The Telangana
MUTUALLY AIDED COOPERATIVE SOCIETIES ACT, 1995

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THE TELANGANA MUTUALLY AIDED CO-OPERATIVE SOCIETIES ACT, 1995

[Act No. 30 of 1995]

An Act to provide for the voluntary formation of Co-operative Societies reliant business enterprises, based on thrift, self-help and mutual aid and owned, managed and controlled by members for their economic and social, betterment and for the matters connected therewith or incidental thereto.

STATEMENT OF OBJECTS AND REASONS

1. In early 1960s, co-operative legislation all over the country underwent major changes with a view to enabling State and Union Governments to play an active role in the promotion and development of co-operatives. Co-operatives were viewed as important tools to be used by the State to ensure that disadvantaged sections of people could have access to subsidised credit and other production inputs, especially in rural areas. In Andhra Pradesh too, at this time, the Andhra Pradesh Co-operative Societies Act, 1964 was enacted, and although it was introduced as a consolidation of the two earlier Acts then prevailing in Andhra and Telengana areas, respectively, it was guided by the findings of the All India Rural Credit Survey Committee (Gorwala Committee, 1954), which recommended an active role for the State in the spread of the co-operative movement.

2. Over the years, however, increased State participation in the financing and management of co-operatives has led to an unfortunate situation where co-operatives themselves, by and large, have started to perceive themselves not as member-controlled, member-sensitive business, guided by the universally accepted principles of co-operation, but as channels for Government subsidies and largesse. Sound and sustainable co-operative business, accountability, responsibility and self-reliance have taken a back seat.

3. At a time when deregulation and liberalisation are enabling other forms of business to break new ground, it appears necessary to enable businesses registered as co-operatives also to have at least the same degree of freedom to conduct - their affairs, if these businesses are to have a fair chance of being able to compete successfully with other business.

4. Co-operative financing organisations, such as the National Bank for Agriculture and Rural Development, the National Co-operative Development Corporation and the National Dairy Development Board have also been seeking vast by which they can where possible deal directly with Co-operative Societies without necessarily having to involve Government.

5. Given, however, the dependence on Government of several Co-operative Societies, either because of the very objects of these co-operatives or because of their weak nature, it would appear not very responsible on ihe part of the Government to withdraw its support and intervention altogether, or suddenly. In the case of such co-operative, the provisions of the A.P. Co-operative Societies Act, 1964 are considered necessary.

6. On the other hand, the Government recognises that there are some Co-operatives which may have some Government funds but are not dependent on such funds or on Government assistance in other forms for their survival. These co-operatives need to be given greater autonomy and encouraged to pursue to legitimate interests of their members in an effective, self-reliant, responsible, accountable and democratic manner. The Government also recognises that enabling legislation is required if ordinary people who expect to benefit from the co-operative form of business, without being dependent on Governmental resources, are to voluntarily promote and effectively develop services for themselves through their own Co-operative Societies.

7. In the backdrop of the above changed perception, the Government have decided to undertake Legislation in order to promote self-reliant and autonomous Co-operative Societies and make the co-operative movement more vibrant in the State. The salient features of the proposed legislation are,-

(1) to enunciate the co-operative principles which primarily place an accent on voluntary, self-financing, autonomous bodies for removal from State control ;

(2) to enable not less than ten individuals belonging to different families to form a Co-operative Society and confer on it the status a body corporate ;

(3) to enable the Co-operative Societies to regulate their functioning by framing bye-laws subject to the provisions of the Act in respect of the various matters specified in the legislation ;

(4) to enable the Co-operative Societies to change the form or the extent of their liability, to transfer their assets and liabilities, to divide or amalgamate in furtherance of their stated objectives ;

(5) to enable the societies registered under the Andhra Pradesh Co-operative Societies Act, 1964 to become Co-operative Societies registered under this Act by making a suitable provision therefore ;

(6) to enable the Co-operative Societies to mobilise their own funds;

(7) to empower the Co-operative Societies to provide for the qualifications and disqualifications for membership ;

(8) to provide for the constitution, powers and functions of the Board of Directors and for matters incidental thereto ;

(9) to define the powers and functions of the General Body etc.;

(10) to make the Co-operative Societies responsible to hold the elections and to regulate the process thereof ;

(11) to provide for proper accountability and for that purpose to conduct audit, special audit, inquiry and for the recovery of loss caused to the society by misconduct or otherwise ;

(12) to provide for me settlement of disputes by constituting a Co-operative Tribunal ; and

(13) for other incidental and consequential matters.

Be it enacted by the Legislative Assembly of the State of Andhra Pradesh in the Forty-sixth Year of the Republic of India, as follows:—

1. Short title, extent and commencement:—

(1) This Act may be called the Telangana Mutually Aided Co-operative Societies Act, 1995.

(2) It extends to the whole of the State of Telangana.

[1][(3) It shall come into force on such date as the Government may, by notification in the Telangana Gazette, appoint.

