact that Dhukuti is gaining popularity among Nepalese community, the state has failed to main-streamline Dhukuti. No rigorous study has been made at the very moment. Therefore, at this moment, a rigorous study has become urgent to formalize and institutionalize Dhukuti practice.

CHAPTER III

RESEARCH METHODOLOGY

3.1. Introduction

Researcher needs sequential steps to adopt realistic study or studying a problem with certain object/objects in view. Therefore, through research methodology researcher can get appropriate guidelines and knowledge about the various sequential steps to adopt a systematic analysis. Research methodology is the investigation tools of any certain area and it means clearly observation of certain object.

Research is the process of systematic and in depth study or search any particular topic, subject or area of investigation backed by collection presentation and interpretation of relevant details or data.

Research is a systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well through out activities of gathering, recording, analysis and interpreting the data with the purpose of finding answers to the problem.

This chapter mainly deals with the research methodology used to ascertain the study objectives. Under this, research design, nature and sources of data, population and sample and method of data analysis technique have been described.

3.2. Research Design

Research design is the plan, structure and strategy of investigations conceived so as to obtain answers to research questions and to control variances. It included an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of data. The structure of the research is more specific, it is the outline, the scheme, and the standard of the operation of the variables. When we draw diagrams that outline the

variables and their relation and juxtaposition, we build structural schemes for accomplishing operational research purposes. Strategy, as used here, is also more specific than plan. In other words, strategy implies how the research objectives will be reached and how the problem encountered in the research will be tackled.

The method and definite technique, which guides to study and give ways to perform research work is known as research design. It is most necessary to complete the research and fulfill the objective of the research.

First of all information and data are collected. The important information and data are selected. Then data is arranged in useful manner. After that, data are analyzed by using appropriate financial and statistical tools. In analysis part, interpretation and comments are also made wherever necessary. Result and conclusion are given after analysis of data, recommendation and suggestion is also given, the thesis has been adopted from previous research works. Previous thesis styles and formats have been followed.

Beside the quantitative analysis of data, qualitative analysis and exploration of relevant information are also incorporated in this study. During the research, different international practices and their legal frameworks, national and international researches, relevant journals and newspaper articles have been approached and explored rigorously. Therefore, some parts of this report will be analytical and descriptive in nature.

The main objective of research work is to evaluate the possibilities and viabilities of Dhukuti practice as a banking product and investment alternative. To complete this study, following design and format has been adopted.

3.3. Theoretical framework

People want to save or invest their hard earn money so that they can use that sum in future or to increase their volume of money as a return. Therefore, most of the people choose RoSCA (Dhkuti in Nepalese context) for saving or

investment. It is obvious that people save or invest more when they have higher earning. Lower the earning lower will be their saving and investment. Similarly, lower level of knowledge and education also influence their participation in RoSCA schemes. However, there seems to be less effect of gender element in the participation of RoSCA schemes.

As RoSCA schemes are also referred as self-helping bank, RoSCA participants less likely to have a bank account or take a loan from bank. Where there is no presence of bank, people will develop their own self-help bank groups to help themselves. Addition to this, most of the people are participate in more than one RoSCA scheme at a time. This also clearly indicates toward the existence of many reasons behind multiple participation and its widespread popularity.

The literature review has indicated that people perceive RoSCA schemes as a safe scheme. Only those people are allowed to participate in RoSCA scheme who are honest, trustworthy and have a good reputation in society. This has made RoSCA practices as safe as a formal saving in a bank.

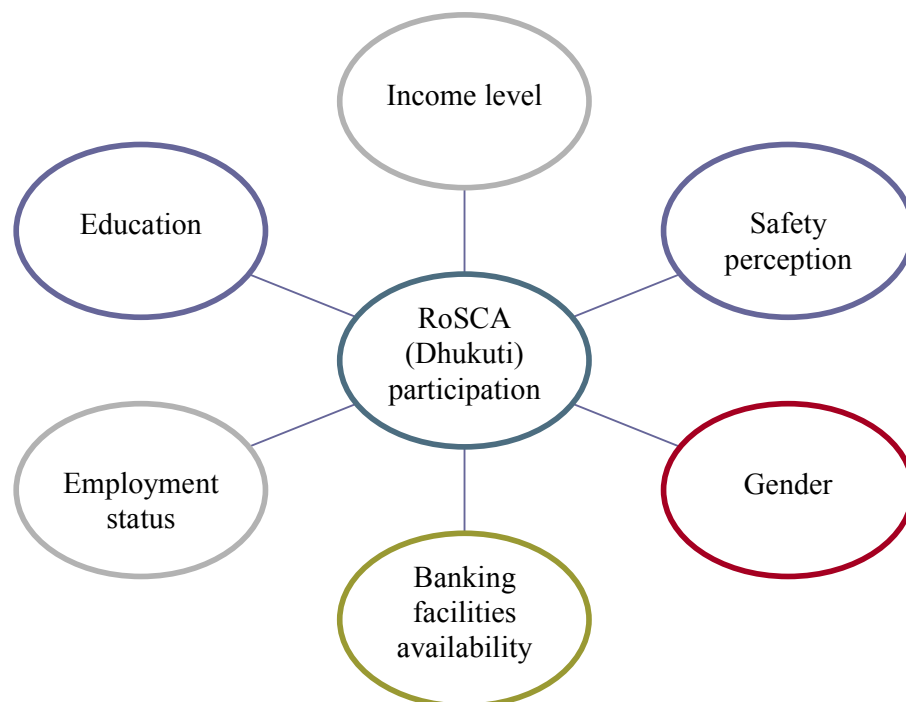


Figure Schematic diagram of the theoretical framework

3.4. Hypotheses

From the theoretical framework discussed above, the following hypotheses were developed for this research:

- Gender has no significance effect on RoSCA participation.
- Employed people will participate in more in a RoSCA scheme.
- Level of income has a significant influence on RoSCA participation.
- Majority of RoSCA participants perceive RoSCA as a safe practice.

3.5. Nature and sources of data

This study is based on primary data from sample survey of 100 Dhukuti participants from five different cities of Nepal. A questionnaire is prepared and via these questionnaire data is collected for sample survey. Some other necessary data used in this study have also been supplemented from previously conducted research & journal within Nepal and India. Moreover, for the theory building (induction) analysis purpose some of the data are hypothetical and assumed.

3.6. Population and sample

Population is the group of interest of the research on which the results of the study can be generalized. In any investigation, the interest usually lies in the studying the various characteristics relating to individuals belonging to population. This study is concerned with the informal Dhukuti practice among Nepalese communities which is, indeed, undeterminable and vague. Since Dhukuti is being practiced informally, without a proper census the size of the population cannot be determined. However, if the Indian official practice of ROSCA is analyzed, sufficient data will be available for the analysis because the population is certain and determinable in Indian context.

The individuals selected from a population in such a way that they represent the larger group from which they are selected comprise a sample. The purpose

of selecting a sample is to gain information about a population. In the present study, judgmental or purposive sampling (a non-random sampling methods) technique has been used.

3.7. Data collection procedure

The main procedures for data collection are questionnaire and direct interviews to selected individuals from different five cities of Nepal. Questionnaires are filled up by all the respondents via email except for those respondents who live in Kathmandu. For those who lives in Kathmandu are directly approached for questionnaire fill up and direct interviews are conducted with them.

3.8. Method of data analysis

The main objective of this study is to analyze the adaptability of Dhukuti as a banking product and investment alternative. The method of analysis implied in this study consists of two types of analytical tools and techniques.

a) Financial tools

- i. **Net Present Value (NPV)** : In finance, the net present value (NPV) of a time series of cash flows, both incoming and outgoing, is defined as the sum of the present values (PVs) of the individual cash flows. In the case when all future cash flows are incoming (such as coupons and principal of a bond) and the only outflow of cash is the purchase price, the NPV is simply the PV of future cash flows minus the purchase price (which is its own PV). NPV is a central tool in discounted cash flow (DCF) analysis, and is a standard method for using the time value of money to appraise long-term projects. Used for capital budgeting, and widely throughout economics, finance, and accounting, it measures the excess or shortfall of cash flows, in present value terms, once financing charges are met.

The NPV of a sequence of cash flows takes as input the cash flows and a discount rate or discount curve and outputs a price; the converse process in DCF analysis - taking a sequence of cash flows and a price as input and

inferring as output a discount rate (the discount rate which would yield the given price as NPV) - is called the yield, and is more widely used in bond trading.

Each cash inflow/outflow is discounted back to its present value (PV). Then they are summed. Therefore NPV is the sum of all terms,

$$\frac{R_t}{(1+i)^t}$$

where,

t - the time of the cash flow

i - the discount rate (the rate of return that could be earned on an investment in the financial markets with similar risk.)

R_t - the net cash flow (the amount of cash, inflow minus outflow) at time t. For educational purposes, R_0 is commonly placed to the left of the sum to emphasize its role as (minus) the investment.

The result of this formula if multiplied with the Annual Net cash in-flows and reduced by Initial Cash outlay will be the present value but in case where the cash flows are not equal in amount then the previous formula will be used to determine the present value of each cash flow separately.

- ii. **Internal Rate of Return (IRR)** : The internal rate of return on an investment or project is the "annualized effective compounded return rate" or discount rate that makes the net present value (NPV) of all cash flows (both positive and negative) from a particular investment equal to zero.

In more specific terms, the IRR of an investment is the interest rate at which the net present value of costs (negative cash flows) of the investment equals the net present value of the benefits (positive cash flows) of the investment.

Calculation

Given the (period, cash flow) pairs (n, C_n) where n is a positive integer, the total number of periods N , and the net present value NPV, the internal rate of return is given by r in:

$$NPV = \sum_{n=0}^N \frac{C_n}{(1+r)^n} = 0$$

Example

If an investment may be given by the sequence of cash flows

Year (n)	Cash Flow (C_n)
0	-4000
1	1200
2	1410
3	1875
4	1050

then the IRR r is given by

$$NPV = -4000 + \frac{1200}{(1+r)^1} + \frac{1410}{(1+r)^2} + \frac{1875}{(1+r)^3} + \frac{1050}{(1+r)^4} = 0$$

In this case, the answer is 14.3%.

b) Statistical tools

- i. **Arithmetic Mean** : In mathematics and statistics, the arithmetic mean, often referred to as simply the mean or average when the context is clear, is a method to derive the central tendency of a sample space. The term "arithmetic mean" is preferred in mathematics and statistics because it helps distinguish it from other averages such as the geometric and harmonic mean.

In addition to mathematics and statistics, the arithmetic mean is used frequently in fields such as economics, sociology, and history, though it is used in almost every academic field to some extent. For example, per capita GDP gives an approximation of the arithmetic average income of a nation's population.

Suppose we have sample space $\{x_1, \dots, x_n\}$. Then the arithmetic mean A is defined via the equation

$$A := \frac{1}{n} \sum_{i=1}^n x_i$$

If the list is a statistical population, then the mean of that population is called a population mean. If the list is a statistical sample, we call the resulting statistic a sample mean.

- ii. **Standard Deviation** : Standard deviation is a widely used measurement of variability or diversity used in statistics and probability theory. It shows how much variation or "dispersion" there is from the "average". A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data are spread out over a large range of values.

Technically, the standard deviation of a statistical population, data set, or probability distribution is the square root of its variance. A useful property

of standard deviation is that, unlike variance, it is expressed in the same units as the data.

For example, we have the following data

2, 4, 4, 4, 5, 5, 7, 9

These eight data points have the mean (average) of 5:

$$\frac{2 + 4 + 4 + 4 + 5 + 5 + 7 + 9}{8} = 5$$

To calculate the standard deviation, first compute the difference of each data point from the mean, and square the result of each:

$$\begin{array}{ll} (2 - 5)^2 = (-3)^2 = 9 & (5 - 5)^2 = 0^2 = 0 \\ (4 - 5)^2 = (-1)^2 = 1 & (5 - 5)^2 = 0^2 = 0 \\ (4 - 5)^2 = (-1)^2 = 1 & (7 - 5)^2 = 2^2 = 4 \\ (4 - 5)^2 = (-1)^2 = 1 & (9 - 5)^2 = 4^2 = 16 \end{array}$$

Next compute the average of these values, and take the square root:

$$\sqrt{\frac{9 + 1 + 1 + 1 + 0 + 0 + 4 + 16}{8}} = 2$$

- iii. **Hypotheses testing** : A statistical hypothesis test is a method of making decisions using data, whether from a controlled experiment or an observational study (not controlled). Actually, a hypotheses is a tentative assertion or idea or assumption about the parameters of a population and the testing of hypotheses is a statistical procedure that involves the formulating hypotheses and testing of validity of these hypotheses on the basis of sample information. In statistics, a result is called statistically significant if it is unlikely to have occurred by chance alone, according to a pre-determined threshold probability, the significance level. The phrase "test of significance" was coined by Ronald Fisher: "Critical tests of this kind may be called tests of significance, and when such tests are available

we may discover whether a second sample is or is not significantly different from the first.

Hypothesis testing is sometimes called confirmatory data analysis, in contrast to exploratory data analysis. In frequency probability, these decisions are almost always made using null-hypothesis tests (i.e., tests that answer the question assuming that the null hypothesis is true, what is the probability of observing a value for the test statistic that is at least as extreme as the value that was actually observed?) One use of hypothesis testing is deciding whether experimental results contain enough information to cast doubt on conventional wisdom.

A result that was found to be statistically significant is also called a positive result; conversely, a result that is not unlikely under the null hypothesis is called a negative result or a null result.

Statistical hypothesis testing is a key technique of frequentist statistical inference. The Bayesian approach to hypothesis testing is to base rejection of the hypothesis on the posterior probability. Other approaches to reaching a decision based on data are available via decision theory and optimal decisions.

- iv. Z-test :** We construct a z-statistic for the null hypothesis, i.e. a statistic which, under the null hypothesis, has mean zero and approximately a standard normal distribution. Then we accept the null hypothesis if z is less than z_p for a one tailed test with probability p , where z_p is the p th percentile of the standard normal distribution. The large sample is generally desirable when the units in the population under study are not homogeneous or uniform. To get more reliable results about the population parameter, small sample is not sufficient for heterogeneous population, so large sample test has to be carried out. The Z test is used under the following assumptions:

- a. The sample size is large, i.e., $n \geq 30$.
 - b. The population from which the samples are drawn is normally distributed.
 - c. The population standard deviation is known.
 - d. The samples are independent.
- v. **Chi-square test** : Chi-square is a statistical test commonly used to compare observed data with data we would expect to obtain according to a specific hypothesis. For example, if, according to Mendel's laws, you expected 10 of 20 offspring from a cross to be male and the actual observed number was 8 males, then you might want to know about the "goodness to fit" between the observed and expected. Were the deviations (differences between observed and expected) the result of chance, or were they due to other factors. How much deviation can occur before you, the investigator, must conclude that something other than chance is at work, causing the observed to differ from the expected. The chi-square test is always testing what scientists call the null hypothesis, which states that there is no significant difference between the expected and observed result.

The formula for calculating chi-square is:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

CHAPTER IV PRESENTATION AND ANALYSIS OF DATA

This chapter is broadly divided into two parts. In the first part of the chapter, it comprises data and analysis of 100 individuals' sample survey while in the second part, it is all about theory building (induction) analysis where the figures used are hypothetical and assumed.

4.1. Sample Survey Analysis

Sample size by cities	
Cities	Sample Size
Hetauda	15
Kathmandu	30
Chitwan	20
Pokhara	20
Birgunj	15
Total	100

As shown above, where possible, the sample survey was conducted in different cities of Nepal. Furthermore, as different types of Dhukuti members are expected for this study, both current Dhukuti users and non-current Dhukuti users are surveyed. Overall, the sample comprised of around 80% of current Dhukuti users.

4.1.1. Gender and education

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Gender (%)						
Male	83	75	80	88	89	82
Female	17	25	20	12	11	18
Age (mean)	43	45	43	44	42	43

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Education (%)						
≤ 9 years of schooling	12	24	3	8	10	7
attended intermediate level or 10+2	45	43	28	38	70	36
graduate degree	30	24	54	33	18	36
post graduate degree	13	9	15	22	3	20

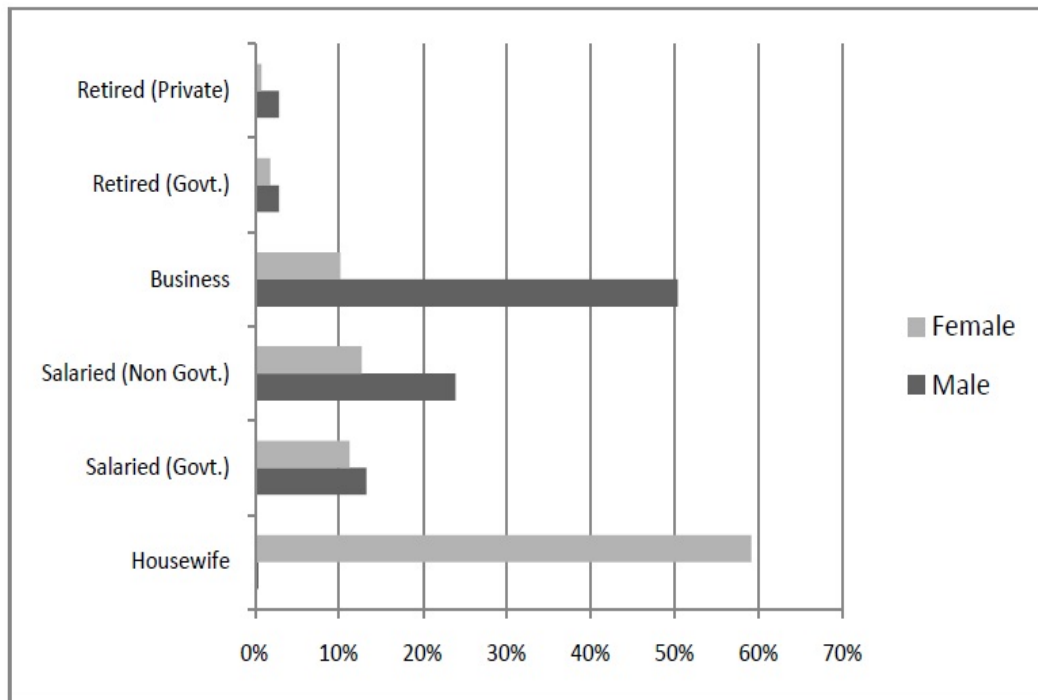
As evident from the table above, the Dhukuti is primarily dominated by male members. This is true for all cities and thus for the overall statistic as well. Another similarity between the data for all the cities is the mean age of the population that ranges between 40-45 years. As far as the status of education is concerned, Kathmandu is the city with highest proportion graduates and lowest proportion of people not having attended intermediate level or 10+2.

4.1.2. Employment and Income

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Occupation (%)						
Self-employed	43	43	50	56	56	20
Salaried Employee (non-gov)	23	23	25	19	20	27
Salaried Employee (gov)	13	10	7	8	8	26
Housewives	10	17	9	7	7	9
Retired	5	6	7	6	3	7
Unemployed	6	1	1	4	6	11
Monthly Income (%)						
≤ \$200	37	61	19	24	38	33
\$200-\$400	39	28	36	31	42	52
\$400-\$600	17	8	28	27	19	12
>\$600	7	3	17	18	1	3

Note: Monthly Income in USD using the exchange rate @ Rs.72 /US\$

Analyzing the occupational structure of the five cities, it can be inferred that for all of them, excluding Birgunj, self-employment is the most popular occupation followed by working as a salaried employee in the private sector. For the city of Birgunj, there is an almost equitable distribution of people working in the first three categories (self-employed, salaried employee (non-government) and salaried employee (government)). Assuming that the monthly income consists of the household income, Hetauda has the highest proportion of lowest income households. Another notable difference is that Hetauda has the highest proportion of Dhukuti members reporting to be housewives. Kathmandu and Chitwana have the highest proportion of highest income households than other cities.



From the figure above, it is evident that most women are housewives whereas most men are either engaged in business or are salaried employees.

4.1.3. Banking details

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Has bank account (%)	95	90	99	96	96	98
Type of bank account (%)						
Savings	94	97	91	88	94	97
Current	25	17	39	43	28	12
Deposit	10	6	5	3	15	14
Other	4	4	3	12	2	1
Has Bank loan (%)	33	25	17	44	42	33

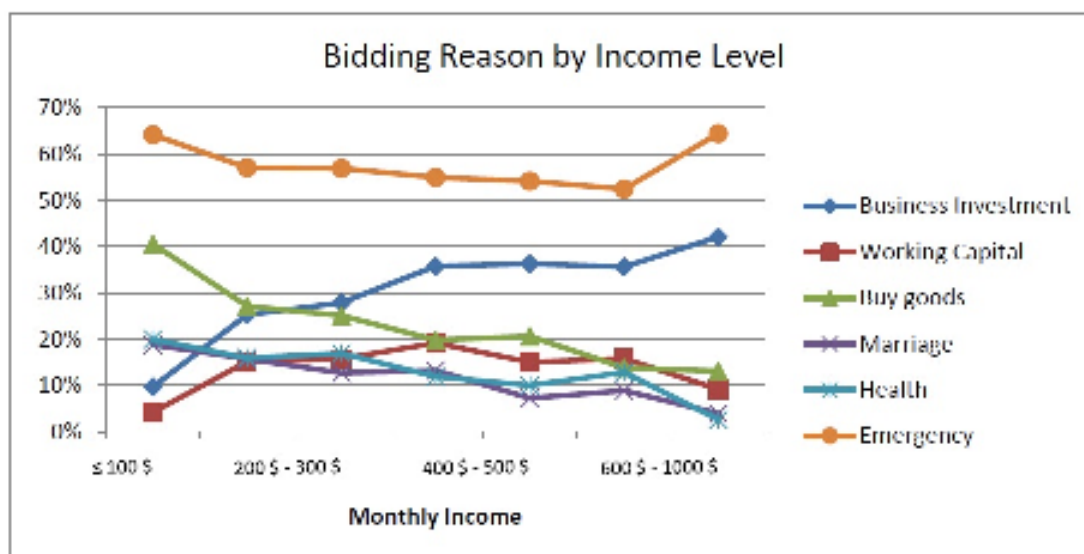
More than 90% of the population holds a bank account and this is true for all the cities. Most of them hold a saving account and after the savings account, current account is the most preferred type of account in all the cities except for Birgunj. Kathmandu and Chitwana have higher proportion of population using the current account as compared to the rest of the cities. Regarding bank loans, it is clearly evident from the data that Chitwana and Pokhara are the cities having over 40% of the member with bank loans.