2. Definitions:— In this Act unless the context otherwise requires:—

(a) "Board" means the Board of Directors of a Co-operative Society;

(b) "Bye-laws " means the bye-laws of a Co-operative Society as originally framed or as altered from time to time in pursuance of this Act ;

(c) "Co-operative principles" means the Co-operative principles specified in Section 3 ;

(d) "Co-operative Society" means a Mutually Aided Co-operative Society registered under Section 4 whose bye-laws prohibit it from raising share capital from the Government, a Co-operative Society registered [2][under the provisions] of the Andhra Pradesh Co-operative Societies Act, 1964, if it amends its bye-laws where necessary to reconstitute its capital base and in respect of other relevant aspects to be in accordance with this Act, and returns to the Government its share capital, if any, and either enters into a Memorandum of Understanding with the Government for any outstanding loans due to, or guarantees given by the Government or returns to the Government of such assistance and further gets itself registered under Section 4 as a Co-operative Society under this Act;]

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1. Come into force on 1-6-1995 vide G.O.Ms. No. 405 A&C (Coop.IV), dt : 27-5-1995.
2. Subs. for "under Section 7" by Act No. 20 of 2006, w.e.f. 1-6-1995.

(e) "Co-operative Society with limited liability" means a Co-operative Society in which the liability of its members for the debts of the Co-operative Society in the event of its being wound up, is limited by its bye-laws to such amount as they may undertake to contribute to the assets of the co-operative;

(f) "Co-operative Society with unlimited liability'' means a Co-operative Society the members of which are, in the event of its being wound up, jointly and severally liable for and in respect of all its obligations and to contribute to any deficit in the assets of the Co-operative Society;

(g) "Co-operative Tribunal" means the Tribunal or Tribunals constituted under section 32 ;

(h) "Deficit" means the net excess of expenditure over income ;

(i) "Delegate" means a member nominated by a Co-operative Society to represent its interests in a federation ;

(j) "Director" means a director of the Board of directors ;

(k) "Federation " means a Mutually Aided Co-operative Society registered under section 4 whose members are Mutually Aided Co-operative Societies;

(1) "Financial year" in relation to a Co-operative Society means the twelve month accounting period as provided for in the bye-laws;

(m) "General body" in relation to a Co-operative Society means all the members of the Co-operative society and includes a representative general body of the Co-operative Society referred to Section 20;

(n) "General meeting" means a meeting of the general body of ;i Co-operative Society ;

(o) "Government" means the State Government of Telangana,

(p) "Member" means a member of a Co-operative Society ;

(q) "Office-bearer" means an individual elected by the general body or the board of the Co-operative Society to any office of such Co-operative Society in accordance with its bye-laws ;

(r) "Registrar" means the Registrar of Mutually Aided Co-operative Societies appointed under Section 4 of this Act, and includes any other person on whom all or any of the powers of the Registrar under this Act are conferred;

(s) "Surplus" means the net excess of income over the expenditure;

3. Co-operative principles and bye-laws:— Individuals or Co-operatives intending to form into a Co-operative Society under this Act shall frame bye-laws conforming to the following principles of co-operation, namely —

(a) membership of a Co-operative Society shall be voluntary and available without restriction of any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership;

(b) Co-operative Societies are democratic organisations; their affairs shall be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary Co-operative Societies shall enjoy equal rights of voting (one member one vote) and participation in decisions

affecting their Co-operative Societies. In other than primary Co-operative Societies, the administration shall be conducted on a democratic basis in a suitable form;

(c) share capital shall only receive a strictly limited rate of interest, if any;

(d) the economic results, arising out of the operations of a Co-operative Society belong to the members of that Co-operative Society and shall be distributed in such a manner as would avoid one member gaining at the expense of others, which shall be achieved;

(i) by provision for development of the business of the Co-operative Society;

(ii) by provision of common services ; or

(iii) by distribution among the members in proportion to their transactions with the Co-operative Society ;

(e) all Co-operative Societies shall make provision for the education of their members, office-bearers and employees and of the general public, in the principles and techniques of co-operation, both economic and democratic ;

(f) all Co-operative Societies, in order to best serve the interest of their members and their communities, shall actively co-operate in every practical way with other co-operatives at local, national and international levels having as their aim the achievement of unity of action by co-operators throughout the world.

4. Registration:— (1) Where not less than ten individuals each being a members of a different family intend to form a Co-operative Society, or two or more a Co-operative Societies registered under this section wish to form into a federation, or a society registered [1][under the provisions] of the Andhra Pradesh Co-operative Societies Act, 1964 intends to convert itself into a Co-operative Society under this Act, they shall frame bye-laws for this purpose in accordance with Section 3 in the first instance.

[2][Provided that no cooperative society shall be registered as a Dairy or Milk Cooperative Society and no Dairy or Milk Cooperative Society registered under any other law shall be converted into a dairy or milk cooperative society under this Act].

[3][(1A) Notwithstanding anything contained under this Act or under the provisions of the Andhra Pradesh Cooperative Societies Act, 1964, (Act 7 of 1964), all the Dairy/Milk Cooperative Societies registered or deemed to have been registered or converted under the provisions of this Act, shall be deemed to have been excluded from the provisions of this Act and deemed to have been registered and continued under the provisions of the Andhra Pradesh Cooperative Societies Act, 1964 (Act 7 of 1964).