4.1.4. Ex-ante and Ex-post reason for Dhukuti participation

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Ex-ante: Reason for participating in Dhukuti (%)						
To Save	72	80	63	77	58	76
To raise capital for personal consumption	26	38	69	13	12	17
To invest in working capital	21	26	27	13	21	19
To raise capital for business	18	19	35	20	16	10
To raise capital and save	16	6	48	4	21	16
other	6	19	3	18	5	4

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Ex-post: Reasons for bidding in a given month (%)						
Emergency needs	56	61	60	54	50	56
Business investment	30	31	42	35	31	20
Purchase household goods	23	38	19	18	17	20
Working capital needs	15	9	23	8	21	15
Heath care	14	20	17	4	7	20
Marriage	13	18	14	10	8	13
Other	13	18	6	12	11	12

Saving is seen as the most important ex-ante reason for participating in the Dhukuti schemes. Other prominent reasons across the cities are consumption and business requirements. Overall and across all the cities, the most important ex-post reason given for bidding in a scheme is the emergency requirement. Business investment and household purchase are the other prominent reasons except for the cities of Kathmandu and Pokhara where need for working capital also influences people to bid.



From the figure above, it is evident that as income goes up, the proportion of Dhukuti members bidding in Dhukuti for business investment goes up. However, the proportion of Dhukuti members bidding in Dhukuti for consumption needs (like buying goods, marriage, etc.) goes down with increase in income. This could mean that the poor among Dhukuti members usually use Dhukuti loans for consumption purposes whereas the rest of the population (majority business people) use them more for business related purposes.

4.1.5. Reason for Participating in Dhukuti rather than Banks

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Reasons for participating in Dhukuti rather than a bank (%)						
Better returns	51	58	59	42	30	62
Better interest rate	45	52	47	40	25	56
Less documentation/ collateral required	43	37	40	25	82	27
More familiar	23	28	15	19	33	19
Better Service (collect money from doorstep)	24	33	36	14	22	14
No bank access	8	6	12	8	4	9
Other	8	10	2	12	6	6

From the table above, it is clear that overall and by cities, better returns and better interest rates are the most important reasons for people to participate in Dhukuti rather than using a bank except in Pokhara where 82% quote less documentation or collateral requirement as the reason for participating in Dhukuti rather than banks.

4.1.6. Bidding Behavior of Dhukuti Members

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Timing of bid (%)						
Bid when need the money	54	39	54	60	71	50
Always bid late	21	44	23	23	4	9
Always bid early	19	15	13	11	15	36
Bid when no one else is bidding	4	2	7	4	4	3
Other	2	0	4	1	3	0

Considering time as the variable, people of Kathmandu and Chitwan show almost similar bidding behavior. On an average majority prefers to bid late versus early. Very few people bid when no one else is bidding, which implies that people have an understanding of Dhukuti auctions and the optimal strategies that they should follow in order to obtain maximum gains.

4.1.7. Bidding Strategy by City

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Calculating maximum bid amount (%)						
Cost of debt in market	48	77	14	45	26	55
Market rate of return	15	7	17	15	30	12
Both of the above	27	8	65	22	27	31
Other	10	9	4	18	18	2

Analyzing the methodology followed by the people while calculating the maximum bid amount, it has been observed that they mainly use cost of debt in market to them as the guideline. People in Pokhara, however, also use the rate of return in market for the intended project to calculate the maximum bid

amount. In Kathmandu, both the interest rate and the rate of return are used for deciding the bid amount.

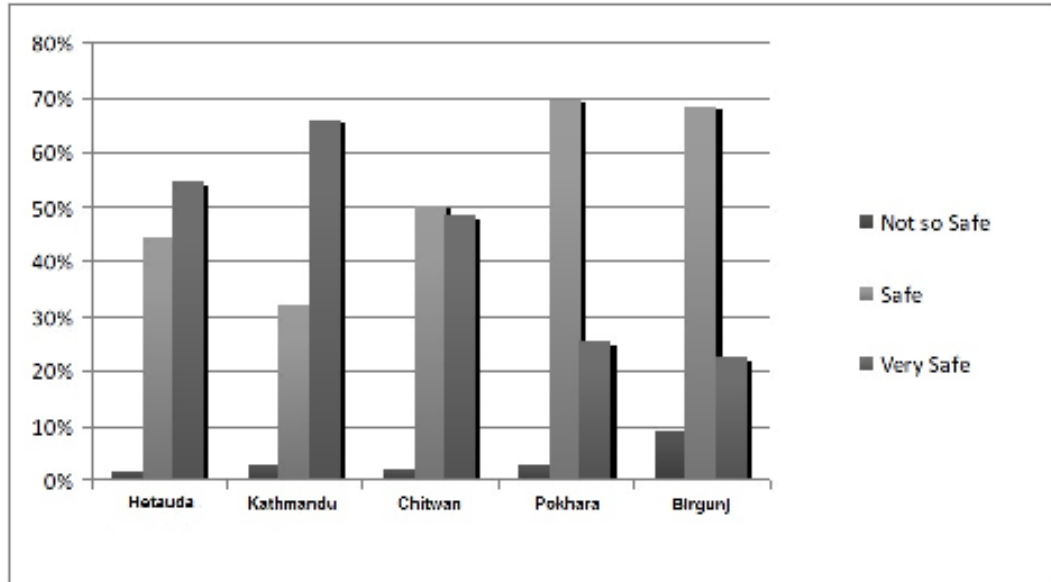
4.1.8. Multiple membership

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Multiple membership (%)	26	18	12	37	13	43
Reason (%)						
To allocate funds for different activities	35	40	34	50	35	18
For surety purposes	50	44	72	20	62	53
To have more chance of winning in an auction	21	25	18	30	11	21
Unknown/Refused to answer	14	10	7	15	10	30

Multiple-membership is defined as participating in more than one Dhukuti scheme. Around 26% of the Dhukuti members participate in more than one scheme at a given point of time.

4.1.9. Safety Perception of Dhukuti

Variable	Overall	Cities				
		Hetauda	Kathmandu	Chitwan	Pokhara	Birgunj
Not so safe (%)	2	1	2	1	2	4
Safe (%)	53	45	31	50	70	69
Very Safe (%)	45	55	66	49	25	22



Overall and by cities, Dhukutis is considered very safe or safe by majority of the members. As much as 96% of Dhukuti members overall think that the Dhukutis they participate in are safe. In Kathmandu and Hetauda more than 50% of the Dhukuti members think that the Dhukuti Fund companies they participate in are very safe.

4.2. Hypotheses testing

4.2.1. Gender has no significant effect on RoSCA participation.

Here,

n = number of people in the sample = 100

p = proportion of males in the sample = 0.83

P = proportion of males in population = 0.5

$Q = 1 - P = 0.5$

Setting up hypothesis:

Null hypotheses, H_0 : $P = 0.5$, i.e., gender has no significant effect on RoSCA participation.

Alternative hypotheses, H_1 : $P > 0.5$, i.e., there is more participation of male in a the population RoSCA participation.

Level of significance:

Since level of significance is not given we take level of significance (α) = 5%

Test statistic : Under H_0 , the test statistic is

$$Z = \frac{p - P}{\sqrt{\frac{PQ}{n}}} = \frac{0.83 - 0.5}{\sqrt{\frac{0.5 \times 0.5}{100}}} = 6.6$$

$$\therefore Z = 6.6$$

Critical value : The critical or tabulated value of the test statistic Z at 5% level of significance for one-tailed test is + 1.96, i.e., $|Z_{0.05}| = 1.645$

Decision : Since the calculated value of the test statistic $Z = 6.6$ is greater than the tabulated value $|Z_{0.05}| = 1.645$, H_1 is accepted. Therefore, gender do have a significant effect on RoSCA participation.

4.2.2. Employed people will participate in more in a RoSCA Scheme.

Here,

n = number of people in the sample = 100

p = proportion of employed person in the sample

= self-employed + salaried employed (non-government) + salaried employed(gov) = $0.43 + 0.23 + 0.13 = 0.79$

P = proportion of employed in population = 0.5

$Q = 1 - P = 0.5$

Setting up hypothesis:

Null hypotheses, H_0 : $P = 0.5$, i.e., employment status has no significant effect on RoSCA participation.

Alternative hypotheses, H_1 : $P > 0.5$, i.e., employed people will participate in more in a RoSCA scheme.

Level of significance:

Since level of significance is not given we take level of significance (α) = 5%

Test statistic : Under H_0 , the test statistic is

$$Z = \frac{p - P}{\sqrt{\frac{PQ}{n}}} = \frac{0.79 - 0.5}{\sqrt{\frac{0.5 \times 0.5}{100}}} = 5.8$$

$\therefore Z = 1.96$

Critical value : The critical or tabulated value of the test statistic Z at 5% level of significance for one-tailed test is + 1.645, i.e., $|Z_{0.05}| = 1.645$

Decision : Since the calculated value of the test statistic $Z = 5.8$ is greater than the tabulated value $|Z_{0.05}| = 1.645$, H_1 is accepted. Therefore, employed people are more likely to participate in a RoSCA scheme.

4.2.3. Level of income has significant influence on RoSCA participation.

Here,

Income categories	Overall observation frequency
$\leq \$200$	37
\$200-\$400	39
\$400-\$600	17
$> \$600$	7

Setting up hypothesis:

Null hypotheses, H_0 : The number of participants in each income group are same.

Alternative hypotheses, H_1 : The number of participants in each income group are not same.

Level of significance:

Since level of significance is not given we take level of significance (α) = 5%

Test statistic : Under H_0 , the test statistic is

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

Where, O = observed frequency, E = expected frequency

Here, n = 4, under the null hypotheses, the expected frequency of number of participants in each group is

$$E = \frac{\sum O}{4} = 25$$

Calculation of χ^2

Income categories	O	E	O-E	(O-E) ²	(O-E) ² /E
≤\$200	37	25	12	144	5.76
\$200-\$400	39	25	14	196	7.84
\$400-\$600	17	25	-8	64	2.56
>\$600	7	25	-18	324	12.96
Total	100				29.12

$$\therefore \chi^2 = \sum \frac{(O-E)^2}{E} = 29.12$$

Degree of freedom: df = n-1 = 4-1 = 3

Critical value : The tabulated value of the test statistic χ^2 at 5% level of significance for degree of freedom is 7.82, i.e., $\chi^2_{0.05, 3} = 7.82$

Decision : Since the calculated value of the test statistic $\chi^2 = 29.12$ is greater than the tabulated value $\chi^2_{0.05, 3} = 7.82$, H_1 is accepted. Therefore, earning level has a significant effect on RoSCA participation.

4.2.4. Majority of RoSCA participants perceive RoSCA as a safe practice.

Here,

n = number of people in the sample = 100

p = proportion of participants having safe perception = $0.53 + 0.45 = 0.98$

P = proportion of participants having safe perception in population = 0.5

$Q = 1 - P = 0.5$

Setting up hypothesis:

Null hypotheses, H_0 : $P = 0.5$, i.e., majority of participants do not have safe perception toward RoSCA.

Alternative hypotheses, H_1 : $P > 0.5$, i.e., majority of participants have safe perception toward RoSCA.

Level of significance:

Since level of significance is not given we take level of significance (α) = 5%

Test statistic : Under H_0 , the test statistic is

$$Z = \frac{p - P}{\sqrt{\frac{PQ}{n}}} = \frac{0.98 - 0.5}{\sqrt{\frac{0.5 \times 0.5}{100}}} = 9.6$$

$\therefore Z = 9.6$

Critical value : The critical or tabulated value of the test statistic Z at 5% level of significance for one-tailed test is + 1.645, i.e., $|Z_{0.05}| = 1.645$

Decision : Since the calculated value of the test statistic $Z = 9.6$ is greater than the tabulated value $|Z_{0.05}| = 1.645$, H_1 is accepted. Therefore, majority of RoSCA participants perceive RoSCA as a safe practice.

4.3. Theory building (induction) analysis

Grounds of Analysis

Actually, participation in Dhukuti scheme can be analyzed with two perspective i.e. as an investment/saving product and as a source of borrowing. One who gets money in the first round of Dhukuti considers it as an investment/saving product, calculates the return on investment/saving and finally compares it with the prevailing market return. If he finds the return from Dhukuti higher than the existing market return, he will be satisfied and vice versa. On the other hand, one who gets money in the final round of Dhukuti considers it as a source of borrowing, calculates actual cost of Dhukuti and compares it with the prevailing market cost of debt. If it costs less than existing market rate, he will be satisfied and vice versa. For example, lets assume, we have a 10 rounds Dhukuti scheme opening monthly, prevailing market return on saving is 6% per annum (0.5% per month) and costs 16% per annum (1.33% per month) to borrow money from the market. Participant A gets Rs.90,000 in first round and pays money for the next 9 subsequent rounds where participant B pays money for the first 9 rounds and gets Rs.100,000 at the end. In such a case, participant A & B will conduct their analysis like the following ways.

Round	Cash Flow (A)	Cash Flow (B)
1	90000-9000 = 81000.00	(9000.00)
2	(9100.00)	(9100.00)
3	(9200.00)	(9200.00)
4	(9300.00)	(9300.00)
5	(9400.00)	(9400.00)
6	(9500.00)	(9500.00)
7	(9600.00)	(9600.00)
8	(9700.00)	(9700.00)
9	(9800.00)	(9800.00)
10	(10000.00)	100000-10000 = 90000.00
IRR	1.10% (Cost of debt per month)	1.25% (Return on saving per month)

Here, both the participants get satisfied because actual cost of debt for participant A is lower than existing market rate while for participant B, actual return on saving is higher than existing market return. However, analysis is

quite different for those participants who will not receive money in the beginning or end of the Dhukuti. They can analyze it in either way.

If one decides to analyze it from cost side, he compounds all the previous cash payments with existing rate of return in the market and calculates net proceed by deducting compounded amount with total proceed. Then he calculates cost of debt with net proceed and the future cash payments and compares it with prevailing market rate of borrowing. For instance, say participant C and D get money in third and eight rounds respectively. In such a condition, they will analyze it in the following ways.

Round	Cash Flow (C)		Cash Flow (D)	
1	(9000.00)		(9000.00)	
2	(9100.00)		(9100.00)	
3	82800.00	64564.28*	(9200.00)	
4	(9300.00)	(9300.00)	(9300.00)	
5	(9400.00)	(9400.00)	(9400.00)	
6	(9500.00)	(9500.00)	(9500.00)	
7	(9600.00)	(9600.00)	86400.00	29929.50**
8	(9700.00)	(9700.00)	(9700.00)	(9700.00)
9	(9800.00)	(9800.00)	(9800.00)	(9800.00)
10	(10000.00)	(10000.00)	(10000.00)	(10000.00)
	Cost (IRR)	1.036%	Cost (IRR)	-0.716%

*Net Proceed (C) = $82800 - 9000 \times 1.005^2 - 9100 \times 1.005 = 64564.28$

**Net Proceed (D) = $86400 - 9000 \times 1.005^6 - 9100 \times 1.005^5 - 9200 \times 1.005^4 - 9300 \times 1.005^3 - 9400 \times 1.005^2 - 9500 \times 1.005 = 29929.50$

In the above analysis, participant C and D find cost involved in Dhukuti is lower than prevailing market rate (1.33% per month) and get satisfaction from Dhukuti.

However, both the participant can also conduct this analysis from the saving side. In such a case, they calculate total present value (TPV) of future cash payments afterward the money receiving round by using market rate of borrowing as a discount factor. Then, this TPV is deducted from total proceed to arrive at net proceed and finally using this net proceed return on saving is calculated. Lets observe the analysis of C & D with saving side approach.

Round	Cash Flow (C)		Cash Flow (D)	
1	(9000.00)	(9000.00)	(9000.00)	(9000.00)
2	(9100.00)	(9100.00)	(9100.00)	(9100.00)
3	82800.00	18980.93*	(9200.00)	(9200.00)
4	(9300.00)		(9300.00)	(9300.00)
5	(9400.00)		(9400.00)	(9400.00)
6	(9500.00)		(9500.00)	(9500.00)
7	(9600.00)		86400.00	57671.50**
8	(9700.00)		(9700.00)	
9	(9800.00)		(9800.00)	
10	(10000.00)		(10000.00)	
	Return (IRR)	3.216%	Return (IRR)	1.108%

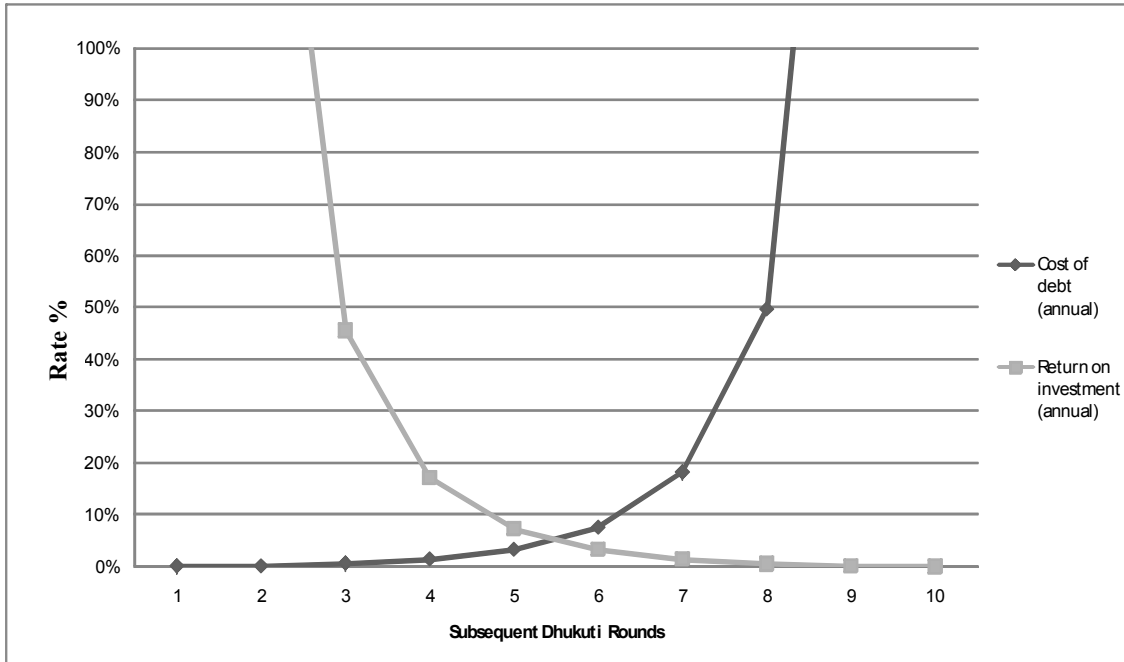
$$\begin{aligned}
 \text{*Net Proceed (C)} &= 82800 - 9300 \times 1.0133^{-1} - 9400 \times 1.0133^{-2} - 9500 \times 1.0133^{-3} - 9600 \times \\
 &1.0133^{-4} - 9700 \times 1.0133^{-5} - 9800 \times 1.0133^{-6} - 10000 \times 1.0133^{-7} \\
 &= 18980.93
 \end{aligned}$$

$$\begin{aligned}
 \text{**Net Proceed (D)} &= 86400 - 9700 \times 1.0133^{-1} - 9800 \times 1.0133^{-2} - 10000 \times 1.0133^{-3} \\
 &= 57671.50
 \end{aligned}$$

Similar to the cost side analysis, both C & D get satisfied regarding return on saving side analysis because both of them yield higher return in Dhukuti than average market rate of return 0.5% per month. As far as satisfaction of the participants is concerned, both the analysis approaches give the same result.

The second part of the analysis is entirely depended on the above analysis.

Let again increase both cost & return to 5%. When the rates are increased, gain for the first five winners have surged whilst for the rest of the members, loss has gone further deteriorated which can be seen in the graph below.



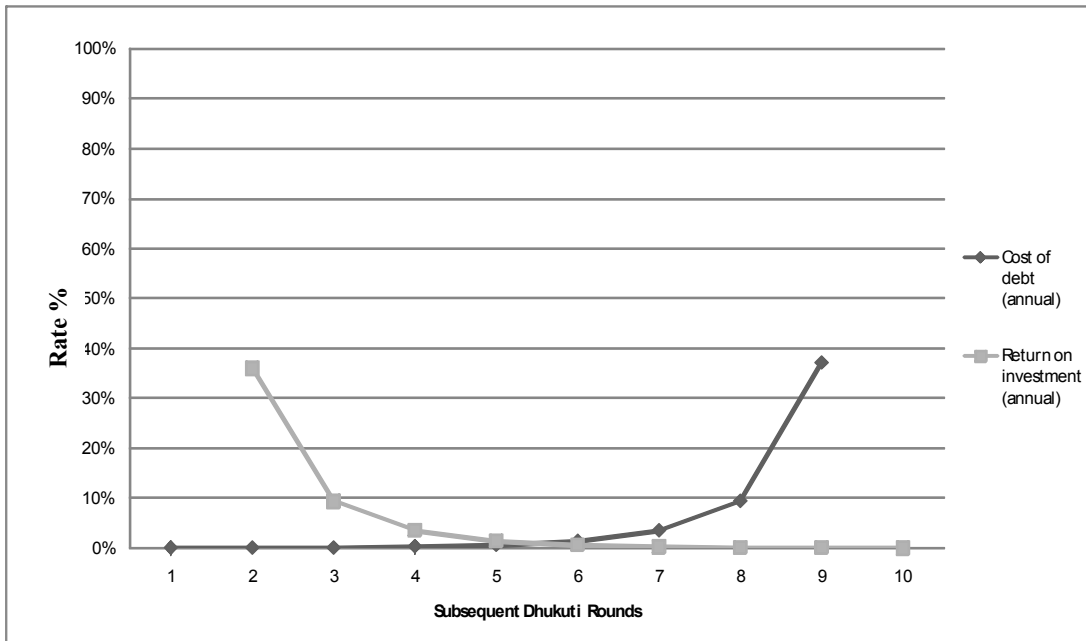
Graph 3

In the above graph, when cost & return have been increased to 5%, steepness of the cost and return curves have climbed. Gain for the first five winners and cost for the last winners have shoot up by almost the same proportion.