(2) Thereafter an application for registration shall be submitted to the Registrar by hand or by registered post.

(3) Every such application shall be accompanied by:—

(a) the original and one copy of the bye-laws of the proposed Co-operative Society as adopted by the individuals or delegates of Co-operative Societies who wish to form into a Co-operative Society under this Act or by the general body of a

1. Come into force on 1-6-1995 vide G.O.Ms. No. 405 A&C (Coop.IV), dt : 27-5-1995.
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3. Ins. by Act 20 of 2006, w.e.f. 1-6-1995.

Society registered under the Andhra Pradesh Co-operative Societies Act, 1964 which wishes to convert itself into a Co-operative Society under this Act ;

(b) a list of names of individuals or co-operatives who wish to form into a Co-operative Society under this Act or of the members of the committee of the society registered under the Andhra Pradesh Co-operative Societies Act, 1964 which intends to convert itself into a Co-operative Society under this Act with their addresses, occupations and their financial commitments to the proposed Co-operative Society;

(c) a true copy of the minutes of the meeting at which the bye-laws were adopted, duly signed by atleast a majority of individuals or delegates present at the meeting where the bye-laws were adopted, or by a majority of the members of the committee of the co-operatives concerned where a society registered under the Andhra Pradesh Co-operative Societies Act, 1964 intends to convert itself into Co-operative Society under this Act ;

(d) registration fee amounting to one per cent of the total authorised share capital by whatever name called subject to a minimum of one hundred rupees and a maximum of ten thousand rupees ; and

(e) in the case of a society registered under Section 7 of the Andhra Pradesh Co-operative Societies Act, 1964 and wishing to convert itself into a Co-operative Society under this Act, evidence to show that the Society is not in possession of any share capital from Government, and evidence also to show that the Society is not in receipt of any Government loans or guarantees at the time of applying for registration as a Co-operative Society under this Act, or that it has entered into a Memorandum of Understanding with the Government for any such outstanding loans or guarantees.

(4) The Registrar shall if he is satisfied that,-

(a) the application is in conformity with the requirements of this Act;

(b) the proposed bye-laws are not contrary to the provisions of this Act ;

and

(c) the name of the proposed Co-operative Society is not the same as that of a Co-operative Society already registered under this section, or the same as that used by a class of societies already registered under Section 7 of the Andhra Pradesh Co-operative Societies Act, 1964, register the Co-operative Society and also its bye-laws and communicate by registered post a certificate of registration and the original of the registered bye-laws signed and sealed by him, within a period of sixty days from the date of submission of application, to the Chief Promoter mentioned in the application.

(5) If the conditions laid down in sub-sec. (4) are not fulfilled, the Registrar shall communicate by registered post the order of refusal together with the reasons therefor, within sixty days from the date of submission of application, to the Chief Promoter.

(6) There shall be appointed a Registrar of Mutually Aided Co-operative Societies for the State and as many other Officers as the Government may ihink fit for the purposes of this Act.

5. Registration Certificate:— Where a Co-operative Society is registered, ihe certificate of registration signed and sealed by the Registrar shall be conclusive evidence that the Co-operative Society mentioned therein, is a Mutually Aided Co-operative Society duly registered under this Act :

Provided that where a society was earlier registered under the Andhra Pradesh Co-operative Societies Act, 1964, such registration shall stand cancelled since a certificate of registration under this section is issued.

6. Society to be a body corporate:— (1) A Co-operative Society registered under this Act shall be a body corporate by the name under which it is registered having perpetual succession and a common seal. The Cooperative Society shall be entitled to acquire, hold and dispose of property, icr into contracts, to sue and be sued and to do all other things necessaryto achieve its objectives.

(2) All transactions entered into in good faith prior to registration, in furtherance of the objectives of the Co-operative Society, shall be deemed to be transactions of the Co-operative Society after its registration.

7. Registration with limited or unlimited liability:— A Co-operative Society may be registered with limited or unlimited liability. Where the liability is limited, it shall have as a suffix to its name the expression "limited" or its equivalent in any Indian Language.

8. Display of name:—

(1) Bvery Co-operative Society shall display its full name, registration number and the address of its registered office in legible characters in a conspicuous position—

(a) at every office or place at which it carries on business ;

(b) in all notices and other official publications ;

(c) on all its contracts, business letters, orders for goods, invoices, statements of account, receipts and letters of credit ; and

(d) on all bills of exchange, promissory notes, endorsements, cheques and orders for money it signs or that are signed on its behalf.

(2) Where a Co-operative Society has a corporate seal, it shall display its full name in legible characters on its corporate seal.

9. Bye-laws :-

(1) Except on such specific matters for which this Act has provided, the functioning of every Co-operative Society shall be regulated by its bye-laws. Subject to the provisions of this Act and the bye-laws every Co-operative Society shall have regard to the co-operative principles in its functioning.