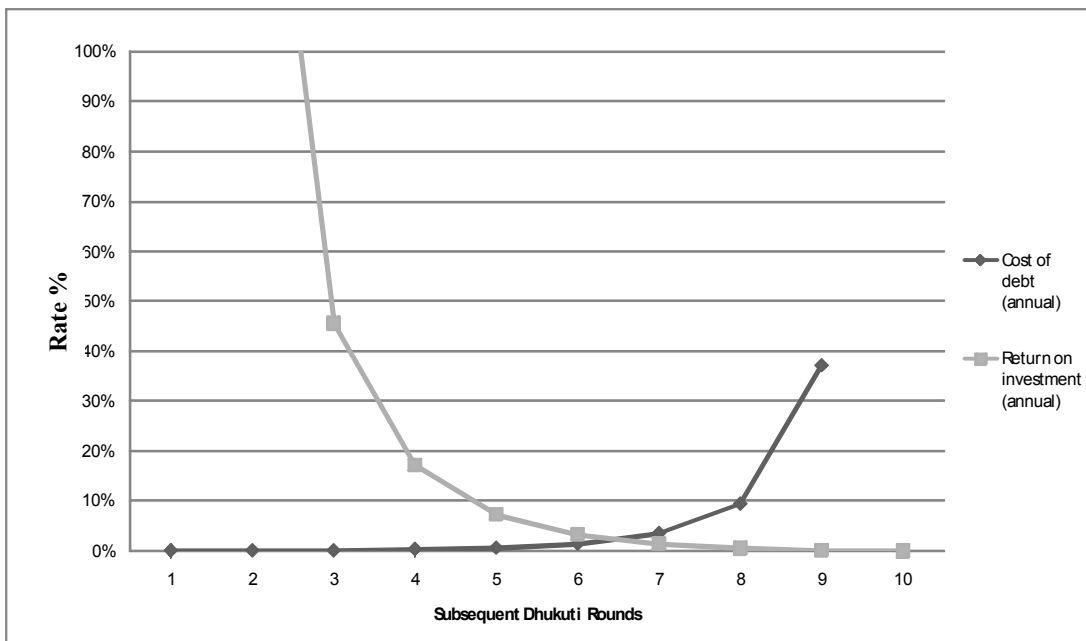
As long as market return and cost are same, this situation will continue and there will be a positive relationship between the change in rates and slope of the curves. That means as rates go up being equal, the gap between losers and gainers will be higher. This situation is demonstrated in Table 4, Graph 4, Table 5 & Graph 5.

B. Different market rates without bidding

It is obvious that market return cannot be higher than market cost. If market return is higher than market cost, through arbitrage process market return declines and cost increases until and unless market cost becomes higher than market return. Therefore, market return is always lower than market cost.

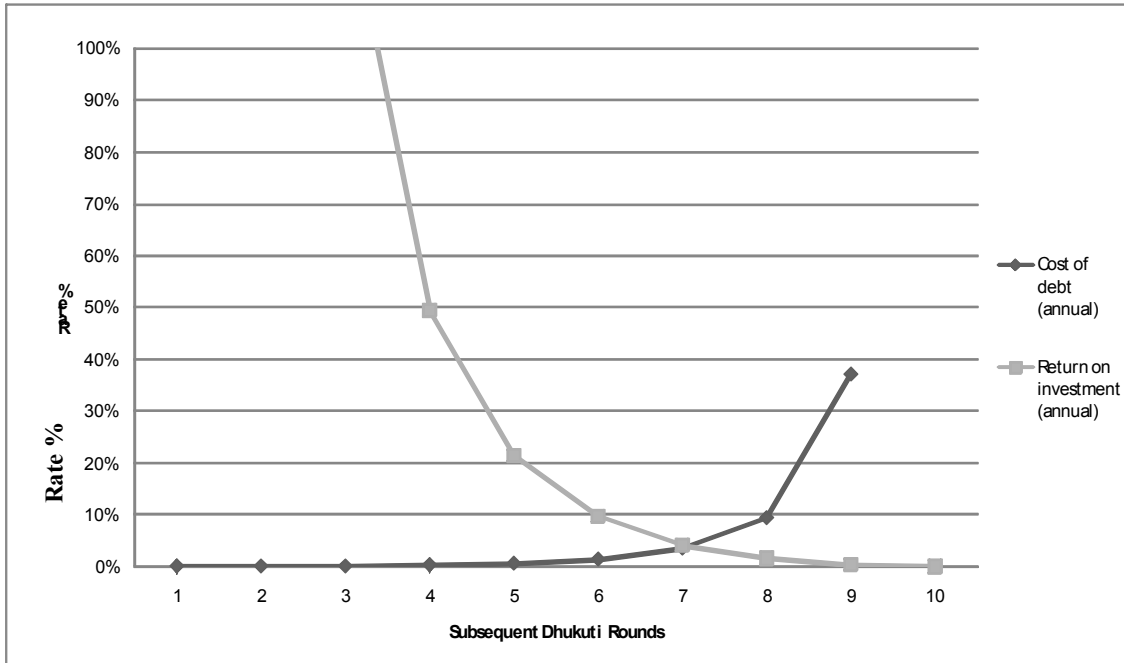


market return = 1% cost of debt = 1% Graph 6

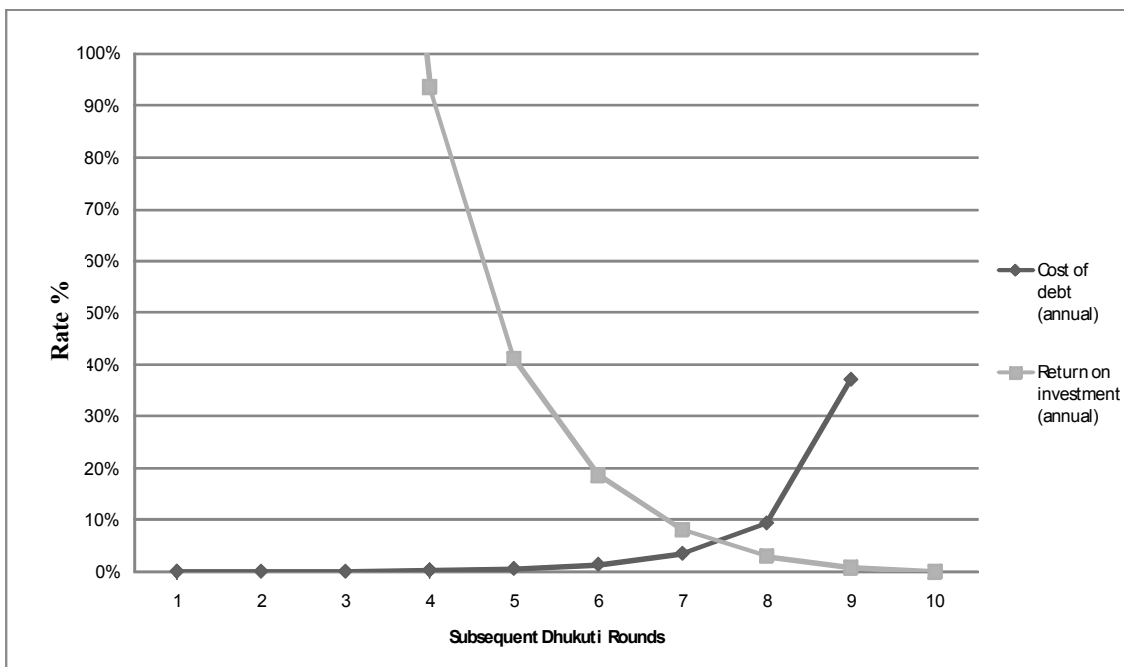


market return = 1% cost of debt = 5% Graph 7

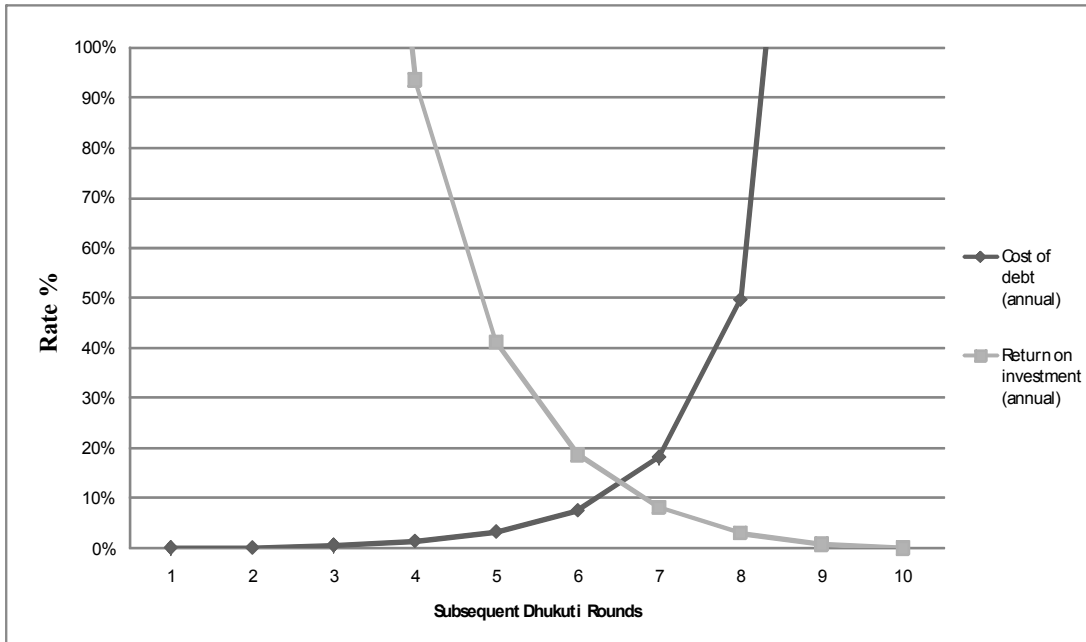
Here in graph 6, market return and cost are 1% and 5% respectively. When cost increased to 5%, return on investment curve has raised to right with an increase in slope of the curve. If we go on increasing the cost further, the return on investment curve will raise further to right and slope will also increase. This behaviour of the return on investment curve demonstrates more and more of the top bid winners will gain as cost of debt increases. Nevertheless, there will be no effect on the cost of debt curve. Likewise, Graph 8 and Graph 9 exhibit the same behavioural effect on curve with the increase of cost of debt.



market return = 1% cost of debt = 15% Graph 8

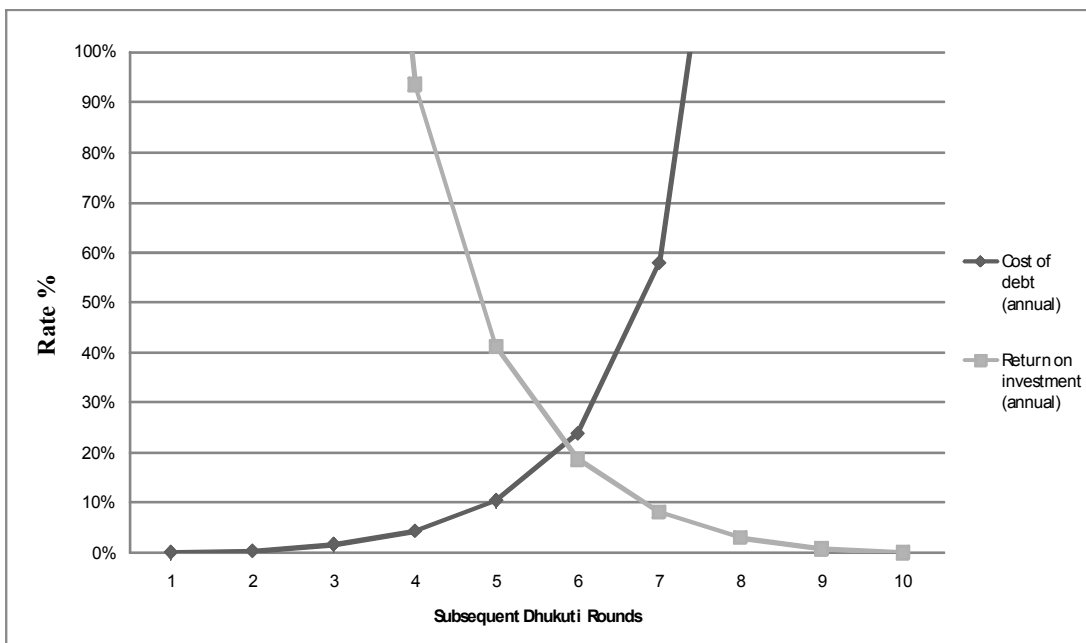


market return = 1% cost of debt = 30% Graph 9

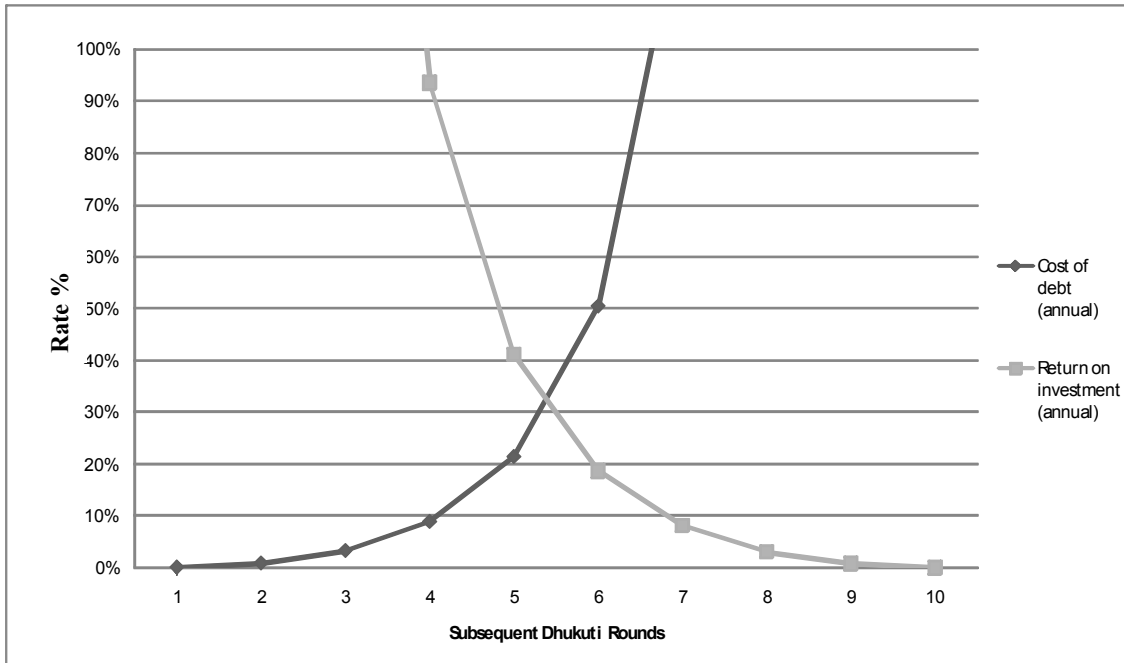


market return = 5% cost of debt = 30% Graph 10

On the other hand, if we increase the market return rate, the cost of debt curve raises to left with an increase in slope of the curve. Here, in Graph 10, as market return increased from 1% to 5%, cost of debt curve has raised to left causing more and more loss to last bid winners. Such effect can be also seen in Graph 11 & Graph 12.

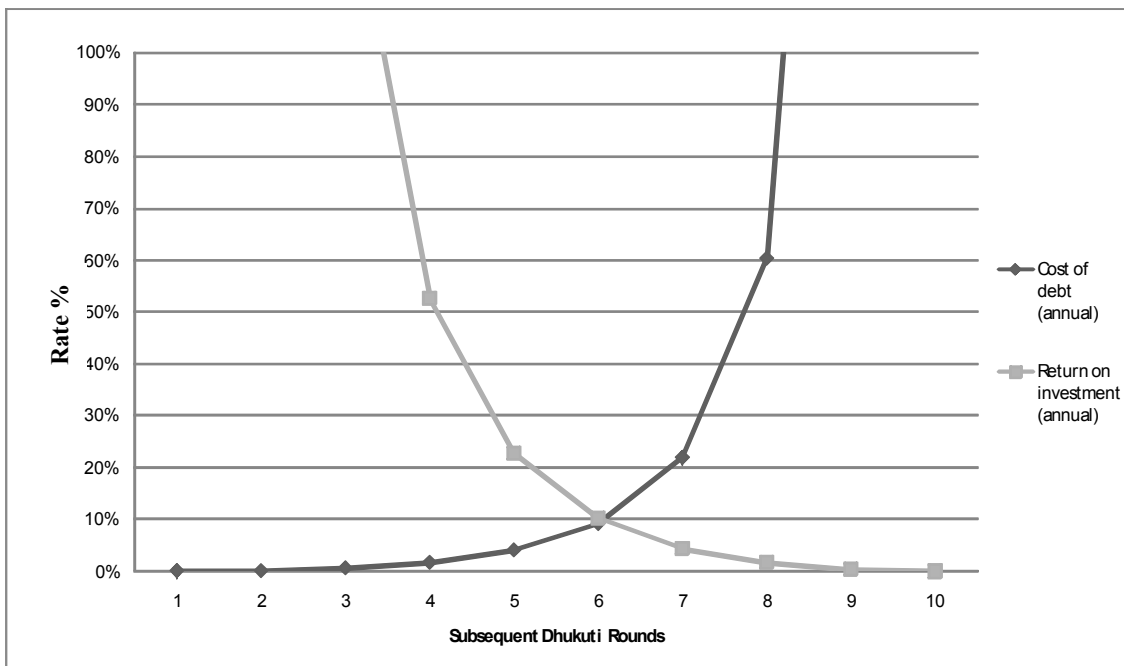


market return = 15% cost of debt = 30% Graph 11



market return = 30% cost of debt = 30% Graph 12

In order to adapt current market situation of Nepal in our analysis, let's take 6% market return and 16% of cost of debt. In such a case, the curves will be as presented in the Graph 13.



market return = 6% cost of debt = 16% (Current market scenario)

Graph 13

C. Different market rates with bidding

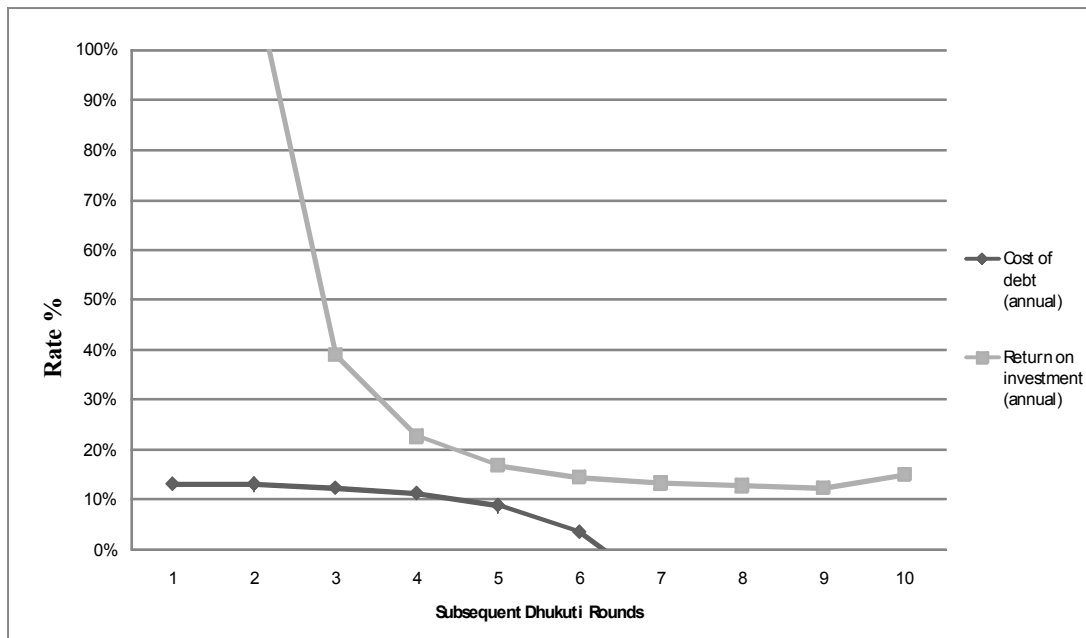
Let's take 6% market return and 16% cost of debt on market with the following bid winning amounts.

Rounds	Bid winning amount
1	10000
2	9000
3	8000
4	7000
5	6000
6	5000
7	4000
8	3000
9	2000
10	0

	per month	per year
Return on market	0.5000%	6%
Cost of debt on market	1.3333%	16%

Dhukuti amount 100000
Participant 10

1	2	3	4	5	6	7	8	9	10	Subsequent Dhukuti Round
Analysis from Cost of debt aspect										
10,000	9,000	8,000	7,000	6,000	5,000	4,000	3,000	2,000		Bidding Amount
1.102%	1.083%	1.036%	0.937%	0.732%	0.296%	-0.716%	-3.516%	-14.666%		cost of debt (monthly)
13.229%	12.999%	12.435%	11.240%	8.779%	3.552%	-8.588%	-42.189%	-175.990%		cost of debt (Annualy)
2.771%	3.001%	3.566%	4.760%	7.221%	12.448%	24.588%	58.189%	191.990%		Saved Cost of debt (Annualy)
Analysis from return on investment aspect										
	9.444%	3.247%	1.885%	1.409%	1.205%	1.108%	1.061%	1.037%	1.253%	Return on Investment (monthly)
	113.331%	38.959%	22.624%	16.909%	14.462%	13.302%	12.727%	12.446%	15.031%	Return on Investment (annualy)
	107.331%	32.959%	16.624%	10.909%	8.462%	7.302%	6.727%	6.446%	9.031%	Excessrate of return(annualy)



This figures and picture proves that a portfolio can be made in which no on losses.