(2) subject to Section 3, the bye-laws of a Co-operative Society shall be specific on the following matters, namely:—

(i) the name and address of the Co-operative Society ;

(ii) the object of the Co-operative Society explicitly stated as a common central need of the members which the Co-operative Society aims at fulfilling ;

(iii) eligibility, ineligibility and procedure for obtaining and retaining membership;

(iv) procedure for withdrawal, cessation and termination of membership;

(v) the services that it intends to give its members ;

(vi) fixation of minimum performance expected annually of each member vis-a-vis use of services, financial commitment and participation in meetings, in order to be eligible to exercise the rights of membership including the right to vote ;

(vii) the consequences of performing below the minimum level fixed ;

(viii) the consequences of default in payment of any sum due by a member;

(ix) rights of members ;

(x) the nature and extent of the liability of the members for the debts contracted by the Co-operative Society ;

(xi) the manner of making or amending bye-laws ;

(xii) the powers and functions of the general body, and the powers and functions and the manner of constitution representative general body, if any, and subjects which must be dealt by with the general body, and by the representative general body, if any;

(xiii) the manner and frequency of convening general meeting and quorum required

(xiv) the manner of conducting elections and of filling casual vacancies ;

(xv) the size and composition of the Board of Directors ;

(xvi) the term of office of the Directors ;

(xvii) the manner of removal of Directors ;

(xviii) the manner and frequency of convening board meetings and quorum;

(xix) the powers and duties of the Board ;

(xx) the powers and duties of the chairperson ;

(xxi) the terms on which the Co-operative Society may deal with non-members;

(xxii) eligibility, ineligibility for becoming and continuing as Director ;

(xiii) penalties for acting against the interests of the Co-operative Society and for non-fulfilment of duties by members, office-bearers, Directors or staff ;

(xiv) the nature and extent of the liability of office-bearers Directors for debts contracted by the Co-operative Society ;

(xxv) the authorisation of an officer or officers to sign documents and to institute and defend suits and other legal proceedings on behalf of the Co-operative Society ;

(xvi) the manner of choosing delegates to higher tier co-operative and federations ;

(xvii) the rights, if any, which the Co-operative Society intends to confer on any Co-operative Society or other federation and the circumstances under which these rights may be exercised by the society or federation;

(xxviii) the nature and amount of capital, if any, of the Co-operative Society,

(xxix) the maximum capital which a single member can hold ;

(xxx) the maximum interest payable to members on paid up share capital;

(xxxi) the sources, types and extent of funds to be raised by the Co-operative Society ;

(xxxii) the purposes for which the funds may be applied ;

(xxxiii) the constitution of various funds and their purposes ;

(xxxiv) the manner of appointment of auditors and their powers and functions;

(xxxv) the manner of appointment of internal auditors and their powers and functions;

(xxxvi) the manner of disposal of funds when the Co-operative Society is under liquidation;

(xxxvii) the manner of dissolution of the Co-operative Society.

10. Amendment of bye-laws:—

(1) A Co-operative Society may amend any of the provisions of its bye-laws by a resolution of its general body, or by the representative general body, where this exists :

Provided, that no such resolution shall be passed unless atleast twenty clear days of written notice of the meetings have been given along with a copy of the proposed amendment to each member of the general body or representative general body, as the case may be, and such notice and proposed amendment is also displayed on the notice board of the Co-operative Society for a period of twenty days immediately preceding the date of the meeting:

Provided further that the representative general body shall not alter any provision in the bye-laws relating to its own constitution and powers.

(2) In the case of amendment of its bye-laws with regard to matters relating to items (i), (ii), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xix), (xxiv), (xxix), (xxxvi) and (xxxvii) of sub-section (2) of Section 9 an application for the registration of the amendment shall be forwarded by the Co-operative Society by registered post to the Registrar within a period of thirty days from the date of the resolution.

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(3) Every application forwarded to the Registrar shall be signed by the chairperson and shall be accompanied by a copy of the resolution adopting the amendment and the following particulars, namely:—

(a) the date of the meeting at which the amendment was approved ;

(b) the total number of members on the rolls of the Co-operative Society who were eligible to vote on the date of such meeting, the number present at the meeting and the number of eligible members who voted for the resolution.

(4) If the proposed amendment is in consonance with the provisions of this Act, the Registrar shall register the proposed amendment within a period of sixty days from the date of receipt of the application.

(5) The Registrar shall forward by registered post to the Co-operative Society within a period of fifteen days after registration, a copy of the registered amendment together with a certificate signed and sealed by him and such certificate shall be conclusive evidence that the amendment has been duly registered.

(6) If the proposed amendment is not in consonance with the provisions of this Act, the Registrar shall refuse, within a period of sixty days from the date of receipt of the application, to register the purposed amendment:

Provided that no order refusing to register the amendment shall be passed except after giving the Co-operative Society an opportunity of making its representation.

(7) The Registrar shall forward by registered post to the Co-operative Society, within a period of fifteen days after refusal, the order of refusal together with the reasons therefor.

(8) Where no order of refusal is received by the Co-operative Society under sub-section (7) within a period of seventy five days from the date of submission of application, it shall be deemed that the Registrar has registered the amendment on the last date of the period specified in that sub-section.

(9) In the case of all amendments to the bye-laws other than those specified in sub-section (2), information about the amendment shall be forwarded by the Co-operative Society by registered post, with the enclosures and particulars specified in sub-section (3), to the Registrar within a period of thirty days from the date of the general meeting at which the resolution was passed, and the Registrar shall immediately take on file such amendment:

Provided, that such action shall not in any way preclude the Registrar from proceeding against the Co-operative Society or its management, where such amendment is found to be contrary to the provisions of this Act.

(10) An amendment to the bye-laws under sub-section (9) shall come into effect only after registration or on the thirtieth day from the date of the amendment has been sent to the Registrar for taking on record, as the case may be.

11. Change of liability transfer of assets and liabilities, division, amalgamation:— (1) A Co-operative Society may, by a resolution of its general body—

(a) decide to amend its bye-laws to change the form or the extent of its liability ;

(b) decide to transfer its assets and liabilities, in whole or in part, to any other Co-operative Society which agrees to such transfer by a resolution of its general body ;

(c) divide itself into two or more Co-operative Societies.

(2) Any two or more Co-operative Societies may, by a resolution of their respective general bodies, decide to amalgamate themselves and form a new Co-operative Society.

(3) Every resolution of a Co-operative Society under this section shall be passed at its general meeting by a majority of total members with right of vote or two thirds of members present and voting whichever is less and such resolution shall contain all particulars of the liability, transfer, division, amalgamation as the case may be.

(4) Before passing a resolution under this section, the Co-operative Society shall give notice thereof together with a copy of the resolution to all its members, and federations to which it is affiliated, and creditors who may give their consent. Notwithstanding any bye-law or contract to the contrary, any member, federation, or creditor not consenting to the resolution shall, during a period of one month from the date of service of the notice have the option of withdrawing their shares, deposits, loans or services as the case may be.

(5) Any member, federation, or creditor who or which does not exercise within the specified period the right under sub-section (4) shall be deemed to have consented to the resolution.

(6) A resolution passed by a Co-operative Society under this section shall not take effect until,—

(a)(i) the members, federations, and creditors have consented or are deemed to have consented to the resolution under sub-section (4) or, as the case may be, sub-section (5); or

(ii) all claims of the members, federations and creditors who have exercised the option referred to under sub-section (5) within the period specified therein have been met in full or otherwise satisfied; and

(b)(i) in the case of change of liability, amendment of the bye-laws of the Co-operative Society concerned is registered or is deemed to have been registered ; or

(ii) in the case of division or amalgamation, certificate of registration of the Co-operative Society or Societies is issued.

(7) When a resolution passed by a Co-opeative Society under sub-section (2) takes effect the resolution shall be a sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

(8) The registration of a Co-operative Society shall stand cancelled and the Co-operative Society shall be deemed to have been dissolved and shall cease to exist as a corporate body :

(a) when the whole of the assets and liabilities of such Co-operative Society are transferred to another Co-operative Society; or

(b) when such Co-operative Society divides itself into two or more Co-operative Societies.

(9) Where two or more Co-operative Societies are amalgamated to form a new Co-operative society, the registration of the Co-operative Societies so amalgamated shall stand cancelled and they shall be deemed to have been dissolved and shall cease to exist as corporate bodies.

12. Promotion of subsidiary organisation:— (1) Any Co-operative Society may, be a resolution passed at general meeting by a majority of members present and voting, promote one or more subsidiary organisations for the furtherance of its stated objectives, and such organisations may be registered under any law for the time being in force, as agreed to by the general body.

(2) The annual reports and accounts of any such subsidiary organisation shall be placed before the general meeting of the promoting Co-operative Society every year.

(3) Any subsidiary organisation created under sub-section(l) shall exist for only as long as the general body of the Co-operative Society deems its existence necessary.

13. Creation of new organisation with others:— Where the collaboration between a Co-operative Society and any other organisation or organisations requires the creation of a new organisation, the new organisation may be registered as a company or a public society, as appropriate for the fulfilments of the objective with which it was created, and such collaboration shall be reviewed every year by the general body of the Co-operative Society.

14. Mobilisation of Funds:— (1) A Co-operative Society may mobilise funds in the shape of share capital, deposits, debentures, loans and other contributions from its members to such extent and under such conditions as may be permissible under the bye-laws of the Co-operative Society:

Provided that, at the time of dissolution of a Co-operative Society the amounts due to the members shall be settled only after the settlement of dues to others.

(2) A Co-operative Society may also mobilise funds in the shape of deposits, debentures, loans and other contributions from other individuals and institutions, to such extent and under such conditions as may be permissible under the bye-laws:

Provided that a Co-operative society shall not accept share capital from the Government but may accept other funds or guarantee from the Government on such terms and conditions as are mutually agreed upon through a Memorandum of Understanding.

15. **Investment of funds outside the business:—** A Co-operative Society may invest or deposit its funds in any non-speculative manner outside its business.