In the above table and graph, it is clear to see that all the participants get satisfied with the Dhukuti. This Dhukuti is favorable for all the participants from both the analysis perspectives. All the calculated costs are lower than the prevailing market rate of debt and all the calculated rate of returns are higher than the prevailing market return rate. This example proves that a condition is possible in Dhukuti scheme where everyone gains and gets satisfied.

Effects of Standard Deviation of Bid amounts

In any Dhukuti, who will lose and who will gain extensively depends upon the deviation of winning bid amounts. Higher the deviation of winning bid amounts, higher will be the probability of losing beginning bid winners. Similarly, lower the deviation of winning bid amounts, higher will be the probability of losing last bid winners.

Let's take three examples of winning bid amounts that are presented below

Rounds	A	B	C
1	Rs.18000	Rs.9000	Rs.2700
2	16000	8000	2400
3	14000	7000	2100
4	12000	6000	1800
5	10000	5000	1500
6	8000	4000	1200
7	6000	3000	900
8	4000	2000	600
9	2000	1000	300
10	0	0	0
Standard Deviation	Rs.6055.30	Rs.3027.65	Rs.908.30

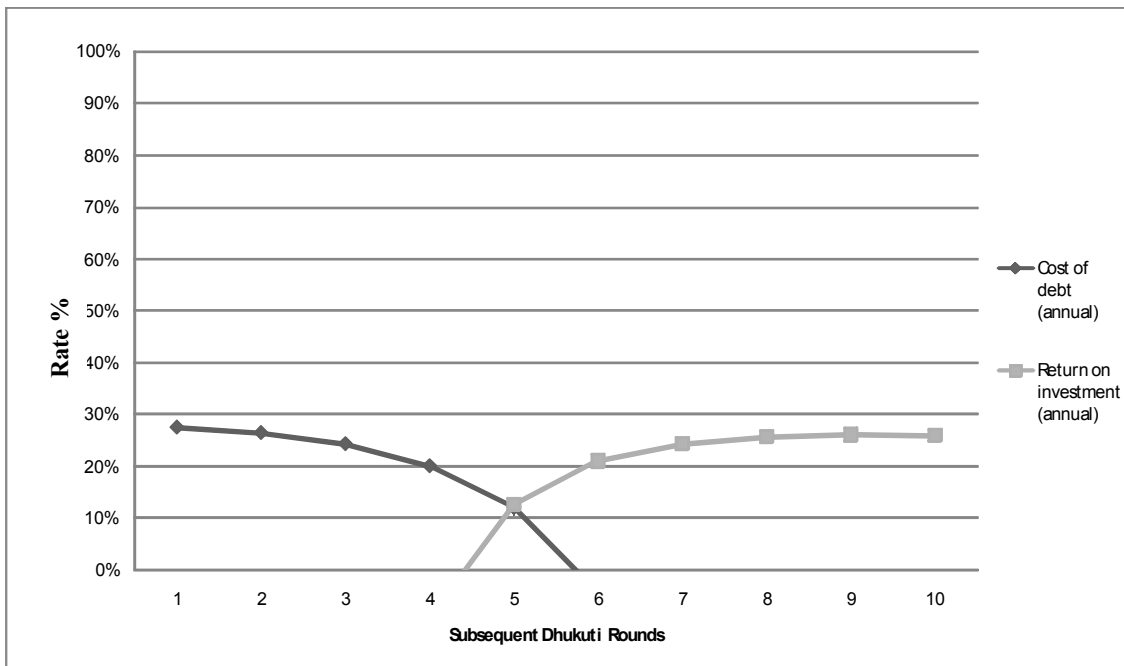
Example A

	per month	per year
Return on market	0.5000%	6%
Cost of debt on market	1.3333%	16%

Dhukuti amount 100000
Participant 10

1	2	3	4	5	6	7	8	9	10	Subsequent Dhukuti Round
Analysis from Cost of debt aspect										
18000	16000	14000	12000	10000	8000	6000	4000	2000	0	Bidding Amount
2.296%	2.206%	2.025%	1.674%	0.997%	-0.365%	-3.345%	-10.873%	-35.158%		cost of debt (monthly)
27.550%	26.475%	24.294%	20.088%	11.963%	-4.386%	-40.136%	-130.471%	-421.892%		cost of debt (Annually)
-11.550%	-10.475%	-8.294%	-4.088%	4.037%	20.386%	56.136%	146.471%	437.892%		Saved Cost of debt (Annually)
Analysis from return on investment aspect										
	-31.982%	-6.411%	-0.779%	1.045%	1.749%	2.036%	2.146%	2.174%	2.163%	Return on Investment (monthly)
	-383.781%	-76.927%	-9.349%	12.545%	20.983%	24.427%	25.747%	26.088%	25.959%	Return on Investment (annually)
	-389.781%	-82.927%	-15.349%	6.545%	14.983%	18.427%	19.747%	20.088%	19.959%	Excess rate of return (annually)

SD of bidding amount = Rs. 6055.30



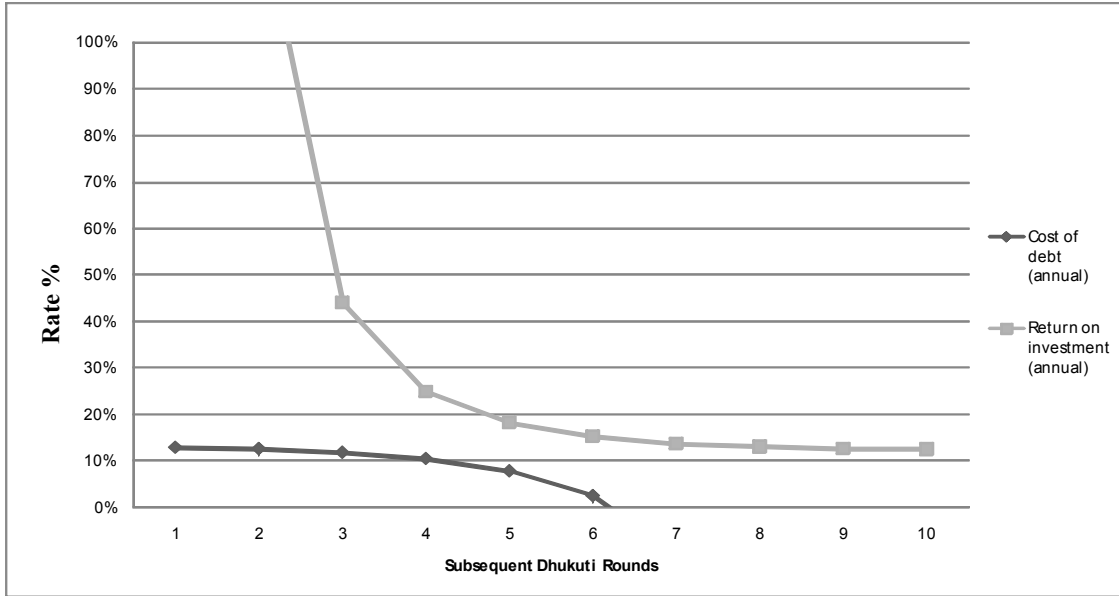
Example B

	per month	per year
Return on market	0.5000%	6%
Cost of debt on market	1.3333%	16%

Dhukuti amount 100000
Participant 10

1	2	3	4	5	6	7	8	9	10	Subsequent Dhukuti Round
Analysis from Cost of debt aspect										
9000	8000	7000	6000	5000	4000	3000	2000	1000	0	Bidding Amount
1.068%	1.044%	0.990%	0.880%	0.660%	0.200%	-0.858%	-3.765%	-15.257%		cost of debt (monthly)
12.818%	12.527%	11.879%	10.564%	7.923%	2.399%	-10.298%	-45.177%	-183.088%		cost of debt (Annually)
3.182%	3.473%	4.121%	5.436%	8.077%	13.601%	26.298%	61.177%	199.088%		Saved Cost of debt (Annually)
Analysis from return on investment aspect										
	10.834%	3.665%	2.077%	1.513%	1.268%	1.148%	1.087%	1.055%	1.039%	Return on Investment (monthly)
	130.005%	43.976%	24.918%	18.159%	15.212%	13.778%	13.041%	12.656%	12.463%	Return on Investment (annually)
	124.005%	37.978%	18.918%	12.159%	9.212%	7.778%	7.041%	6.656%	6.463%	Excess rate of return (annually)

SD of bidding amount = Rs. 3027.65



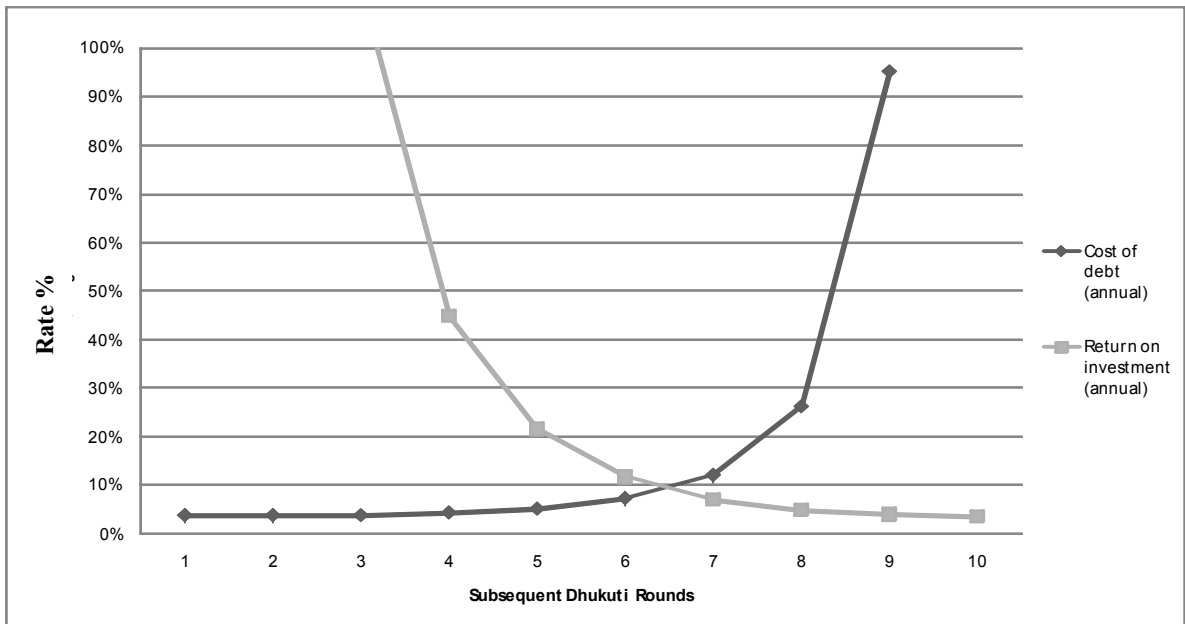
Example C

	per month	per year
Return on market	0.5000%	6%
Cost of debt on market	1.3333%	16%

Dhukuti amount 100000
Participant 10

1	2	3	4	5	6	7	8	9	10	Subsequent Dhukuti Round
Analysis from Cost of debt aspect										
2700	2400	2100	1800	1500	1200	900	600	300	0	Bidding Amount
0.306%	0.311%	0.325%	0.359%	0.433%	0.596%	0.994%	2.178%	7.929%		cost of debt (monthly)
3.670%	3.726%	3.902%	4.311%	5.196%	7.158%	11.928%	26.139%	95.153%		cost of debt (Annually)
12.330%	12.274%	12.098%	11.889%	10.804%	8.842%	4.072%	-10.139%	-79.153%		Saved Cost of debt (Annually)
Analysis from return on investment aspect										
	36.092%	9.350%	3.735%	1.793%	0.973%	0.593%	0.413%	0.332%	0.303%	Return on Investment (monthly)
	43.102%	112.198%	44.818%	21.516%	11.877%	7.122%	4.961%	3.988%	3.640%	Return on Investment (annually)
	427.102%	106.198%	38.818%	15.516%	5.877%	1.122%	-1.039%	-2.012%	-2.360%	Excess rate of return (annually)

SD of the bidding amount = Rs. 908.30



In example A, standard deviation of winning bid amounts is Rs.6055.30 which is quite higher. First four bid winners have lost. As standard deviation decreases to Rs.3027.65 in example B, no one has lost. If we happen to reduce standard deviation further to Rs.908.30, the last three bid winners have lost.

The above three examples clearly show that Dhukuti can tolerate a certain level of deviation and below or above that deviation, a loss situation will occur. Therefore, if we be able to maintain the standard deviation within a range, we can construct an everyone gaining situation.

Effects of high bid amounts

	per month	per year										
Return on market	0.5000%	6%										
Cost of debt on market	1.3333%	16%										
			Dhukuti amount		10000							
			Partid part		10							
1	2	3	4	5	6	7	8	9	10	Subsequent Dhukuti Round		
Analysis from Cost of debt aspect												
9000	8000	7000	6000	5000	4000	3000	2000	1000	0	Bidding Amount		
1.068%	1.044%	0.990%	0.880%	0.660%	0.200%	-0.858%	-3.765%	-15.257%		cost of debt (monthly)		
12.818%	12.527%	11.879%	10.564%	7.923%	2.399%	-10.298%	-45.177%	-183.088%		cost of debt (Annually)		
3.182%	3.473%	4.121%	5.436%	8.077%	13.601%	26.298%	61.177%	199.088%		Saved Cost of debt (Annually)		
Analysis from return on investment aspect												
	10.834%	3.665%	2.077%	1.513%	1.268%	1.148%	1.087%	1.055%	1.099%	Return on Investment (monthly)		
	130.005%	43.976%	24.918%	18.159%	15.212%	13.778%	13.041%	12.666%	12.463%	Return on Investment (annually)		
	124.005%	37.976%	18.918%	12.159%	9.212%	7.778%	7.041%	6.666%	6.463%	Boessrate of return (annually)		

	per month	per year										
Return on market	0.5000%	6%										
Cost of debt on market	1.3333%	16%										
			Dhukuti amount		10000							
			Partid part		10							
1	2	3	4	5	6	7	8	9	10	Subsequent Dhukuti Round		
Analysis from Cost of debt aspect												
9000	10000	7000	6000	5000	4000	3000	2000	1000	0	Bidding Amount		
1.019%	1.603%	0.912%	0.778%	0.519%	-0.007%	-1.191%	-4.381%	-16.719%		cost of debt (monthly)		
12.233%	19.234%	10.949%	9.337%	6.231%	-0.094%	-14.287%	-52.577%	-200.628%		cost of debt (Annually)		
3.787%	-3.234%	5.051%	6.663%	9.789%	16.084%	30.287%	68.577%	216.628%		Saved Cost of debt (Annually)		
Analysis from return on investment aspect												
	-8.946%	4.407%	2.447%	1.735%	1.415%	1.253%	1.165%	1.116%	1.088%	Return on Investment (monthly)		
	-107.357%	52.883%	29.363%	20.819%	16.981%	15.040%	13.986%	13.391%	13.050%	Return on Investment (annually)		
	-113.357%	46.883%	23.363%	14.819%	10.981%	9.040%	7.986%	7.391%	7.050%	Boessrate of return (annually)		

	per month	per year										
Return on market	0.5000%	6%										
Cost of debt on market	1.3333%	16%										
			Dhukuti amount		10000							
			Partid part		10							
1	2	3	4	5	6	7	8	9	10	Subsequent Dhukuti Round		
Analysis from Cost of debt aspect												
9000	10000	7000	6000	6000	4000	3000	2000	1000	0	Bidding Amount		
0.996%	1.573%	0.875%	0.728%	1.151%	-0.108%	-1.353%	-4.681%	-17.421%		cost of debt (monthly)		
11.949%	18.872%	10.495%	8.737%	13.818%	-1.299%	-16.236%	-56.176%	-209.047%		cost of debt (Annually)		
4.051%	-2.872%	5.056%	7.263%	2.182%	17.299%	32.236%	72.176%	225.047%		Saved Cost of debt (Annually)		
Analysis from return on investment aspect												
	-7.890%	4.754%	2.622%	0.774%	1.486%	1.304%	1.204%	1.146%	1.111%	Return on Investment (monthly)		
	-94.684%	57.051%	31.461%	9.294%	17.833%	15.650%	14.444%	13.747%	13.335%	Return on Investment (annually)		
	-100.684%	51.051%	25.461%	3.294%	11.833%	9.650%	8.444%	7.747%	7.335%	Boessrate of return (annually)		

These above three tables shows how increase in bidding amount of one participant will benefit other members of the Dhukuti. It is clear to see that how loss faced by one member through higher bidding will spread out over all the members of the Dhukuti.

4.4. Analysis of potentiality to address liquidity crunch in banking sector

From the view point of banking sector we can address liquidity crunch in three ways.

- e. Firstly, We currently have 845 branches of commercial bank (Economy Survey 2066/067) all over Nepal. In general, the first round is awarded to the operator/trustee of the Dhukuti. If each branch of the banks operates say Rs.500,000 worth Dhukuti programs per month, they will be able to inject (845 branches X Rs.500,000 per month X 12) Rs.5.07 billion liquidity into banking sector.
- f. Secondly, they can retain each round Dhukuti amount for certain days say 10 days for processing. This processing retention will inject further (845 branches x 10/30 x Rs.500,000 per month x 12) Rs.1.69 billion into the banking sector.
- g. Lastly, they can pay each round Dhukuti amount via their own bank accounts which on one hand will increase their bank account subscribers and on the other hand will provide an opportunity to enjoy a certain portion of the paid sum say 30%. This will inject (845 branches x Rs.500000 per month x 30% x 12) Rs.1.52 billion in banking sector.
- h. In overall, adoption of Dhukuti practice in banking sector will inject (Rs.5.07 billion+Rs.1.69 billion+Rs.1.52 billion) Rs.8.28 billion. This analysis show the potentiality and effectiveness of Dhukuti in addressing liquidity crisis in banking sector. However, rigorous study is must for this analysis.

4.5. Major findings

4.5.1. Findings from Sample Survey

1. Men outnumber women in Dhukuti participation. They account for around 80% of Dhukuti participation.

2. Saving is the most important reason for participating in Dhukuti scheme and emergency requirement is the most prominent reason for bidding in a Dhukuti scheme.
3. Better returns and better interest rates are the most important reasons for people to participate in Dhukuti rather than using a bank.
4. As far as bidding behavior and timing of bidding are concerned, more than half of them prefer to bid when they need the money.
5. 48% Dhukuti participants consider cost of debt in market while calculating maximum bid amount whereas only 15% of them consider market rate of return for bid amount calculation. However, 27% of them use both cost of debt and rate of return in market.
6. 26% of the Dhukuti participation involves multiple membership where multiple membership is defined as participating in more than one Dhukuti scheme.
7. In overall, safety perception of Dhukuti is positive i.e. most of them regard Dhukuti as safe practice.

4.5.2. Findings from hypotheses testing

1. Participation to Dhukuti is not equal for men and women. Gender influence the participation in a Dhukuti scheme where there are more men than women in the population of Dhukuti participation.
2. Employment status has a significant effect on participation in a Dhukuti scheme. The hypotheses testing has revealed that there is more employed people than unemployed people.
3. The participants are not equally distributed among different group of income level. This clearly indicates that level of earning has a significant effect on Dhukuti participation and participation rate fluctuates as the level of income fluctuate.
4. Lastly, when we happen to test safety perception through hypotheses, majority of people perceive Dhukuti to be safe option. The proportion of

people who perceive Dhukuti safe is greater than the proportion of those people who do not think Dhukuti as a safe practice.

4.5.3. Findings from theory building analysis

1. Participation in Dhukuti scheme can be analyzed with two perspectives
 - a. Investment/saving perspective
 - b. Source of borrowing perspective
2. The analysis has proved that a situation is possible for Dhukuti in which money can be borrowed at lower rate and gives a higher return rate than those of market i.e. every participants can be satisfied by Dhukuti.
3. Such a situation is possible due to the spread(gap) between return on market and cost of debt in market. More the spread between the rates, more ease will be there for constructing an effective and everyone satisfying Dhukuti scheme.
4. Another crucial component of Dhukuti's effectiveness is bidding provision. Benefit is not only enjoyed by the bid winner rather it distributes over the other participants as well.
5. Dhukuti's effectiveness is highly sensitive toward the overall deviation of bid winning bid amounts. Actually, Dhukuti tolerates a certain level of deviation and below or above that deviation, a loss situation will occur. Therefore, if we can manage the standard deviation of bid winning bid amounts, we can construct an effective and everyone satisfying Dhukuti scheme
6. To conclude the theory building analysis findings, the beauty and effectiveness of a Dhukuti scheme reside in
 - a. the spread(gap) between return on market and cost of debt in market, and
 - b. the deviation of bid winning bid amountsWe have no control over market rates, however, we can limit the deviation of bid winning bid amounts by imposing different restrictions and conditions.

4.5.4. Findings from analysis of potentiality to address liquidity crisis

This analysis has shown the potentiality of RoSCA (Dhukuti) practice in banking sector to address cyclic nature of liquidity crisis. A small amount of Dhukuti scheme on each branches of bank will inject a huge sum in the baking sector. However, rigorous study is must.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary

Dhikur (in Thakali), Dhikuti or Dhukuti (in Nepali) - literally a storage box, used for valuables or food grains - The Dhukuti is a financial self-help group which originated from a system of communal food grain storage for the needy. With the onset of the market economy, it expanded quickly and became a sophisticated informal people's bank, providing capital for small businessmen as well as farmers. Its resources are solely derived from internal savings mobilization.