16. **Disposal of surplus:—** (1) In any year a Co-operative Society shall allocate towards a deficit cover fund, reserve funds, deferred payment to members as patronage rebate in proportion to their use of the Co-operative Societies services and payment on share capital of interest not exceeding the rate of interest paid by scheduled banks, such percentage of the surplus arising from its business transactions in the previous year, as may be approved by the general body.

(2) Reserves created under sub-section (1) shall be costed by crediting an annual interest equal to the rate paid by scheduled banks on fixed deposits.

17. **Management of deficit:—** (1) Where a Co-operative Society is left with a deficit in any given year, the Board of Directors shall place before the general body in the first following annual general body meeting, a detailed report on the causes of deficit and the manner in which the deficit is proposed to be met.

(2) The general body of the Co-operative Society shall decide to have the deficit covered by setting it off against the amounts available in the deficit cover fund, and/or by debiting the deficit to the account of the member in proportion to the services they had availed or were expected to avail of the Co-operative Society during the year.

18. **Reserve Fund:—** A Co-operative Society may create a Reserve for such purpose as may be specified in the bye-law.

19. **Eligibility for membership :—** (1) Subject to the bye-laws, any person who is desirous of utilising the services of the Co-operative Society may express his willingness to accept the responsibilities of membership and fulfil such other conditions as may be specified in the bye-laws of the Co-operative society and thereupon he may be admitted as a member, subject however to the condition that the Co-operative Society is in a position to extend its services to the applicant and that the applicant is not already a member of a Co-operative Society registered under this Act, or the Andhra Pradesh Co-operative Societies Act, 1964 providing the same or similar services.

(2) Admission of members and removal from membership shall be made, in accordance with the procedure specified in the bye-laws, only by an elected Board or by the General Body where such an elected Board does not exist for the time being.

(3) A person admitted as a member may exercise the rights of membership, including the right to vote, only on fulfilment of such conditions as may be laid down from time to time in the bye-laws :

Provided that a person shall have been a member for at least one year before being eligible to exercise the right of vote :

Provided further that the above proviso shall not apply to the promoter members in the first year or registration of a Co-operative Society.

20. General Body:— (1) Subject to the provisions of this Act and the bye-laws, the ultimate authority of a Co-operative Society shall vest in its General Body :

Provided that where, because of spread of number of members, a Co-operative Society feels the need for constituting a Representative General Body for more effective decision making, it may constitute a Representative General Body in such a manner and with such functions as may be specified in the bye-laws.

(2) The following matters, among others specified in the bye-laws shall be dealt with by the General Body of a Co-operative Society, namely:—

(a) amendments to bye-laws ;

(b) election and removal of Directors ;

(c) consideration of —

(1) the long term perspective plan and budget ;

(2) the annual operational plan and budget ;

(3) the annual report of activities for being filed with the Registrar;

(4) the auditor's report and the annual audited statement of accounts for being filed with the Registrar ;

(5) special audit report or inquiry report, if any ;

(6) compliance report relating to audit, special audit and/or inquiry, if any ;

(d) approval of appointment and removal of auditors ;

(e) disposal of surplus ;

(f) management of deficit ;

(g) creation of specific reserves and other funds ;

(h) review of actual utilisation of reserves and others funds ;

(i) review of the chief executive's report on the attendance at meeting by Directors and review of the business done with the Co-operative Society by the Directors

(J) appointment, reconstitution and disbanding of the Representative General Body

(k) remuneration payable to any Director or internal auditor in connection with his duties in that capacity or his attendance of related meetings ;

(1) membership of the Co-operative Society in federation ;

(m) collaboration with other organisation and its review ;

(n) promotion of subsidiary organisations and review ; and (o) dissolution of the Co-operative Society ; and

(p) all other functions expected of the General Body under the other provisions of this Act.

21. Board of Directors:—

(1) There shall be a Board of Directors for every Co-operative Society constituted and entrusted with the direction of the affairs of the Co-operative Society in accordance with the provisions of the Act and the bye-laws.

(2) The size of the Board shall be a multiple of the term of office of its Directors.

(3) The Directors of the Board shall have staggered terms such that at any point of time the vacancies arising as a result of the terms of Directors coming to an end, are less than one half of the total strength of the Board:

Provided that the term of a Director shall not exceed five years :

Provided further that at the first election all the Directors shall be elected at once, and their terms staggered by drawal of lots specifying different terms.

(4) In addition to such criteria as may be specified in the bye-laws, a person shall be ineligible for being chosen as a Director, if such person;

(a) has at any time lost the right to vote as a member or to continue as one as specified in the bye-law,

(b) incurs any other disqualification specified in the bye-laws.

(5) In addition to such criteria as may be specified in the bye-laws, a person shall cease to be a Director if he incurs any of the disqualifications specified in sub-section. (4) or,—

(a) absents himself from three consecutive Board meetings without leave or absence ;

(b) absents himself from General Body Meetings out of three consecutive Board meetings without leave or absence ;

(c) is penalised under this Act.

(6) In addition to such criteria as may be specified in the bye-laws, the Directors of the Board shall incur disqualification for a period of three years for being chosen as Directors and shall be ineligible to continue as Directors of any Co-operative Society, if during their term as Directors of a Co-operative Society,—

(a) they did not conduct elections within the time specified in the bye-laws and before the expiry of the terms ;

(b) they did not conduct their annual General Body Meeting within six months of closure of the co-operative accounting year, or a requisitioned meeting of the General Body within the specified time ;

(c) they did not place the audited accounts for the preceding financial year along with the report of the auditors before the General Body at its annual General body Meeting.

(7) In order to be eligible for being chosen as Director of the Board of a Co-operative Society which has been in existence for more than two years a member—

(a) shall have been a voting member of the Co-operative Society for at least two

years immediately proceeding the year of election;

(b) shall have attended the two General Body Meetings of the Co-operative Society held immediately preceding the elections ;

(8) Every Director and employee of a Co-operative Society while exercising his powers and discharging his duties shall —

(a) act honestly and in good faith and in the best interests of the Co-operative Society ; and

(b) exercise such due care, diligence and skill as a reasonably prudent person would exercise in similar circumstances.

(9) A Director or employee who is guilty of misappropriation, breach of trust or any other omission or commission resulting in loss to the Co-operative Society as a result thereof, shall be personally liable to make good that loss, without prejudice to such criminal action to which he is liable under the law.

22. Powers and functions of the Board of Directors:—

(1) The Board shall, in accordance with the bye-laws, be the authority to;

(a) admit and terminate membership ;

(b) elect the chairperson and other office bearers ;

(c) remove from office the chair-person and other office bearers;

(d) appoint and remove the chief executive ;

(e) fix staff strength ;

(f) frame policies concerning ;

(i) organisation and provision of services to members ;

(ii) recruitment, and conditions of service of the staff at the Co-opearative Society ;

(iii) mode of custody and investment of funds ;

(iv) manner of keeping accounts ;

(v) mobilisation, utilisation and investment of various funds ;

(vi) monitoring and management information systems including statutory returns to be filed ;

(vii) such other subjects and matters necessary for the effective performance of the Co-operative Society ;

(g) place the annual report, annual financial statements, annual plan and budget for the approval of the General Body ;

(h) consider audit and compliance reports and place these before the General Body ;

(1) review membership in other co-operatives ;

(j) undertake such other functions as may be delegated by the General Body ;

(2) the Chairperson shall be elected by the Board from among the elected members and shall, in accordance with the bye-laws,—

(a) preside at meetings of the Board and the General Body ;

(b) have only a casting vote in the event of equality of votes on any matters being decided upon by the Board ;

(c) exercise such other powers as may be delegated by the Board and specified in the policies framed or resolutions adopted by the Board.

23. Elections:— (1) The conduct of election of Directors of a Co-operative Society shall be the responsibility of the incumbent Board of the Co-operative Society.

(2) Election shall be conducted before the expiry of the term of office of the outgoing Directors in the manner specified in the bye-laws.

(3) Where a Board does not take necessary steps to conduct elections as specified in the bye-laws before the expiry of the terms of the Directors, of where there are no Directors remaining on the Board, the Registrar shall at the request of not less than twenty-five members or five per cent of the total members of the Co-operative Society whichever is less or may suo moto convene within 30 days a general meeting for appointing as ad-hoc Board for the specific purpose of conducting elections.

(4) The term of the ad-hoc Board appointed under sub-section (3) shall not exceed one month over and above the minimum period required under the bye-laws to conduct elections, and the ad-hoc Board shall cease to function as soon as a regular Board is elected in accordance with the bye-laws.

(5) The Director shall hold office for the period for which they are elected and the newly elected Directors shall assume office at the end of this period.

(6) The Directors may be eligible for re-election, if the bye-laws so provide.

24. Meetings:—

(1) The bye-laws of a Co-operative Society shall specify the frequency of any manner in which Board and General Body Meetings shall be held, so however the Board shall meet at least once in every three months and the General Body shall meet at least once a year.

(2) The Board shall convene a General Body Meeting within thirty days of receipt of a requisition for convening a meeting signed by at least one-tenth of members of the Co-operative Society or as provided in the bye-laws and any such requisition shall contain the proposed agenda and the reasons why the meeting is felt necessary.

(3) Where the Board fails to convene the annual or requisitioned General Body Meeting within due time, it shall be competent for the Registrar to convene the requisitioned or annual General Body Meeting, as the case may be.

(4) Every Co-operative Society shall record in the minutes book, minutes of all proceedings of every General Body Meeting and of every meeting of its Board of Directors.

(5) Such minutes shall be communicated to all persons invited for the meeting within thirty days of the conclusion of the meeting.

(6) The minutes so recorded shall be signed by the person who chaired the said meeting.

25. Staff:— All staff of the Co-operative Society shall be the employees of the Co-operative Society and shall be fully accountable to the Co-operative Society and be appointed, removed and function in accordance with such service conditions as may be framed by the Board :

Provided that a Co-operative Society may take personnel on deputation from other agencies including the Government, on such terms as are mutually agreed upon.