Thus, the Dhukuti can be defined as a Rotating Saving & Credit Association (RoSCA) in which equal amounts of money are collected from the participants in regular intervals and allocated to one member at a time. Its rotation is mostly determined by secret tender, the fund going to the lowest bidder, except at the first and last rounds of a round. Dhukuti has become a major informal financial institution for small enterprise finance in Nepal, particularly for investments in non-farm and off-farm activities. In many cases, it is the only source of credit.

As far as the statement of problems are concerned for this study, the banks and financial institutions are facing fierce competition in the market. Therefore, they do need new product concept for the market. Irrespective of the growing size of banking sector, the market is lacking of newer market products. On the other hand, banking sector is also suffering from liquidity crisis. The year to year repeating cyclic nature of liquidity crisis has become one of the major challenge. The amount of C/D (Credit/Deposit) ratio is above the tolerable level and increasing. Most of the banking products are taken as investment alternative as well. The returns of banking products are quite certain & predictable. But, the range of this investment type banking product are in limited number. Adding new investment like banking product not only attract new customers rather it will help to address liquidity crisis of the bank as well.

Therefore, the study is mainly focused and targeted toward addressing the aforementioned problem statements.

A theoretical framework is also designed carefully. In which, Dhukuti participation is identified as dependent variable and other six variable are identified as independent variables. These six independent variables are income level, safety perception, gender, banking facilitates, employment status, and education. With the help of the theoretical framework four hypotheses have been fixed for the further exploration and analysis.

However, this study also consist of some inbuilt limitation. Unofficial practice of Dhukuti, limited time and budget for study, and lack of literatures for review are the main hurdles for the study. Beyond this, the study is much more focused toward the partial fulfillment of the master degree program MBS. Though, we believe that the research will reveal some of the important solution and prepare a solid foundation for future studies.

There is limited articles, journals & research conducted about ROSCA practice in Nepal. Available research reports are also outdated, focused to some part of the country and not conducted rigorously. Contrary to this, our neighboring country India has made a long stride on this regard. They have established adequate legal & institutional framework for giving a formal way for ROSCA practice as Chit Fund and has conducted very rigorous studies on this instance. Despite the fact that Dhukuti is gaining popularity among Nepalese community, the state has failed to main-streamline Dhukuti. No rigorous study has been made at the very moment. Therefore, this study has felt a rigorous study is urgent to formalize and institutionalize Dhukuti practice.

This study uses a variety of modern financial and statistical tools in order to get a more accurate findings. For the financial tool, net present value (NPV) and internal rate of return (IRR) are used whilst for statistical tools, arithmetic mean, standard deviation, hypotheses testing (Z-test and Chi-square test) are used. The presentation of data and analysis is mainly divided into two parts. In

the first part, it comprises data presentation and analysis of 100 individuals' sample survey while in the second part, it is all about theory building (induction) analysis where the figures used are hypothetical and assumed.

5.2. Conclusion

Finally, it has arrived at various findings and facts. Firstly, it has come up with key determinants of Dhukuti participation out of which gender, income level, employment status and safety perception are prominent. Hypotheses testing has confirmed that these four elements has a great influence on Dhukuti participation. Secondly, the theory building (induction) analysis has revealed some interesting and useful facts that a everyone satisfying Dhukuti scheme is possible in which everyone gains. For this, we have to take benefit of spread(gap) between market return rate and cost of debt in market, and to limit the deviation of bid winning bid amounts by imposing different restriction and conditions. Lastly, the analysis further shows the potentiality of Dhukuti to address the cyclic nature of liquidity crunch in banking sector.

5.3. Recommendation

1. If the Dhukuti is adopted by banks and financial institution and want to make it more effective and beneficial for all, all they have to do is exploit the spread(gap) between return on market and cost of debt in market, and limit deviation of bid winning bid amounts within a tolerable limit.
2. Most of the people claim Dhukuti to be illegal. They also say that illegal money is used in Dhukuti and should be prohibited. However, non of the legal provision has explicitly prohibited ROSCA or Dhukuti practice. It has only prohibited to exercise monetary transactions beyond cooperatives, financial institutions, insurance companies, banking sector and the like. If Dhukuti as a RoSCA practice is adopted by a bank or a financial institution that cannot be regarded as illegal practice and can be adopted as a product.

3. Similarly, many people argue that Dhukuti is a risky business and has no legal framework, therefore, should not be practiced. But the reality is opposite of what they think to be. For instance, derivative/commodity market which is quite riskier business than stock market and Dhukuti practice is being practiced widely in Nepal and also getting popular without any legal provision and framework. In fact, without any regulating laws, rules and policies, derivative market is like a gamble. If derivative marketing is legal and acceptable, then why not Dhukuti.
4. Despite the fact that it involves a higher risk of default in the absence of legal agreement, many people have participated in and the participation rate is rising. If the same Dhukuti product is introduced by banks and financial institutions, more and more people will participate in due to its high trustworthiness and legal agreement.
5. Many of our neighboring countries have formally channeled RoSCA practice into their economy and the contribution is also significant. If we look what they have done in India, Chit Funds (RoSCA) is popular like mutual funds. They have also enacted central and various state acts regarding Chit Fund. This clearly indicates that we can replicate their successful and effective RoSCA practice in our national context.
6. This analysis of potentiality to address liquidity crunch in banking sector has shown the potentiality and effectiveness of Dhukuti in addressing liquidity crisis in banking sector. As a researcher of this study, I would like to strongly recommend adoption of RoSCA (Dhukuti) as their business product if they want to get relief from cyclic nature of liquidity problems. However, they should conduct a rigorous study before adoption of RoSCA as a business product.
7. Beside addressing the liquidity crunch, the banks or financial institutions can enjoy the first round sum without any cost and the banks may charge a certain

commission on each bid rounds which will give additional income to the banks or financial institutions.

8. The available Nepalese literatures are insufficient thus rigorous studies are yet to be done. This research is conducted under the constraints of limited cost, time and resources hence may not be free of errors and mistakes. Most of the findings in this study are indicative in nature and directs toward the need of intense and deep research in future. However, this study will provide a ground for further future researches and will give a clear cut direction in this regard. It is certain that the future research will unveil many interesting and useful facts & figures about RoSCA and Dhukuti.

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Annex I

THE CHIT FUNDS ACT, 1982 (INDIA)

No.40 OF 1982
[19th August, 1982.]

An Act to provide for the regulation of chit funds and for matters connected therewith. Be it enacted by Parliament in the Thirty-third Year of the Republic of India as follows:-

THE CHIT FUNDS ACT, 1982

CHAPTER I - PRELIMINARY

1.Short title, extent and commencement.- (1) This Act may be called the Chit Funds Act, 1982.

(2) It extends to the whole of India except the State of Jammu and Kashmir.

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different States.

2.Definition.- In this Act, unless the context otherwise require, -

(a) "approved bank" means the State Bank of India constituted under section 3 of the State Bank of India Act, 1955 (23 of 1955), or a subsidiary bank constituted under section 3 of the State Bank of India (Subsidiary Banks) Act, 1959 (33 of 1959), or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970 (5 of 1970), or a Regional Rural Bank established under section 3 of the Regional Rural Banks Act, 1976 (21 of 1976) , or a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or a banking company as defined under clause (e) of section 5 of the Banking Regulation Act, 1949 (10 of 1949) , or a banking institution notified by the Central Government under section 51 of that Act or such other banking institution as the State Government may, in consultation with the Reserve Bank, approve for the purposes of this Act;

(b) "chit" means a transaction whether called chit, chit fund, chitty, kuri or by any

other name by or under which a person enters into an agreement with a specified number of persons that every one of them shall subscribe a certain 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.

Explanation.- A transaction is not a chit within the meaning of this clause, if in such transaction, -

(i) some alone, but not all, of the subscribers get the prize amount without any liability to pay future subscriptions; or

(ii) all the subscribers get the chit amount by turns with a liability to pay future subscriptions;

(c) "chit agreement" means the document containing the articles of agreement between the foreman and the subscribers relating to the chit;

(d) "chit amount" means the sum-total of the subscriptions payable by all the subscribers for any installment of a chit without any deduction of discount or otherwise;

(e) "chit business" means the business of conducting a chit;

(f) "defaulting subscriber" means a subscriber who has defaulted in the payment of subscriptions due in accordance with the terms of the chit agreement.

(g) "discount" means the sum of money or the quantity of grain which a prized subscriber is, under the terms of the chit agreement, required to forego and which is set apart under the said agreement to meet the expenses of running the chit or for distribution among the subscribers or for both;

(h) "dividend" means the share of the subscriber in the amount of discount available under the chit agreement for rateable distribution among the subscribers at each installment of the chit;

- (i) "draw" means the manner specified in the chit agreement for the purpose of ascertaining the prized subscriber of any installment of the chit;
- (j) "foreman" means the person who under the chit agreement is responsible for the conduct of the chit and includes any person discharging the functions of the chit and includes any person discharging the functions of the foreman under section 39;
- (k) "non-prized subscriber" does not include a defaulting sub-scriber;
- (l) "prescribed" means prescribed by rules made under this Act;
- (m) "prize amount" means the difference between the chit amount and the document, and in the case of a fraction of a ticket means the difference between the chit amount and the discount proportionate to the fraction of the ticket, and when the prize amount is payable otherwise than in cash, and value of the prize amount shall be the value at the time when it becomes payable;
- (n) "prize subscriber" means a subscriber who has either received or is entitled to receive the prize amount;
- (o) "Registrar" means the Registrar of Chits appointed under section 61, and includes an Additional, a Joint, Deputy or an Assistant Registrar appointed under that section;
- (p) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (2 of 1934);
- (q) "State Government", in relation to a Union territory, means the administrator of that Union territory appointed by the President under article 239 of the Constitution;
- (r) "subscriber" includes a person who holds a fraction of a ticket and also a transferee of a ticket or fraction thereof by assignment in writing or by operation of law;

(s) "ticket" means the share of a subscriber in a chit.

3. Act to override other laws, memorandum ,articles ,etc.- Save as otherwise expressly provided in this Act,-

(a) the provisions of this Act shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force or in the memorandum or articles of association or bye-laws or in any agreement or resolution whether the same be registered, executed or passed, as the case may be, before or after the commencement of this Act; and

(b) any provision contained in the memorandum, articles, bye-laws, agreement or resolution aforesaid, shall, to the extent to which it is repugnant to the provisions of this Act, become or be void, as the case may be.

CHAPTER II - REGISTRATION OF CHITS, COMMENCEMENT AND CONDUCT OF CHIT BUSINESS

4. Prohibition of chits not sanctioned or registered under the Act.- (1) Not chit shall be commenced or conducted without obtaining the previous sanction of the State Government within whose jurisdiction the chit is to be commenced or conducted or of such officer as may be empowered by that Government in this behalf, and unless the chit is registered in that state in accordance with the provisions of this Act:

Provided that a sanction obtained under this sub-section shall laps if the chit is not registered within twelve months from the date of such sanction or within such further period or periods not exceeding six months in the aggregate as the State Government may, on application made to it in this behalf, allow.

(2) An application for the purpose of obtaining a sanction under subsection (1) shall be made by the foreman in such form and in such manner as may be prescribed.

(3) The previous sanction referred to in sub-section (1) may be refused, if foreman, -

(a) had been convicted of any offence under this Act or under any other Act regulating chit business and sentenced to imprisonment for any such offence; or

(b) had defaulted in the payment of fees or the filing of any statement or record required to be paid or filed under this Act or had violated any of the provisions of this Act or the rules made thereunder; or

(c) had been convicted of any offence involving moral turpitude and sentenced to imprisonment for any such offence unless a period of five years has elapsed since his release :

Provided that before refusing any such sanction, the foreman shall be given a reasonable opportunity of being heard.

(4) The order of the State Government, and, subject to the provisions of sub-section (5), the order of the officer empowered under sub-section (1), issuing or refusing previous sanction under this section shall be final.

(5) Any person aggrieved by the refusal to issue previous sanction by a officer empowered under sub-section (1) may appeal to the State Government within thirty days of the date of communication to him of such refusal and the decision of that Government on such appeal shall be final.

5. Prohibition of invitation for subscriptions except under certain conditions.-

No person shall issue or cause to be issued any notice, circular, prospectus, proposal or other document inviting the public to subscribe for tickets in any chit unless such notice, circular, prospectus, proposal or document contains a statement that the previous sanction required under section 4 has been obtained and the particulars of such sanction.

6. Form of chit agreement.- (1) Every chit agreement shall be is 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 installments, the amount payable for each ticket at every installment and the interest or penalty, if any, payable on any default in the payment of such installments;

(d) the probable date of commencement and the duration of the chit;

(e) the manner of ascertaining the prizing subscriber at each installment;

(f) the maximum amount of discount which the prized subscriber has to forego at any installment;

(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 installment 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 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 of 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 unpaid prized subscribers;
- (p) the names of the nominees of each subscriber, that is to say, the names 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 purposes 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 their per cent, of the chit amount.

(4) Where the prized subscriber at any installment at any installment 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.

7. Filing of chit agreement

(1) Every chit agreement shall be filed in duplicate by the foreman with the Registrar.

(2) The Registrar shall retain one copy of the chit agreement and return the duplicate to the foreman with an endorsement that the chit agreement has been registered:

Provided that the Registrar may refuse to register the chit agreement on any one or more of the following grounds, namely:-

(a) that the security offered by the foreman under section 20 is insufficient;

(b) that the foreman had been convicted of any offence under this Act or under any other Act regulating chit business and sentenced to imprisonment for any such offence;

(c) that the foreman had defaulted in the payment of fees or the filing of any statement or record required to be paid or filed under this Act or had violated any of the provisions of this Act or the rules made thereunder;

(d) that the foreman had been convicted of any offence involving moral turpitude and sentenced to imprisonment for any such offence unless a period of five years has elapsed since his release:

Provided further that before refusing to register a chit under the first proviso, the foreman shall be given a reasonable opportunity of being heard.

(3) Every endorsement made under sub-section (2) shall be conclusive evidence that the chit is duly registered under this Act and the registration of a chit shall lapse if the declaration by the foreman under sub-section (1) of section 9 is not filed within three months from the date of such endorsement or within such further period or periods not exceeding three months in the aggregate as the Registrar may, on application made to him in this behalf, allow.

8. Minimum capital requirements for the commencement, etc., of a chit, and

chit, and creation of a reserve fund by a company.- (1) Notwithstanding anything contained in the Companies Act, 1956, but subject to the provisions of this Act, a company shall not commence or carry on chit business unless it has a paid-up capital of not less than rupees one lakh.

(2) Every company having a paid-up capital of less than rupees one lakh and carrying on chit business on chit business on the commencement of this Act, shall,

before the expiry of a period of three years from such commencement, increase its paid-up capital to not less than rupees one lakh.

Provided that the State Government may, if it considers it necessary in the public interest or for avoiding any hardship, extend the said period of three years in respect of any company by such further period at periods not exceeding two years in the aggregate:

Provided further that no such company shall commence any new chit the duration of which would extend beyond the said period of three years or such extended period or periods under the first proviso unless it increases its paid-up capital to not less than rupees one lakh.

(3) Every company carrying on chit business shall create and maintain a reserve fund and shall, out of the balance of profit of each year as disclosed in its profit and loss account and before any dividend on its shares is declared, transfer to such reserve fund, a sum equal to not less than ten per cent, of such profit.

(4) No company shall appropriate any sum or sums from the reserve fund except with the prior approval of the Registrar and for the purpose of obtaining such approval, it shall an application in the prescribed form to the Registrar explaining the circumstances relating to such appropriation.

9. Commencement of chit.- (1) Every foreman shall, after all the tickets specified in the chit agreement are fully subscribed, file a declaration to that effect with the Registrar

(2) As soon as may be after a declaration is filed under sub-section (1), the Registrar shall, after satisfying himself that all the requirements relating to sanction, registration of chit and other matters have been duly complied with, grant a certificate of commencement to the foreman.

(3) No foreman shall commence any auction or the draw of any chit or appropriate any chit or appropriate any chit amount unless a certificate of commencement referred to in sub-section (2) is obtained by him.

10. Copies of chit agreement to be given to subscribers.- (1) A foreman shall, as soon as may be after he has obtained the certificate of commencement under sub-section (2) of section 9, but not later than the date of the first draw of the chit, furnish to every subscriber, a copy of the chit agreement certified to be a true copy.

(2) A foreman shall, within fifteen days after the close of the month in which the draw

for the first installment of the chit is held, file with the Registrar, a certificate to the effect that the provisions of sub-section (1) have been complied with.

11. Use of the words chit, chit fund, chitty or kuri.- (1) No person shall carry on chit business unless he uses as part of his name any of the words "chit fund", "chitty" or "Kuri" and no person other than a person carrying on chit business shall use as part of his name any such word.

(2) Where at the commencement of this Act,-

(a) any person is carrying on chit business without using as part of his name any of the words specified in sub-section (1); or

(b) any person not carrying on chit business is using any such word as part of his name,

he shall, within a period of one year from such commencement, add as part of his name any such word or, as the case may be, delete such word from his name:

Provided that the State Government may, if it considers it necessary in the public interest or for avoiding any hardship, extend the said period of one year by such further period or periods not exceeding one year in the aggregate.

12. Prohibition of transacting business other than chit business by a

company.- (1) Except with the general or special permission of the State Government, no company carrying on chit business shall conduct any other business.

(2) Where at the commencement of this Act, any company is carrying on any business in addition to chit business, it shall wind up such other business before the expiry of a period of three years from such commencement:

Provided that the State Government may, if it considers it necessary in the public interest or for avoiding any hardship, extend the said period of three years by such further period or periods not exceeding two years in the aggregate.

13. Aggregate amount of chits.- (1) No foreman, other than a firm or other association of individuals of a company or co-operative society, shall commence or conduct chits, the aggregate chit amount of which at any time exceeds twenty-five thousand rupees.

(2) Where the foreman is a firm or other association of individuals, the aggregate chit amount of the chit conducted by the firm or other association shall not at any time

exceed,-

- (a) where the number of partners of the firm or the individuals constituting the association is not less than four, a sum of rupees one lakh;
- (b) in any other case, a sum calculated on the basis of twenty-five thousand rupees with respect to each partner or individual.

(3) Where the foreman is a company or co-operative society, the aggregate chit amount of the chits conducted by it shall not at any time exceed ten times the net owned funds of the company or the co-operative society, as the case may be.

Explanation.- For the purposes of this sub-section, "net owned funds" shall mean the aggregate of the paid-up capital and free reserves as disclosed in the last audited balance sheet of the company or co-operative society, as reduced by the amount of accumulated balance of loss, deferred revenue, expenditure and other intangible assets, if any, as disclosed in the said balance sheet.

14. Utilisation of funds.- (1) No person carrying on chit business shall utilise the moneys collected in respect of such business (other than commission or remuneration payable to such person or interest or penalty, if any, received from a defaulting subscriber), except for-

- (a) carrying on chit business; or
- (b) giving loans and advances to non-prized subscribers on the security of subscriptions paid by them; or
- (c) investing in trustee securities within the meaning of section 20 of the Indian Trusts Act, 1882; or
- (d) making deposits with approved banks mentioned in the chit agreement.

(2) Where any person carrying on chit business has utilised the moneys collected in respect of such business before the commencement of this Act, otherwise than for the purposes specified in sub-section (1), he shall secure that so much of such moneys as have not been realised before such commencement are realised before the expiry of a period of three years from such commencement:

Provided that the State Government may, if it considers it necessary in the public interest of for avoiding any hardship, extend the said period of three years by such further period or periods not exceeding one year in the aggregate.

15. Alteration of chit agreement.- A chit agreement shall not be altered, added to or cancelled except with the consent in writing of the foreman and all the subscribers to the chit.

16. Date, time and place of conducting chits.- (1) Every draw in a chit shall be held on the date, at the time and place mentioned in the chit agreement and a notice therefore in such form and in such manner as may be prescribed shall be issued by the foreman to all the subscribers.

(2) Every such draw shall be conducted in accordance with the provisions of the chit agreement and in the presence of not less than two subscribers.

(3) Where any draw was not conducted on the ground that two subscribers required to be present at a draw under sub-section (2) were not present or on any other ground, the Registrar may, on his own motion or on an application made by the foreman or any of the subscribers, direct that the draw shall be conducted in his presence or in the presence of any person deputed by him.

17. Minutes of proceedings.- (1) The minutes of the proceedings of every draw shall be prepared and entered in a book to be kept for that purpose immediately after the closure of the draw and shall be signed by the foreman, the prized subscribers, if present, or their authorised agents, and at least two other subscribers who are present, and where a direction has been made under sub-section (3) of section 16, also by the Registrar or the person deputed by him under that sub-section.

(2) The minutes referred to in sub-section (1) shall state clearly-

(a) the date and hour when proceedings began and ended and the place where the draw was held;

(b) the number of the installment of the chit to which the proceedings relate;

(c) the names of the subscribers present;

(d) the person or persons who become entitled to the prize amount in the installment;

(e) the amount of discount;

(f) full particulars regarding the disposal of the unpaid prize amount, if any, in respect of any previous installment; and

(g) any other particulars that may be prescribed.

18. Copies of minutes to be filed with Registrar.- A true copy of the minutes of the proceedings of every draw certified as such by the foreman shall be filed by the

foreman with the Registrar within twenty-one days from the date of the draw to which it relates.

19. Restriction on opening of new place and business.- (1) No person carrying on chit business shall open a new place of business without obtaining the prior approval of the Registrar within whose territorial jurisdiction his registered office of, as the case may be, the place or the principal place of business is situated.

(2) Before granting approval under sub-section (1), the Registrar shall consult the Registrar of the State within whose territorial jurisdiction the new place of business is proposed to be opened and shall also keep in view the financial condition and methods of operation of the foreman, the extent to which public interest will be served by the opening of the new place of business and such other matters as may be prescribed.

(3) Where a person carrying on chit business opens a new place of business in a State other than the State (hereinafter referred to as the State of origin) in which his registered office or the place or the principal place of his business is situated, the Registrar of the State in which such new place of business is opened may also exercise and perform any of the powers and functions which the Registrar of the State of origin may exercise and perform in respect of the chit business carried on at such new place of business.

(4) For the purposes of this section, "place of business" shall include any branch office, sub-office, or any place of business where the chit business may be conducted by such person.

CHAPTER III - RIGHTS AND DUTIES OF FOREMAN

20. Security to be given by foreman.- (1) For the proper conduct of the chit, every foreman shall, before applying for a previous sanction under section 4,-

(a) deposit in an approved bank an amount equal to the chit amount in the name of the Registrar; or

(b) transfer Government securities of the face value or market value (whichever is less) of not less than one and a half times the chit amount in favour of the Registrar; or

(c) transfer in favour of the Registrar such other securities, being securities in which a trustee

may invest money under section 20 of the Indian Trusts Act, 1882 (2 of 1882), of such value, as may be prescribed by the State Government from time to time.

Provided that the value of the securities referred to in clause (c) shall not, in any case, be less than one and a half time the value of the chit amount.

(2) Where a foreman conducts more than one chit, he shall furnish security in accordance with the provisions of sub-section (1) in respect of each chit.

(3) The Registrar may, at any time during the currency of the chit, permit the substitution of the security:

Provided that the face value or market value (whichever is less) of the substituted security shall not be less than the value of the security given by the foreman under sub-section (1).

(4) The security given by the foreman under sub-section (1), or any security substituted under sub-section (3), shall not be liable to be attached in execution of a decree or otherwise until the chit is terminated and the claims of all the subscribers are fully satisfied.

(5) Where the chit is terminated and the Registrar has satisfied himself that the claims of all the subscribers have been fully satisfied, he shall order the release of the security furnished by the foreman under sub-section (1), or the security substituted under sub-section (3), as the case may be, and in doing so, he shall follow such procedure as may be prescribed.

(6) Notwithstanding anything to the contrary contained in any other law for the time being in force, the security furnished under this section shall not be dealt with by the foreman during the currency of the chit to which it relates and any dealing by the foreman with respect thereto by way of transfer or other encumbrances shall be null and void.

21. Rights of foreman.- (1) The foreman shall be entitled,-

(a) in the absence of any provision in the chit agreement to the contrary to obtain the chit amount at the first installment without deduction of the discount specified in the chit agreement, subject to the condition that he shall subscribe to a ticket in the chit:

Provided that in a case where the foreman has subscribed to more than one ticket, he shall not be eligible to obtain more than one chit amount in a chit without discount;

(b) to such amount not exceeding five per cent. of the chit amount as may be fixed in the chit agreement, by way of commission, remuneration or for meeting the

expenses of running the chit;

(c) to interest and penalty, if any, payable on any default in the payment of installments and to such other amounts as may be payable to him under the provisions of the chit agreement;

(d) to receive and realise all subscriptions from the subscribers and to distribute the prize amounts to the prized subscribers;

(e) to demand sufficient security from and prized subscriber for the due payment of future subscriptions payable by him.

Explanation.- A security shall be deemed to be sufficient for the purposes of this clause if its value exceeds by one-third, or if it consists of immovable properties, the value of exceeds by one-half, of the amount due from the prized subscriber;

(f) to substitute subscribers in place of defaulting subscribers; and

(g) to do all other acts that may be necessary for the due and proper conduct of the chit.

(2) Where any dispute arises with regard to the value of the property offered as security under clause (e) of sub-section (1), it shall be referred to the Registrar for arbitration under section 64.

22. Duties of foreman.- (1) The foreman shall, on the prized subscriber furnish sufficient security for the due payment of future subscriptions, be bound to pay him the prize amount:

Provided that the prize subscriber shall be entitled to the payment of the prize amount without any security whatsoever if he agrees to the deduction therefrom of the amount of all future subscriptions and in such a case, the foreman shall pay the prize amount to the prized subscriber within seven days after the date of the draw or before the date of the next succeeding installment, whichever is earlier:

Provided further that where the prize amount has been paid to the prized subscriber under the first proviso, the amount deducted shall be deposited by the foreman in an approved bank mentioned in the chit agreement and he shall not withdraw the amount so deposited except for the payment of future subscriptions.

(2) If, owing to the default of the prized subscriber, the prize amount due in respect of any draw remains unpaid until the date of the next succeeding installment, the foreman shall deposit the prize amount forthwith in a separate account in an approved bank mentioned in the chit agreement and intimate in writing the fact of such deposit and the reasons therefore to the prized subscriber and the Registrar:

Provided that where any prized subscriber does not collect the prize amount in respect of any installment of a chit within a period of two months from the date of the draw, it shall be open to the foreman to hold another draw in respect of such installment.

(3) Every payment of the prize amount or the amount of future subscriptions under sub-section (1), and the deposit of the prize amount under sub-section (2), shall be intimated to the subscribers at the next succeeding draw and the particulars of such payment or deposit shall be entered in the minutes of the proceedings of that draw.

(4) The foreman shall not appropriate to himself any amount in excess of what he is entitled to under clause (b) or clause (c) of sub-section (1) of section 21:

Provided that where the foreman is himself a prized subscriber, he shall be entitled to appropriate to himself the prize amount subject to his complying with the provisions of section 31:

Provided further that the foreman may appropriate to himself the interest accruing on the amount deposited under the second proviso to sub-section (1)

(5) The foreman shall not admit any person as a subscriber to a chit, if by such admission, the total number of tickets mentioned in the chit agreement is increased.

(6) The foreman shall distribute among the subscribers, in accordance with the chit agreement, the dividend either in cash, grain or by way of adjustment towards the subscriptions payable for the next installment, if any.

23. Books, records, etc., to be kept by foreman.- The foreman shall maintain in his registered office, or as the case may be in the place or the principal place of his business, or, where the foreman has any branch office, sub-office or nay place of business for the conduct of chit business in a State other than the State in which his registered office or the principal place of his business is situated, in such branch office, sub-office or place of business in respect of the business conducted in that State-

(a) a register containing-

(i) the names and full particulars of the subscribers in each chit together with the number of tickets held by each subscriber;

(ii) the dates on which the subscribers signed the chit agreement; and

(iii) in the case of an assignment of a ticket by a subscriber, the name and full address of the assignee with the date of assignment and the date on which the assignment had been recognised by the foreman;

- (b) a book containing the minutes of the proceedings of each draw;
- (c) a ledger containing-
 - (i) the amounts paid by the subscribers in each chit and the dates of such payments;
 - (ii) the amounts paid to the prized subscribers and the dates of such payments; and
 - (iii) in the case of any deposit in an approved bank mentioned in the chit agreement the date and the amount of such deposit;
- (d) a register in the prescribed form showing the amounts deposited in approved banks as required under the provisions of this act in respect of all chits conducted by the foreman at his office; and
- (e) such other registers and books in such form as may be prescribed by the State Government within whose jurisdiction the chit is conducted.

24. Balance sheet.- Without prejudice to the provisions of the Companies act, 1956 (1 of 1956.), every foreman shall prepare and file with the Registrar within such item as may be prescribed, a balance sheet as on the last date of each calendar year, or as the case may be the financial year of the foreman, and a profit and loss account relating to the year of account, in the forms set out in Parts I and II of the Schedule or as near thereto as circumstances admit, in respect of the chit business and audited by auditors qualified to act as auditors under the Companies act, 1956, or by chit under appointed under section 61:

Provided that where a balance sheet is audited by an auditor qualified to act as auditor under the Companies Act, 1956 (1 of 1956.), a chit auditor appointed under section 61 shall have the right to audit the balance sheet at any time if so authorised by the Registrar in this behalf.

25. Liability of foreman to subscribers.- (1) Every foreman shall be liable to account to the subscribers for the amounts due to them.

(2) Where there are more than one foreman in a chit, each one of them jointly and severally and if the foreman is a firm or other association of individuals each one of the partners or individuals thereof jointly and severally and if the foreman is a company, the company as such ,shall be liable to the subscribers in respect of the obligations arising out of the chit.

26. Withdrawal of foreman.- (1) No foreman, or where there are more than one foreman in a chit, none of them shall withdraw form the chit until its termination

unless such withdrawal is assented to in writing by all the non-prized and unpaid prized subscribers and a copy of such assent has been filed with the Registrar under section 41.

(2) The withdrawal from a chit of any one of the foreman shall not affect the security given by him under section 20 or section 31.

CHAPTER IV - RIGHTS AND DUTIES AND NON-PRIZED SUBSCRIBERS

27. Non-prized subscribers to pay subscriptions and obtain receipts.- Every non-prized subscriber shall pay his subscription due in respect of every installment on the dates and times and at the places mentioned in the chit agreement and shall, on such payment be entitled to obtain a receipt from the foreman.

28. Removal of defaulting subscribers.- (1) A non-prized subscriber who defaults in paying his subscription in accordance with the terms of the chit agreement shall be liable to have his name removed from the list of subscribers and a written notice of such removal shall be given by the foreman to the defaulting subscriber within fourteen days of the date of such removal; Provided that if the defaulter pays the defaulted installment with interest at such rate as may be prescribed within seven days of the date of receipt of such notice, his name shall be re-entered in the list of such subscribers.

(2) Every such removal under sub-section (1) shall with the date thereof be entered in the relevant book maintained by the foreman.

(3) A true copy of the entry referred to in sub-section (2) shall be filed by the foreman with the Registrar within fourteen days from the date of removal.

(4) Any defaulting subscriber aggrieved by the removal of his name from the list of subscribers may within seven days of the date of receipt of the notice of removal refer the matter to the Registrar for arbitration under section 64.

29. Substitution of subscribers.- (1) A foreman may substitute in the list of subscribers any person (hereafter in this Chapter referred to as the substituted subscriber) in place of the defaulting subscriber whose name has been removed under sub-section (1) of section 28.

(2) Every substitution referred to in sub-section (1) shall with the date thereof, be entered in the relevant book maintained by the foreman and a true copy of every

such entry shall be filed by the foreman with the Registrar within fourteen days from the date of substitution.

30. Amounts due to defaulting subscribers.- (1) A foreman shall out of the amounts payable by and realized from the substituted subscriber towards the installments relatable to the period before the date of the substitution (including the arrears due from the defaulting subscriber), deposit, before the date of the next succeeding installment, in a separate identifiable, account in an approved bank mentioned in the chit agreement, an amount equal to the contributions made by the defaulting subscriber, less such deductions as may be provided for in the chit agreement and shall inform the defaulting subscriber as well as the Registrar of the fact of such deposit and shall not withdraw the amount so deposited except for payment to the defaulting subscriber.

(2) The amount so deposited under sub-section (1) shall be paid to the defaulting subscriber as and when he claims the amount and the amount so deposited shall not be withdrawn by the foreman for any purpose other than for such payment.

(3) The contributions of any defaulting subscriber who has not been substituted till the termination of the chit shall be paid to him within fifteen days from the date of termination of the chit subject to such deductions as may be provided for in the chit agreement.

CHAPTER V - RIGHTS AND DUTIES OF PRIZED SUBSCRIBERS

31. Prized subscriber to furnish security.- Every prized subscriber shall, if he has not offered to deduct the amount of all future subscription from the prize amount due to him, furnish and a foreman shall take, sufficient security for the due payment of all future subscriptions and if the foreman is a prized subscriber, he shall give security for the due payment of all the future subscription to the satisfaction of the Registrar.

32. Prized subscriber to pay subscriptions regularly.- Every prized subscriber shall pay his subscription regularly on the dates and times and at the place mentioned in the chit agreement and on his failure to do so, he shall be liable to make a consolidated payment of all the future subscriptions forthwith.

33. Foreman to demand future subscriptions by written notice.- (1) A foreman shall not be entitled to claim a consolidated payment from a defaulting prized

subscriber under section 32 unless he makes a demand to that effect in writing.

(2) Where a dispute is raised under this Act by a foreman for a consolidated payment of future subscriptions from a defaulting prized subscriber and if the subscriber pays to the foreman on or before the date to which the dispute is posted for hearing the arrears of subscription till that date together with the interest thereon at the rate provided for in the chit agreement and the cost of adjudication of the dispute, the Registrar or his nominee, hearing the dispute, shall notwithstanding any contract to the contrary, make an order directing the subscriber to pay to the foreman the future subscription on or before the dates on which they fall due, and that, in case of any default of such payments by the subscriber, the foreman, shall be at liberty to realise, in execution of that order, all future subscriptions and interest together with the costs, if any less the amount, if any already paid by the subscriber in respect thereof:

Provided that if any such dispute is on a promissory note, no order shall be passed under this sub-section unless such promissory note expressly states that the amount due under the promissory note is towards the payment of subscriptions to the chit.

(3) Any person who holds any interest in the property furnished as security or part thereof, shall be entitled to make the payment under sub-section (2).

(4) All consolidated payments of future subscriptions realised by a foreman shall be deposited by him in an approved bank mentioned in the chit agreement before the date of the succeeding installment and the amount so deposited shall not be withdrawn except for payment of future subscriptions.

(5) Where any property is obtained as security in lieu of the consolidated payment of future subscriptions it shall remain as security for the due payment of future subscriptions.

CHAPTER VI - TRANSFERS

34. Restrictions on transfer of rights of foreman.- (1) No transfer of the rights of a foreman to receive subscriptions from the prized subscribers shall be made without the previous sanction in writing of the Registrar.

(2) Any transfer of the rights of a foreman to receive subscriptions from the prized subscribers shall, if it is likely to defeat or delay the interests of a non-prized or

unpaid prized subscriber, be avoidable at the instance of such subscriber.

(3) When under sub-section (2) a transfer is disputed by a subscriber, the burden of proving that the foreman was in solvent circumstances at the time of the transfer and that the transfer does not defeat or delay the interests of such subscriber is on the transferee.

35. Transfer of non-prized subscribers rights to be in writing.- Every transfer by a non-prized subscriber of his rights in the chit shall be in writing dully attested by at least two witnesses and shall be filed with the foreman.

36. Recognition of transfer by foreman.- Every transfer under section 35 shall within a period of fourteen days from the date of receipt of the proposal for transfer by the foreman, be recognised by him unless the transferee is not solvent or the transfer was effected with a view to defeating the provisions of any law including this Act and the decision of the foreman to recognise the transfer or not shall forthwith be communicated to the parties concerned.

37. Entry of transferees name in the books.- Every transfer under section 34 or section 35 shall be entered by the foreman in the books of the chit forthwith and a true copy of such entry shall be filed by the foreman with the Registrar within fourteen days from the date of making such entry.

CHAPTER VII - MEETINGS OF GENERAL BODY OF SUBSCRIBERS

38. Meetings of general body of subscribers.- (1) The foreman, may, on his own motion, convene a special meeting of the general body of subscribers for considering any proposal to pass a special resolution.

(2) The foreman shall convene such a meeting on the requisition in writing of not less than twenty-five per cent. of the number of non-prized and unpaid prized subscribers, and the meeting so convened shall be held within thirty days of the date of receipt of the requisition and if the foreman refuses or fails to call such a meeting within fourteen days of the date of receipt of such requisition, not less than twenty-five per cent of the number of non-prized and unpaid prized subscribers may give notice of the fact to the Registrar.

(3) The Registrar shall, within twenty-one days of the receipt of the notice under sub-section 92) convene or direct the convening of a special meeting of the general body

of the subscribers and on receipt of such a direction it shall be the duty of the foreman to comply with such direction.

(4) Notice of not less than fourteen days shall be given to all the subscribers of a meeting under this section specifying the object date, hour and place of meeting and a copy of the special resolution shall also be sent along with the notice of the meeting.

Explanation- For the purposes of this section and section 39, "special resolution" means a resolution which is passed at a meeting of the general body of the subscribers specially convened for the purpose, by a majority of not less than two-thirds of the subscribers to the chit present at the meeting in person or by proxy and representing not less than three-fourths of the amount, or as the case may be the value of the grain subscribed by all the non-prized and unpaid prized subscribers if any.

CHAPTER VIII - TERMINATION OF CHITS

39. Provision for continuation of chits in certain cases.- (1) Where a foreman dies or becomes of unsound mind or is otherwise incapacitated, the chit may continue in accordance with the provisions of the chit agreement.

(2) Where a foreman is adjudicated as insolvent, or withdraws from the chit under section 26, or fails to conduct the chit at any installment or on any other date before the next succeeding installment as may have been agreed upon by a special resolution, any one or more of such subscribers authorised by such resolution may, in the absence of any provision in the chit agreement for the future conduct of the chit, take the place of the foreman and continue the chit or make other arrangements for the further conduct of the chit.

40. Termination of chits.- A chit shall be deemed to have terminated,-

(a) when the period specified therefor in the chit agreement has expired provided the payment of dues to all the subscribers has been completed; or

(b) when all the non-prized and unpaid prized subscribers and the foreman consent in writing to the termination of the chit and a copy of such consent is filed with the Registrar as required under section 41; or

(c) where a foreman dies or becomes of unsound mind or is otherwise incapacitated and the chit is not continued in accordance with the provisions of the chit agreement.

Provided that, in a case where the foreman is a firm, if a partner thereof dies or becomes of unsound mind or is otherwise incapacitated, the chit shall not be deemed to have terminated and the surviving partner or partners shall conduct the chit in the absence of any provision to the contrary in the chit agreement.

41. Copy of assent of consent to be filed with Registrar.- A true copy of every assent referred to in section 26 and of every consent referred to in clause (b) of section 40 with their dates shall be filed by the foreman or by the surviving partner or partners, as the case may be with Registrar within fourteen days from the date of such assent or consent.

42. Refund of non-prized subscribers subscriptions.- Except in the cases referred to in clauses (a) and (b) of section 40,-

(a) every non-prized subscriber, shall, unless otherwise provided for in this Act or in the chit agreement, be entitled to get back his subscriptions at the termination of the chit without any

deduction for dividend if any earned by him:

Provided that, any person to whom the rights of a non-prized subscriber are transferred in accordance with the provisions of section 35, shall, in addition to his subscriptions, be entitled to get back the subscriptions paid by such non-prized subscriber, subject, to the conditions specified in this section;

(b) if a chit terminates on a date earlier than the date originally fixed in the hit agreement the non-prized subscriber's claim shall be deemed to have arisen on the date on which he has notice thereof.

43. Subscribers dues to be first charge on chit assets.- Any amount due to the subscriber from a foreman in relation to the chit business shall be a first charge on the chit assets.

CHAPTER IX - INSPECTION OF DOCUMENTS

44. Foreman to allow certain subscribers to inspect chit records.- Every foreman shall, on payment of such fee not exceeding five rupees as may be

specified in the chit agreement, allow the non-prized subscribers and unpaid prized subscribers reasonable facilities on all the dates of draw or on such other dates and within such hours as may be provided for in the chit agreement for the inspection of security bonds and documents, receipts and other records taken from the prized subscribers or furnished by the foreman as a subscriber and all chit records including books of account pass book balance sheet and profit and loss accounts and such other records as may show the actual financial position of the chit.

45. Preservation of chit records by foreman.- All the records pertaining to a chit shall be kept by the foreman for a period of eight years from the date of termination of the chit.

46. Inspection of chit books and records by Registrar.- (1) Without prejudice to the provisions of sections 209 and 209A of the Companies Act, 1956 (1 of 1956), the Registrar or an officer authorised by the State Government in this behalf may inspect chit books and all the records of a chit during working hours on any working day at the premises of the foreman with or without giving notice and it shall be the duty of every foreman to produce to the Registrar or the officer so authorised, all such books and records as are in his custody or power and to furnish him with any statement or information relating to the chits as he may require from the foreman within such time as he may specify.

(2) The Registrar or an officer authorised by the State Government in this behalf may, after giving seven days' notice in writing to the foreman, direct him to produce before him for inspection such chit books and records as he may require at the time and place mentioned in the notice.

(3) If on an inspection made under sub-section (1) or sub-section (2) any defects are found, the Registrar may bring such defects to the notice of the foreman and may also make an order directing the foreman to take such action as may be specified in the order to remedy the defects within the time specified therein.

(4) Every foreman shall be bound to comply with the directions contained in an order made under sub-section (3).

47. Power Reserve Bank to inspect chit books and records.- (1) Nothing in section 46 shall be deemed to affect the power of the Reserve Bank to inspect the books and records of any foreman under the provisions of section 45N of the

Reserve Bank of India Act, 1934 (2 of 1934).

(2) The Reserve Bank may, if it considers necessary forward a copy of its report or of any part of its report on the inspection of the books and records of a foreman to the foreman for taking necessary action.

(3) Every foreman shall, on report or part thereof under sub-section (2), be bound to comply with the directions, if any given by the Reserve Bank in this behalf and shall if so required submit periodical reports in regard to the action taken by him.

(4) The Reserve Bank may also forward a copy of the report on the inspection of the books and records of a foreman to the State Government within whose jurisdiction the registered office of the company, if the foreman, is a company or the place or the principal place of business of the foreman in any other case, is situated for such action as may be considered necessary.

CHAPTER X - WINDING UP OF CHITS

48. Circumstances under which chits may be wound up.- A chit may be wound up by the Registrar within whose territorial jurisdiction the chit has been registered wither on his own motion or on an application made by any non-prized or unpaid prized subscriber,-

(a) if the chit has terminated under clause (c) of section 40; or

(b) if the foreman commits any such act in respect of the security specified in section 20 as is calculated to impair materially the nature of the security or the value thereof; or

(c) if he fails to deposit any amount required to be deposited under any of the provisions of this act; or

(d) if it is proved to the satisfaction of the Registrar that the foreman is unable to pay the amounts due to the subscribers; or

(e) if the execution or other process issued on an order passed by the Registrar in favour of any subscriber in respect of amounts due to him from the foreman in relation to the chit business is returned unsatisfied in whole or in part; or

(f) if it is proved that there has been a fraud or collusion on the part of the foreman in the matter of taking securities from any prized subscriber; or

(g) if the foreman has appropriated the prize amount in his capacity as a subscriber

- without furnishing sufficient security for future subscriptions; or
- (h) if the Registrar is satisfied that the affairs of the chit are being conducted in a manner prejudicial to the interests of the subscribers; or
- (i) if it is just and equitable that the chit should be wound up.

Explanation- For the purposes of clause(d) in determining whether the foreman is unable to pay the amounts due to the subscribers, the Registrar shall take into account his contingent and future liabilities in respect of the chit.

49. Application for winding up.- An application for the winding up of a chit shall be made by a petition presented by any non-prized or unpaid prized subscriber to the Registrar signed and verified in the manner laid down by the Code of Civil Procedure, 1908 (5 of 1998), and shall contain such particulars as may be prescribed.

Provided that no application for the winding up of a chit under clause (d) or clause (i) of section 48 shall lie unless such application is presented,-

- (a) by non-prized and unpaid prized subscribers representing not less than twenty-five per cent of the amount or, as the case may be the value of the grain subscribed by all the non-prized and unpaid prized subscribers, if any; or
- (b) with the previous sanction of the State Government within whose jurisdiction the chit is commenced or conducted.

Explanation- For the purposes of clause (a) of the proviso, a subscriber of a fraction of a ticket shall be deemed to be a subscriber only to the extent of such fraction.

50.Bar to winding up proceedings.- Notwithstanding anything contained in sections 48 and 49, no petition for the winding up of a chit shall be entertained by the Registrar,-

- (a) if proceedings relating to insolvency are pending against the foreman or
- (b) where the foreman is a firm, if proceedings relating to insolvency are pending against all the partners or all the partners except one thereof, or proceedings for the dissolution of the firm are pending; or
- (c) where the foreman is a company or co-operative society, of proceedings for the winding up of such company or co-operative society are pending.

51. Commencement and effect of winding up order.- An order for the winding up of a chit shall operate in favour of all the subscribers to whom amounts are due from the foreman and it shall be deemed to have commenced from the date of the presentation of the application for the winding up.

52. Injunction order.- The Registrar may, on the application of the foreman or of any subscriber to whom amounts are due in respect of a chit, at any time after the presentation of the application for the winding up of the chit under this Act and before the making of an order for the appointment of an interim receiver or for the winding up of the chit, restrain any other proceedings, instituted, against the foreman for the realisation of amounts due from him on such terms as the Registrar thinks fit.

53. Powers of Registrar.- The Registrar may, after hearing an application under this Chapter dismiss, it with or without costs, or adjourn the hearing conditionally or unconditionally or make an interim or any other order that he deems fit.

54. Vesting of chit assets in Registrar or other persons.- On the making of an order for the winding up of a chit all the chit asset pertaining to such chit shall vest in the Registrar or in any person appointed by him for distribution amongst the subscribers to whom amounts are due in respect of the chit.

55. Suits, etc., to be stayed on winding up order.- When a winding up order has been made or a receiver has been appointed no suit or other legal proceedings shall be continued or commenced against the foreman by a subscriber for the realisation of amounts due to him in respect of the chit except with the leave of the Registrar winding up the chit and on such terms as he may impose.

56. Notification of winding up order.- On the making of a winding up order, the Registrar shall make an entry in his book relating to the chit and shall notify in the Official Gazette, that the order has been made.

57. Cessation of winding up proceedings on insolvency of foreman, etc., or the winding up of the company and transfer of such proceedings.- Where during the pendency of the proceedings for the winding up of a chit the foreman is adjudicated insolvent or where the foreman is a firm, all the partners or all the partners except one thereof are adjudicated insolvent or where the foreman is a

company the company has been ordered to be wound up by the Court, the winding up proceedings under this Chapter shall cease and the distribution of the chit assets shall subjects, to the provisions of sections 43 and 52, be made by the insolvency court or the court winding up the company, as the case may be.

58. Award of compensation to foreman.- (1) Where an application for the winding up of a chit is dismissed and the Registrar is satisfied that the petition is frivolous or vexatious, he may, on the application of the foreman award, against the petitioner such amount, not exceeding one thousand rupees, as he deems reasonable as compensation tot he foreman for the expenses or injury caused to him by the presentation of the application and the proceedings thereon, and such amount may be realised as if the award were a decree of a Civil Court.

(2) On the making of an award under sub-section (1) no suit for compensation in respect of an application for any winding up of the chit shall be entertained.

59. Right to appeal.- The foreman or any subscriber or any other person aggrieved by a decision or order of the Registrar in any proceedings for the winding up of a chit may, within sixty days from the date of such decision or order, appeal to the State Government.

60. Limitation.- (1) Where an order refusing to wind up a chit has been made under this Act, the chit shall be deemed to have been under suspension from the date of presentation of the application to the date of such order in respect of non-prized subscribers, and notwithstanding anything contained in the chit agreement no non-prized subscriber who was not a defaulter on the date of the presentation of the petition for winding up shall be deemed to be a defaulter on the date of such order.

(2) Where an order refusing to wind up a chit has been made under this Act in computing the period of limitation prescribed for any suit or other legal proceedings (other than a suit or application in respect of which the leave of the court has been obtained) which might have been brought or instituted, but for the presentation of the application for the winding up of the chit, the period, from the date of the presentation of the application to the date of the order refusing to wind up a chit shall be excluded.

(3) Nothing contained in this Chapter shall affect the rights of a subscriber to proceed against the foreman personally for the balance, if of the amount due to him after the declaration of the final dividend in the proceedings for the winding up of the chit and

in computing the period of limitation prescribed for any such proceedings, the period from the date of the presentation of the application for the winding up of the chit to the date of the declaration of the final dividend shall be excluded.

CHAPTER XI - APPOINTMENT OF OFFICERS AND LEVY OF FEES

61. Appointment of Registrar and other officers.- (1) The State Government may by notification in the Official Gazette, appoint a Registrar of Chits and as many Additional, Joint, Deputy and Assistant Registrars as may be necessary for the purpose of discharging the duties imposed upon the Registrar by or under this Act.

(2) The Registrar may appoint as many inspectors of chits and chit auditors as may be necessary for the purpose of discharging the duties imposed on the inspectors of chits or chit auditors by or under this Act.

(3) All inspectors of chits and chit auditors shall discharge the duties imposed upon them by or under this Act under the general superintendence and control of the Registrar.

(4) If the Registrar is of the opinion that the accounts of any chit are not properly maintained and that such accounts should be audited it shall be lawful, for him to have such accounts audited by a chit auditor.

(5) It shall be the duty of the foreman of the chit whose accounts are to be audited by a chit auditor under sub-section (4) to produce before the chit auditor all accounts, books and other records relating to the chit, to furnish him with such information as may be required and afford him all such assistance and facilities as may be necessary and reasonable in regard to the audit of the accounts of the chit.

(6) The foreman shall pay to the chit auditor such fees as may be prescribed for the audit of the accounts of the chit under sub-section (4);

Provided that different scales of fees may be prescribed for different chits depending on the quantum of the chit amount.

62. Inspection of documents in Registrars office.- The foreman of a chit or any subscriber in a chit or the heirs or legal representatives of any foreman or subscriber may, on payment of such fees as may be prescribed,-

- (a) inspect the documents of the concerned chit kept by the Registrar; or
- (b) obtain a certified copy or an extract of any such document or record.

63. Levy of fees.- (1) There shall be paid to the Registrar such fees as the State Government may, from item to item prescribe, for,-

- (a) the issue of previous sanction under section 4;
- (b) the filing of the chit agreement with the Registrar and the registration of the chit under section 7.
- (c) the filing of a declaration with the Registrar and the grant of a certificate of commencement under section 9;
- (d) the filing of copies of documents under any of the provisions of this Act;
- (e) the audit of the accounts of the foreman under section 61;
- (f) the inspection of documents under section 62;
- (g) the obtaining of certified copies or extracts of documents and records under section 62; and
- (h) such other matters as may appear necessary to the State Government.

(2) A table of fees prescribed under sub-section (1) shall be exhibited on a notice board in the office of the Registrar.

Annex II

ढुकुटी: बचतको सजिलो माध्यम (An article from Nari weekly magazine published on 16th December, 2010)



पैसा हरेक मानिसको आवश्यकता हो। त्यसैले पैसा कमाउनु र त्यसलाई जम्मा गर्नु नराम्रो होइन। यद्यपि अर्थोपार्जनका लागि राम्रो बाटो त्यागेर नराम्रो बाटो अपनाउनु पक्कै राम्रो होइन। महिलाहरूको स्वभाव नै बचत गर्ने खालको हुन्छ। उनीहरू आफूसँग भएको थोरै-थोरै रकम जम्मा गरी त्यसलाई एकमुष्ट बनाएर घरायसी गर्जो टार्छन्। उनीहरू वित्तीय संस्थामा मात्र होइन, घनिष्ट सम्बन्ध भएकाहरूबीच पनि बचत गर्न थालेका छन्। ढुकुटी बचतको यही एक शैली हो। अहिले टोलटोलमा महिलाहरू ढुकुटी खेल्न थालेका छन्। महिलाहरूले एकपटकमा १ लाखदेखि १० लाखसम्मको ढुकुटी खेल्ने गरेका छन्। थोपा-थोपा मिलेर समुद्र बनेझैं प्रत्येक महिना जम्मा गरेको केही हजार रुपैयाँले एकपटकमा लाखौं बुझ्ने भएकाले विशेष गरी सहरी क्षेत्रमा मध्यम तथा उच्च वर्गीय महिलाहरूले बचतका लागि ढुकुटी खेल्ने गरेका छन्। गृहिणी महिलाहरू मात्र होइन कामकाजी महिलाहरूले पनि ढुकुटीबाट गर्जो टारिरहेका छन्। पैसाको चलखेल गर्ने महिलाहरूले त अझ ३ देखि ४ वटा ढुकुटी खेल्न थालेका हुन्छन्। महाराजगंजकी पूजा शाहले १ लाखको ढुकुटी खेलेकी छिन्। १ लाखका लागि उनले महिनाको ५ हजार जोहो गर्नुपर्छ। जुन रकम उनी बचतबाट निकाल्छिन्। पूजा भन्छिन्- महिनैपिच्छे ५ हजार जम्मा गर्दा एकै पटक १ लाख हात पर्छ। नत्र भने ५ हजार त बजार गएर किनमेल गर्दा खर्च हुन्छ। १ लाख एकमुष्ट रकमले ठूलै गर्जो टार्छ। ढुकुटीलाई महिलाहरूले जमघटको अवसरका रूपमा पनि लिन्छन्। ढुकुटी खोल्ने दिन महिलाहरू कसैको घर वा रेस्टुराँमा जम्मा हुन्छन्। आपसमा कुराकानी गर्छन् र त्यहीँ ढुकुटी खेल्छन् अनि रेस्टुराँमा मीठो खाजाको आनन्द लिएर घर फर्कन्छन्।

मैतिदेवीकी गृहिणी रमा श्रेष्ठ भन्छिन्-हामी गृहिणीहरूका लागि यो वार्म अप हुने थलो बनेको छ। महिनाको एकपटक दिदी-बहिनीहरूसँग भेट हुन्छ, कुराकानी हुन्छ, त्यसको पृथक् आनन्द छ। ढुकुटी खोल्ने दिन सबैजना जम्मा हुनेपर्छ। सबै जना जम्मा भएपछि ढुकुटी खोल्छिन्।

ढुकुटी कसरी खेल्छिन् ?

ढुकुटी एक प्रकारको बचत हो। यसमा महिलाहरूको पहल बढी देखिन्छ। यसले अप्रत्यक्ष रूपमा महिलाहरूको आर्थिकस्थिति सबल बनाएको छ। ढुकुटी विभिन्न प्रकारले खेल्छिन्। कुनै पर्चा तानेर, कुनै पैसा छोडेर, कुनै नम्बर सिस्टममा। पर्चा तानेर जसको नाम आउँछ त्यो

दिनको ढुकुटी उसैले खान्छ। अर्को जसले पैसा बढी छोड्छ उसैले त्यही दिन ढुकुटी खान्छ। तेस्रो सबैको नम्बर सिस्टम गरी जसको पालो आउँछ उसैले खान्छ। ढुकुटीका लागि १० भन्दा बढी महिला जम्मा हुन्छन्। जसले ढुकुटी खेलाउने जिम्मा लिन्छ उसलाई घोप्पा भनिन्छ। उसैले त्यो ढुकुटीको जिम्मा लिन्छ। सबै जोखिम घोप्पाले बेहोर्नुपर्छ। जोखिम वहन गरेबापत कुनै-कुनै ढुकुटीमा घोप्पाले महिनैपिच्छे कमिसन पाउँछन् भने कुनैमा खेलको सुरुमै उनले ढुकुटी खान पाउँछिन्। हरेक महिना निश्चित किस्ता बुझाउनुपर्छ। ढुकुटी खानेले ब्याज तिर्नुपर्ने हुन्छ जुन ब्याज बाँकी नखाएका सदस्यहरूमा बाँडिन्छ। अन्तिममा खानेलाई सबैभन्दा फाइदा हुन्छ। धेरै छोडेर पहिले खानेलाई भने केही घाटा हुन्छ। महिनाको किस्ता कति राख्ने, खेल्ने सदस्यको संख्या, समय र तिर्न सक्ने क्षमताले निर्धारण गर्छ।

जोखिमको सम्भावना

यो हेर्दा जति सजिलो देखिन्छ त्यतिकै जोखिमपूर्ण पनि छ। यसमा कुनै जमानत हुँदैन। आपसी विश्वासका भरमा प्रत्येक सदस्यले आफ्नो बचत नियमित किस्ताका रूपमा बुझाउँछन्। कुनै-कुनै घोप्पाको नियत खराब भए ढुकुटी खेल्नेहरूले ठगिएको अनुभव गर्नुपर्छ। ढुकुटी खाएका कुनै सदस्य भागे त्यसको भार घोप्पाको काँधमा आउँछ। खेल्दाखेल्दै कुनै सदस्यले हात उठाइदियो भने पनि समस्या सिर्जना हुन्छ। कहिलेकाहीं कुन सिस्टमले ढुकुटी चलाउने भनेर पनि तनाव सिर्जना हुन्छ। कहिलेकाहीं धाँधली भएको आरोप पनि आउँछ। मौखिक रूपमा चल्ने भएकाले कानुनी आधार नहुनु ढुकुटीको सबैभन्दा ठूलो कमजोरी हो। कतिपय महिलाले श्रीमानलाई थाहा नदिई ढुकुटी खेल्छन्। घाटा भए घरेलु तनाव बढ्छ। यस्तो स्थितिमा महिलाहरू तनावग्रस्त हुन सक्छन्। त्यसैले आनीबानी एवं घरपरिवार हेरेर मात्र कसैलाई ढुकुटीमा सहभागी गराउनुपर्छ।

उचित निर्णय लिनुपर्छ

ढुकुटी खेल्दा उचित निर्णय लिनुपर्छ। चावहिलकी प्रतिमा पौडेलले आफ्नो बजेट नहेरी ढुकुटी खेल्ने निर्णय गरिन्। एकै पटकमा एकमुष्ट रकम आउने भएकाले उनले साथीहरूको लहैलहैमा लागेर ढुकुटी खेलिन्। पछि उनलाई महिनाको किस्ता बुझाउन निकै गाह्रो भयो। महिनावारी किस्ता तिर्न उनलाई कहिले गहना बेच्नुपर्थ्यो भने कहिले सरसापट गर्नुपर्थ्यो। ढुकुटी खाँदासम्ममा उनको ऋण नै त्यो भन्दा केही बढी भैसकेको थियो। उनलाई घाटामात्र लागेन खेलेको २० महिनाभरि नै तनाव भैरह्यो। त्यसैले आफ्नो कुनै ठाउँबाट निश्चित रकम आउँदैन भने आकासे भरमा ढुकुटी खेल्नु हुँदैन।

बचत गर्नु नराम्रो कुरा होइन। ढुकुटी महिलाहरूका लागि सर्वसुलभ बचतको संयन्त्र बनेको छ। यसमा कुनै कानुनी झन्झट हुँदैन। आफूले गरेको बचत सजिलै उपभोग गर्न पाइन्छ। यसले आफूलाई मन लागेको कुरा किन्न वा जोड्न सघाउँछ। नियमित रूपमा आफूसँग भएको पैसा यसरी जम्मा गर्दा पछि सजिलो हुन्छ।

किटी पार्टी

किटी पार्टी नाम सुन्नेबित्तिकै सम्पन्न महिलाहरू जम्मा भएर आफ्नो वैभव देखाउने थलो भन्ने लाग्न सक्छ। यहाँ महिला विभिन्न आकर्षक पहिरनमा आएर खानपान एवं मोजमज्जा मात्र गर्छन् जस्तो लाग्छ। तर किटी पार्टी पनि एक प्रकारको ढुकुटी हो, यसको नाम मात्र

फरक हो भन्ने थाहा पाउँदा आश्चर्य लाग्नु स्वाभाविक हो। यो ढुकुटीकोे परिस्कृत रूप हो। उपल्लो नेपाली समाजमा यसको चलन निकै छ। भारतीय मूलबाट प्रभावित महिलाहरूले किटी पार्टी गर्ने गरेका छन्। उनीहरू घर वा कुनै रेस्टुराँमा किटी पार्टीको आयोजना गर्छन्। जसले पैसा खाने हो उसैले त्यस दिनको पार्टी आयोजना गर्छ। यसमा महिलाहरू जम्मा हुन्छन् अनि मीठा-मीठा परिकार खान्छन्। त्यसपछि कुनै गेम खेल्छन्। जित्नेलाई उपहारको व्यवस्था पनि हुन्छ। खानपानका साथै गफगाफ हुन्छ। आफूले गर्न लागेका कामका बारेमा चर्चा हुन्छ। कुनै नयाँ कामको योजना बन्छ। सबैले आफ्नो किस्ताको रकम जम्मा गर्छन्। यसरी २ घन्टा बिताएर उनीहरू छुट्टिन्छन्। ढुकुटीमा कुनै निश्चित समय हुँदैन गए पनि हुन्छ, पैसा पठाइदिए पनि हुन्छ तर किटी पार्टीमा दिलो पुग्ने र नजानेले जरिवाना तिर्नुपर्छ। किटी पार्टीकी एक सदस्यले भनिन्, हामी हाउस वाइफहरूलाई यस्ता किटी पार्टीले गुम गराउँछ। हामीले यहाँ नयाँ-नयाँ साथी भेट्छौं। कुनै सामाजिक काम गर्न मन लागे मिलेर समूहमा गर्छौं। यसले हाम्रो व्यक्तित्व विकासमा टेवा पुऱ्याउँछ। पार्टीमा आफूले जाने-सुनेका हरेक कुरा आदान-प्रदान गर्छौं। समाजमा किटी पार्टीलाई लिएर जुन प्रकारको नकारात्मक भावना छ त्यो हटाउनुपर्छ। यसले समग्र महिलालाई राम्रो प्लेटफर्म दिन्छ अनि महिलाहरूमाहामी एकजुट भए मिलेर केही गर्न सक्छौं भन्ने आत्मविश्वास पनि बढाउँछ।

The screenshot shows the website 'नारी' (Nari) with the article title 'ढुकुटी: बचतको सजिलो माध्यम'. The article text discusses the 'Dukuti' (Dukuti) system, a traditional Nepali savings method where women contribute money to a common pot. The text highlights its benefits for women's financial independence and social support. The article is dated Issue 9-3-99 | २०७९ पुस १ | Dec 16, 2010. The website has a navigation menu with categories like 'नारीको', 'समाचार', 'विशेष', 'रोजगार', 'पहिरन शैली', 'घर', 'मनोरंजन', 'स्वास्थ्य', 'ट्रिप/टुर', 'क्याम्प', 'आर्थिक', and 'संस्कृत'. There are also social media sharing options and a 'BOOK-PRK' button. The article is part of a series of news by 'इरना नर्की'.

(A snapshot of the article from <http://www.ekantipur.com/nari/article/?id=347>)

Annex III

बैंकको ब्याज तिर्न ढुकुटी खेल्ने बढे (An article from online magazine Nepali Patra published on 2067 Paush 25)



काठमाडौं, पुस २५ / मुलुकमा आर्थिक मन्दी सुरु भएलगत्तै अनौपचारिक रूपमा ढुकुटीको प्रचलन ह्रातै बढेको छ। बैंक तथा वित्तीय संस्थाले ऋण असुलीमा कडाइ गर्नुका साथै ऋण प्रवाहमा पनि कन्जुस्याइँ गरेको र बैंकमा राखेको बढी रकममा केन्द्रीय बैंकले अनुगमन गर्न सुरु गरेकोले वित्तीय प्रणालीबाट बाहिरिएको रकम ढुकुटीमार्फत लगानी हुन थालेको छ। व्यापारिक च्यानल पार्टनरले निर्धारित समयमा भुक्तानी नदिएपछि इज्जत जोगाउन पनि सुस्ताइसकेको ढुकुटीको शरण पर्नुपरेको झन्डै दुई दर्जन कम्पनी सञ्चालन गरिरहेको एक व्यावसायिक घरानाका प्रबन्ध निर्देशकले भने।

“जहाँबाट भए पनि पैसा उठाएर दिन्छु भनिएको थियो, स्रोतमा मन्दीको प्रभाव परेर उठ्न सकेन,” उनले कारोबारसँग भने, “बैंक तथा वित्तीय संस्थाले पनि सरल रूपमा ऋण नदिएपछि व्यक्तिगत सापटी र ढुकुटीको भर पर्नुको विकल्प रहेन।” उनले हरेक रेस्टुराँ र होटलमा हुने साना तथा ठूला अनौपचारिक र गोप्य मिटिङमध्ये आधाभन्दा बढी बैंकको किस्ता तिर्न रकम जुटाउने उद्देश्यका हुने गरेको दाबी गरे। परम्परागत रूपमा मासिक रकम जम्मा हुने प्रकारको ढुकुटी अहिले साप्ताहिक परिधीमा समेत सुरु भएको जानकारी उनले दिए।

“कहिले कसैको किस्ता तिर्ने समय भएको हुन्छ, कहिले अरुको, त्यसैले सबैले पैसा उठाएर तिर्नका लागि ढुकुटी समूह स्थापना हुने गरेको छ,” उनले भने। राजधानीका तारे होटलका रेस्टुराँदेखि बानेश्वरको फुडस्ट्रिटसम्म कतै ढुकुटी सुरु गर्ने छलफल भइरहेको हुन्छ भने कतै ढुकुटीको रकम जम्मा गर्न र लिनका लागि पार्टी भइरहेको हुन्छ। इन्द्रेणी क्याफेका वेटर श्याम श्रेष्ठले कारोबारलाई दिएको जानकारीअनुसार हरेक तीन-चार दिनमा एउटा ढुकुटी समूह त्यहाँ आउने गर्छन्। ढुकुटीको रकम बुझाउने पालो परेको व्यक्तिले पार्टीमा असीमित खर्च गर्नुपर्छ।

सबैजसो व्यापारिक घरानाले जुनसुकै बेला जोसुकैलाई पैसा चाहिन सक्ने भएकाले आफ्ना इष्टमित्र र नातेदारबीच ५-१० करोड रूपैयाँसम्मको ढुकुटी खेल्न सुरु गरेको एक वरिष्ठ व्यवसायीले बताए। मारवाडी समुदायमा ढुकुटीको चलन सबैभन्दा बढी छ। सामान्यतया १५-

२० प्रतिशतसम्म रकम छाडेर खाने गरिएको ढुकुटीमा पछिल्लो समयमा कुल रकमको ५५ प्रतिशतसम्म रकम लिन पनि तँछाडमछाड गर्ने प्रवृत्ति विकास भएको जानकारी उनले दिए। यो बैंकको ब्याजदरभन्दा झन्डै दोब्बर बढी हो। बजारमा रकमको अभाव तीब्र हुँदै गएकाले तत्कालका लागि जतिसुकै दायित्व भए पनि काम चलाउने अवस्थामा उनीहरू छन्। नेपाल उद्योग वाणिज्य महासंघअन्तर्गतको बैंक, वित्त तथा बिमा समितिका सभापति पशुपति मुरारकाले ऋण तिर्नुपर्ने दबाबले ढुकुटीको कारोबार बढेको सुनिएको बताए। “व्यापारीको सामान बिक्री भएन भने ऋण तिर्नका लागि ढुकुटी खेल्न बाध्य हुन्छ, यो अर्को दलदलमा अर्थतन्त्र फस्टै गएको घातक हो,” उनले भने।

एक वर्षअघि केन्द्रीय बैंकले वाणिज्य बैंकहरूलाई घर-जग्गाको कर्जा सीमा तोकेपछि बैंक तथा वित्तीय संस्थाले ऋणीलाई तिर्न दबाब दिने गरेका छन्। घर-जग्गाको बिक्री नभएको समयमा ढुकुटी खेलेर रकम जुटाउने चलन ह्रास बढेको छ। पुस मसान्त आउन लागेकाले यस क्षेत्रका व्यवसायी तथा व्यक्तिहरू जति रकम छाडेर भए पनि ढुकुटी खानुपर्ने दबाबमा छन्। जग्गा तथा आवास विकास संघका सचिव भेषराज लोहनीले प्रोफेसनल डेभलपर्सभन्दा नाफाको पछि लाग्ने घर तथा जग्गा व्यवसायीहरू ऋण तिर्नुपर्ने दबाबमा रहेको जानकारी दिए। घर-जग्गाको भाडामा कमी आउनुका साथै बिक्री कम भएकाले आफूले किनेको सामान बेचेर रकम उठाउन सक्ने अवस्था छैन। उनले पछिल्लो दुई वर्षमा ब्याज दोब्बरभन्दा बढी वृद्धि भएकाले बहुसंख्यक ऋणीहरू समस्यामा परेको र कारबाहीबाट जोगिन जहाँबाट भए पनि रकम जुटाउन ढुकुटी खेल्ने गरेका छन्।

कतिपय ऋण लिनेहरू बैंकको ब्याजमा भएको वृद्धिले रकम उठाउन बाध्य हुने गरेका छन् भने कतिपयले १० लाखभन्दा बढी रकम बैंकमा राखेरबित्तिकै सरकारको सूचीमा पर्ने डरले घरमै राखे गरेका छन्। यी दुई समूहको मिलेमतोमा ढुकुटी फस्टाएको छ। २० लाख रुपैयाँको ढुकुटी १० वा २० जना मिलेर खेलेमा पाउने व्यक्तिले ११ लाख रुपैयाँसम्म पाउँछ। ११ लाख रुपैयाँमात्र दिनुपर्दा अरुले पनि ५५ हजार रुपैयाँमात्र तिरे पुग्छ। आफूले अन्तिममा खाने हो भने पूरै पैसा पाइन्छ। एक वर्षको अन्तरमा ३० प्रतिशतभन्दा बढी ब्याज पाइने भएकाले चिनजान र विश्वास भएको समूहमा सबैजना ढुकुटी खेल्न रुचाउँछन्। नेपाल चेम्बर अफ कमर्सका अध्यक्ष सुरेन्द्रवीर मालाकारले बैंक ऋणको ब्याज बढ्नुका साथै असुलीमा कडाइ भएको समयमा अरु आमदानीको स्रोत नभएकाले आ-आफ्नो विश्वासिलो समुदायबीच अनौपचारिक रूपमा ढुकुटी खेल्नेको संख्या बढेको बताए। “बैंक तथा वित्तीय संस्थालाई ब्याज तिरेर धनी बनाउनुभन्दा आफ्नै विश्वासिलो समुदायबीच पैसा घुमाउँदा सबैले कमाउन सक्ने स्थिति भएकाले यो चलन पुनर्जीवित भएको हो,” उनले भने। बैंक तथा वित्तीय संस्थाले ऋण असुलीका लागि कडाइ गर्न सुरु गरेपछि आफ्नो समूह खडा गरेर ऋण तिर्ने गरेको उनको भनाइ छ। “यो समूह-समूहबीचको सम्झौता हो, आर्थिक मन्दी बढ्दै गएर समूहको कुनै सदस्यले यो रकम तिरेन भने समस्या र वैरभाव बढ्छ, यस्तो प्रकरणमा ठूला-ठूला घटना भएका छन्,” उनले थपे,

“समयमा बैंकको ऋण नतिरेमा तत्कालै कारबाहीमा परिन्छ, त्यसैले पनि थोरै रकम भएका समूहबीच ढुकुटीको चलन बढ्दै गएको छ।”

पछिल्लो एक दशकयता बैंक तथा वित्तीय संस्थाले व्यवसायीलाई आवश्यक परेको समयमा जति पनि रकम सहूलियत ब्याजदरमा उपलब्ध गराउने प्रकारका विभिन्न सेवा अघि सारेपछि परम्परागत रूपमा चल्दै आएको ढुकुटीको चलन कम हुँदै आएको थियो। केही वर्षअघिसम्म सीमावर्ती क्षेत्रमा छिटो-छिटो पैसा कमाउन व्यापारीले ढुकुटी खेल्ने चलन थियो। सीमापारि सस्तो मूल्यमा पाइएको सामान किनेर ल्याउने र केही दिनमै त्यो रकम उठ्ने भएकाले सीमाका व्यापारिक समुदायमा ढुकुटीको चलन थियो। त्यसअघि बैंक तथा वित्तीय संस्थाले किस्ताबन्दीमा वस्तु तथा सेवाका लागि ऋण दिने चलन सुरु नहुँदा विभिन्न व्यक्तिहरूको समूह मिलाएर किन्ने र अरुलाई किन्नुपर्दा पनि सहभागी हुने चलन थियो। बैंक तथा वित्तीय संस्थाले तरलता अभाव देखाउनुको मुख्य कारण पनि आम्दानी हुने समूह ढुकुटीमा सक्रिय हुनु हो। केही बैंक तथा वित्तीय संस्थाको अवस्था नाजुक हुँदै गएको समयमा बैंकमा राख्नुभन्दा आपसमा काम चलाउँदा व्यवसायीलाई फाइदा हुन्छ। सामान्यतया लामो समयदेखि मासिक रूपमा निश्चित रकम कमाइ हुने तर ऋणको दायित्व नभएका व्यक्तिहरू मिलेर सामूहिक कोष बनाउने चलन थियो।

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विजय खत्री काठमाडौं, पुस २५ / मुलुकमा आर्थिक मन्दी सुरु भएलगत्तै अर्नीपचारिक रूपमा ढुकुटीको प्रचलन झर्न थालेको छ। बैंक तथा वित्तीय संस्थाले ऋण असुलीमा कडाइ गर्नुका साथै ऋण प्रवाहमा पनि कन्जुस्याई गरेको र बैंकमा राखेको बढी रकममा केन्द्रीय बैंकले अनुगमन गर्न सुरु गरेकोले वित्तीय पणालीबाट बाहिरिएको रकम ढुकुटीमाफत लगानी हुन थालेको छ।

व्यापारिक च्यानल पार्टनरले निर्धारित समयमा भुक्तानी नदिएपछि इज्जत जोगाउन पनि सुस्ताइसकेको ढुकुटीको शरण पर्नुपर्नेको झन्डै दुई दर्जन कम्पनी सञ्चालन गरिरहेको एक व्यावसायिक घरानाका प्रबन्ध निर्देशकले भने।

“जहाँबाट भए पनि पैसा उठाएर दिनुभन्ने थियो, सोतमा मन्दीको प्रभाव परेर उठ्न सकेन,” उनले कारोबारसँग भने, “बैंक तथा वित्तीय संस्थाले पनि सरल रूपमा ऋण नदिएपछि व्याक्तिगत सापटी र ढुकुटीको भर पर्नुको विकल्प रहेन।”

उनले हरेक रेस्टुरा र होटलमा हुने साना तथा ठूला अर्नीपचारिक र गोप्य मिडिडमच्ये आधाभन्दा बढी बैंकको किस्ता तिनै रकम जुटाउने उद्देश्यका हुने गरेको दाबी गरे। परम्परागत रूपमा मासिक रकम जम्मा हुने प्रकारको ढुकुटी अहिले साप्ताहिक परिपामी समेत सुरु भएको जानकारी उनले दिए।

सावीहएले देश विगानुको । नयाँ सरकार बनाउनुकोना, अनि खबर गर्नुकोना । त्यसिन्नेन म यसो फ्रेस भएर आउँछु हे ।

(A snapshot of the article from http://www.nepalipatra.com/news/news.php?content_id=19581)

Annex IV

पुँजी पलायनबारे राजधानीबाहिर छानबिन (An article from online magazine We Love Nepal published on 2067 Falgun 29)

काठमाडौं, फाल्गुन २९ - ढुकुटी, विदेशी मुद्राको कारोबार, पुँजी पलायन र सहकारी क्षेत्रमा व्यापक रूपमा अनौपचारिक कारोबार भइरहेको आशंकामा केन्द्रीय बैंकले विशेष अध्ययन थालेको छ। अनौपचारिक वित्तीय कारोबारले अर्थतन्त्रलाई समस्या पर्दै गएको आकलन गर्दै राजधानीपछि विराटनगरमा पनि अध्ययन सुरु भएको राष्ट्र बैंक स्रोतले बतायो।

काठमाडौं र बाहिरका लागि बेग्लाबेग्लै विशेष टोलीले काम गरिरहेको छ। 'बिहीबारबाट अध्ययन थालिएको छ,' विराटनगरमा रहेको टोली स्रोतले भन्यो, 'अनौपचारिक क्षेत्रमा कति नगद प्रवाह भइरहेको छ हेर्दै छौं।' पश्चिम क्षेत्रमा पनि अर्को टोली पठाउने तयारी भइरहेको सम्बद्ध अधिकारीले जानकारी दिए। औपचारिक वित्तीय क्षेत्रमा तरलता अभाव बढ्दै जानुको एक प्रमुख कारणका रूपमा ढुकुटी खेल्ने क्रम बढ्नु रहेको बताइन्छ। गभर्नर युवराज खतिवडाले लामो समयदेखि ढुकुटी, हुन्डी लगायत अनौपचारिक क्षेत्रको अध्ययन थाल्ने बताइरहेका थिए।

अध्ययन गरेर अन्य निकायको सहयोगमा यस्तो कारोबार गर्नेलाई कारबाही गर्ने तयारी केन्द्रीय बैंकको छ। नियमन नहुने भएकाले अनौपचारिक क्षेत्रबाट हुने कारोबार जोखिमपूर्ण हुन्छ। हुन्डीबाट हुने कारोबारको अध्ययन गर्न पनि केन्द्रीय बैंकका साथै राजस्व अनुसन्धान विभाग र प्रहरीले काम थालिसकेका छन्।

हुन्डीको कारोबार, मोफसलमा भारतीय रुपैयाँको अवैध प्रयोग, अन्य विदेशी मुद्राको कारोबार लगायत बारे अध्ययन भइरहेको छ। 'सहकारीले विदेशी मुद्रा सटहीको काम गरिरहेको आशंका छ,' केन्द्रीय बैंक उच्च स्रोतले भन्यो, 'यसबारे पनि ध्यान दिएका छौं।' कानुनी जटिलताका कारण आयात गर्दा समेत हुन्डीमार्फत कारोबार भइरहेको हुन सक्ने अनुमान केन्द्रीय बैंकले गरेको छ। '५ सय र १ हजारका भारतीय नोट नेपालमा कारोबार गर्न पाइँदैन,' स्रोतले भन्यो, 'तर त्यो पैसा कसरी भित्रिरहेको छ भन्ने हेर्दै छौं।'

यसअघि नै काठमाडौंमा अनुसन्धान सुरु भइसकेको छ। केन्द्रीय बैंकको अनुसन्धान विभागको सक्रियतामा काम सुरु भएको हो। केन्द्रीय बैंकको शाखा रहेको सबै मुख्य सहरहरूमा यस्तो अनुसन्धान गरिने भएको छ।

यसबाहेक पुँजी पलायन हुने तरिकाबारे पनि केन्द्रीय बैंकले अध्ययन गर्दै छ। 'किन यस्तो भइरहेको छ भन्ने प्रमुख चासो हो,' स्रोतले भन्यो, 'पहिले कारण पत्ता लगाउँछौं।' नेपालमा

काम गर्ने विदेशी नागरिकको माध्यमबाट पनि अनौपचारिक क्षेत्रको कारोबार बढेको हुन सक्ने अनुमान गरिएको छ। 'ठूला व्यवसायीले पनि बैंकिङ क्षेत्र नभएर अनौपचारिक क्षेत्रको माध्यमबाट कारोबार गरिरहेको पाइएको छ,' केन्द्रीय बैंक स्रोतले भन्यो, 'यस्तो काम निरुत्साहित गर्न छिट्टै कारबाही थाल्नेछौं।' साना निक्षेपकर्ता नभएर ठूला व्यवसायीले बैंकिङ प्रणालीमार्फत कारोबार गर्न छाडेकाले तरलता अभाव बढेको अनुमान केन्द्रीय बैंकको छ।

'बैंकबाट नभएर बोराबाट कारोबार भइरहेको देखिन्छ,' स्रोतले भन्यो। ठूलो लगानी गर्दा स्रोत खुलाउनुपर्ने भएकाले कारोबारमा समस्या भएको व्यवसायीले केही समयअघि देखि नै बताउँदै आएका छन्।



पूँजी पलायनबारे राजधानीबाहिर छानबिन

काठमाडौं, फाल्गुन २९ - टुकुटी, विदेशी मुद्राको कारोबार, पूँजी पलायन र सहकारी क्षेत्रमा व्यापक रूपमा अनौपचारिक कारोबार भइरहेको आशंकामा केन्द्रीय बैंकले विशेष अध्ययन थालेको छ। अनौपचारिक वित्तीय कारोबारले अर्थतन्त्रलाई समस्या पर्दै गएको आकलन गर्दै राजधानीपछि विराटनगरमा पनि अध्ययन सुरु भएको राष्ट्र बैंक स्रोतले बतायो।

काठमाडौं र बाहिरका लागि बेग्लाबेग्लै विशेष टोलीले काम गरिरहेको छ। 'बिहीबारबाट अध्ययन थालिएको छ,' विराटनगरमा रहेको टोली स्रोतले भन्यो, 'अनौपचारिक क्षेत्रमा कति नगद प्रवाह भइरहेको छ हेर्दै छौं।' पश्चिम क्षेत्रमा पनि अर्को टोली पठाउने तयारी भइरहेको सम्बद्ध अधिकारीले जानकारी दिए। औपचारिक वित्तीय क्षेत्रमा तरलता अभाव बढ्दै जानुको एक प्रमुख कारणका रूपमा टुकुटी खल्ने क्रम बढ्नु रहेको बताइन्छ। गभर्नर युवराज खतिवडाले लामो समयदेखि टुकुटी, हुन्डी लगायत अनौपचारिक क्षेत्रको अध्ययन थाल्ने बताइरहेका थिए।

अध्ययन गरेर अन्य निकायको सहयोगमा यस्तो कारोबार गर्नेलाई कारबाही गर्न तयारी केन्द्रीय बैंकको छ। नियमन नहुने भएकाले अनौपचारिक क्षेत्रबाट हुने कारोबार जोखिमपूर्ण हुन्छ। हुन्डीबाट हुने कारोबारको अध्ययन गर्न पनि केन्द्रीय बैंकका साथै राजस्व अनुसन्धान विभाग र प्रहरीले काम थालिसकेका छन्।

हुन्डीको कारोबार, मोफसलमा भारतीय रुपैयाँको अवैध प्रयोग, अन्य विदेशी मुद्राको कारोबार लगायत बारे अध्ययन भइरहेको छ। 'सहकारीले विदेशी मुद्रा सटहीको काम गरिरहेको आशंका छ,' केन्द्रीय बैंक उच्च स्रोतले भन्यो, 'यसबारे पनि ध्यान दिएका छौं।' कानुनी जटिलताका कारण आयात गर्दा समेत हुन्डीमार्फत कारोबार भइरहेको हुन सक्ने अनुमान केन्द्रीय बैंकले गरेको छ। '५ सय र १ हजारका भारतीय नोट नेपालमा कारोबार गर्न पाउँदैन,' स्रोतले भन्यो, 'तर त्यो पैसा कसरी भित्रिहेको छ भन्ने हेर्दै छौं।'

यसअघि नै काठमाडौंमा अनुसन्धान सुरु भइसकेको छ। केन्द्रीय बैंकको अनुसन्धान विभागको सक्रियतामा काम सुरु भएको हो। केन्द्रीय बैंकको शाखा रहेको सबै मुख्य सहरहरूमा यस्तो अनुसन्धान गरिने भएको छ।

(A snapshot of the article from <http://www.welovenepal.com/?p=17244>)

Annex V

Questionnaire for the sample survey

1. Gender (Please tick one)

- Male Female

2. Age :- (Please specify in years)

3. Education level (Please tick one)

- ≤ 9 years of schooling attended intermediate level or 10+2
 graduate degree post graduate degree

4. Employment Status

- Self-employed Salaried Employee (non-gov)
 Salaried Employee (gov) Housewives
 Retired Unemployed

5. Income Level (Please tick one) the exchange rate @ Rs.72 /US\$

- \leq \$200 \$200-\$400
 $>$ \$600 \$400-\$600

6. Do you have a bank account? Yes No

If yes, please specify the type of bank accounts. (You may tick more than one option if applicable to you)

- Saving Current
 Deposit Others

7. Do you have a bank loan? Yes No

8. Specify ex-ante reasons for participating in Dhukuti. (You may tick more than one option if applicable to you)

- To Save To raise capital for personal consumption
 To invest in working capital To raise capital for business
 To raise capital and save Other

9. Please, specify ex-post reasons for participating in Dhukuti. (You may tick more than one option if applicable to you)

- | | |
|---|--|
| <input type="checkbox"/> Emergency needs | <input type="checkbox"/> Business investment |
| <input type="checkbox"/> Purchase household goods | <input type="checkbox"/> Working capital needs |
| <input type="checkbox"/> Health care | <input type="checkbox"/> Marriage |
| <input type="checkbox"/> Other | |

10. Please, specify reasons for Participating in Dhukuti rather than Banks. (You may tick more than one option if applicable to you)

- | | |
|---|---|
| <input type="checkbox"/> Better returns | <input type="checkbox"/> Better interest rate |
| <input type="checkbox"/> Less documentation/ collateral required | <input type="checkbox"/> More familiar |
| <input type="checkbox"/> Better Service (collect money from doorstep) | <input type="checkbox"/> No bank access |
| <input type="checkbox"/> Other | |

11. What is your bidding strategy? (Please tick one)

- | | |
|--|--|
| <input type="checkbox"/> Bid when need the money | <input type="checkbox"/> Always bid late |
| <input type="checkbox"/> Always bid early | <input type="checkbox"/> Bid when no one else is bidding |
| <input type="checkbox"/> Other | |

12. Which of the following elements you consider while calculating maximum bid amount? (Please tick one)

- | | |
|---|--|
| <input type="checkbox"/> Cost of debt in market | <input type="checkbox"/> Market rate of return |
| <input type="checkbox"/> Both of the above | <input type="checkbox"/> Other |

13. Are you involved in more than one Dhukuti scheme at the moment? Yes No

If yes, what are the reason for multiple participation. (You may tick more than one option if applicable to you)

- | | |
|---|--|
| <input type="checkbox"/> To allocate funds for different activities | <input type="checkbox"/> For surety purposes |
| <input type="checkbox"/> To have more chance of winning in an auction | <input type="checkbox"/> Unknown/Refused to answer |

14. What is your safety perception about Dhukuti? (Please, specify one)

- | | | |
|--------------------------------------|-------------------------------|------------------------------------|
| <input type="checkbox"/> Not so safe | <input type="checkbox"/> Safe | <input type="checkbox"/> Very safe |
|--------------------------------------|-------------------------------|------------------------------------|