26. Accounts and Records:—

(1) Every Co-operative Society shall keep at its office, the following accounts, records and documents, namely:—

(a) a copy of this Act with upto date amendments incorporated ;

(b) copies of other laws and regulations to which the Co-operative Society is subject

(c) a copy of its registered bye-laws with amendments made from time to time ;

(d) the minutes book ;

(e) accounts of all sums of money received and expanded by the Co-operative Society and their respective purposes ;

(f) accounts of all purchases and sales of goods by the Co-operative Society;

(g) accounts of all assets and liabilities of the Co-operative Society ;

(h) a register showing memberwise patronage of various services provided by the Co-operative Society ;

(1) an upto date register, and a list of all members with voting rights for the current year prepared within thirty days of closure of the Co-operative Society's financial year ;

(j) copies of the audit reports and special audit and/or inquiry report, if any, and compliance reports thereon ; and

(k) all such other accounts, records and documents as may be required by this Act or other laws.

(2) The books of accounts and other records shall be open for perusal by any Director during business hours.

(3) Copies of the Act, bye-laws, minutes book pertaining to the General Body meeting, reports and compliance thereon of audit, special audit and inquiry, voters' list and such accounts as relate to a member shall be made available to any member during business hours, at a fee to be decided by the Board. In the case of a Co-operative Society with unlimited liability, in addition, a member may also have access to all books of accounts during business hours, at fee decided by the Board.

27. Audit:—

(1) A Co-operative Society may get its accounts audited by a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949, or by any other auditor from the office of the Registrar.

(2) The General Body of a Co-operative Society shall appoint an auditor by a resolution which will be valid only until the close of the next succeeding annual General Body Meeting.

(3) The remuneration of the auditor shall be fixed with approval of the General Body.

28. Special Audit:—

(1) A Co-operative Society dealing with funds from the Government or other external individual or institutions may be subject to a special audit initiated by the Registrar at the request of such creditor, on such specific terms of reference as agreed to, by the Registrar.

(2) The cost of the special audit under sub-section (1) shall be met by the creditor

Provided that where the special audit reveals serious mismanagement in the Co-operative Society, such costs, may be recovered from the Co-operative Society or the persons responsible for the mismanagement.

(3) Every Special audit shall be completed and the report submitted to the Registrar within one hundred and twenty days of its commencement.

(4) The special audit report shall contain a statement of,—

(a) every payment which appears to the audit to be contrary to law ;

(b) the amount of any deficiency, waste or loss which appears to have been caused by the gross negligence or misconduct of any person in the performance of duties ;

(c) the amount of any sum received which ought to have been accounted for, but is not brought into account by any person ; and

(d) any material impropriety or irregularity which he may observe in the expenditure or in the recovery of money due.

(5) the Registrar shall, within a period of thirty days from the date of the receipt of the special audit report communicate copies of the same to,-

(a) the applicant-creditor ;

(b) the Co-operative Society concerned ; and

(c) the Co-operative Tribunal where necessary.

29. Inquiry:—

(1) Every Co-operative Society shall furnish any relevant information required by the Registrar in order to enable him to satisfy whether the Co-operative Society has conducted its affairs in accordance with the co-operative principles and the provisions of this Act.

(2) The Registrar may, of his own motion, and shall on the application, of a federation to which the Co-operative Society concerned is affiliated, or of a creditor to whom the Co-operative Society is indebted or of not less than one-third of the Director, or of not less than one-tenth of the members, hold an inquiry or cause an inquiry to be made into the specific matter or matters relating to any gross violation of any of the provisions of this Act by the Co-operative Society.

(3) The inquiry shall be completed within a period of one hundred and twenty days from the date of ordering the inquiry.

(4) If the inquiry is not completed within the time specified in sub-section (3) it shall lapse at the end of the said period and the Registrar shall refund to the applicants, the fee collected from them.

(5) The Registrar shall, within a period of thirty days from the date of the completion of the inquiry, as specified in sub-section (3) or of the lapse of the inquiry as specified in sub-section (4), communicate the report of the inquiry or the reasons for the non-completion of the inquiry, as the case may be to the Co-operative Society concerned ;

(b) to the applicant federation if any ;

(c) to the applicant-creditor, if any ;

(d) to the person designated by the applicant-directors, if any;

(e) to the person designated by the applicant-members, if any;

(f) to any person, on payment of fee Fixed by the Registrar; and

(g) to the Co-operative Tribunal where necessary.

(6) The inquiry officer acting under this section shall, among others, specifically state the amount of deficiency, waste or loss which appears to have been caused by the gross negligence or misconduct of any person in the performance of his duties.

30. Power to summon and examine persons and documents:—

(1) The person authorised to conduct special audit under Section 28 or inquiry under Section 29 shall give the concerned Co-operative Society, not less than fifteen days notice in writing of the date on which he proposes to commence the special audit or inquiry.

Provided that for special reasons to be recorded in writing, he may give a shorter notice than fifteen days or commence a special audit or inquiry on the authority of the Registrar without such notice.

(2) For the purpose of any special audit or inquiry under this Act, the person conducting such audit or inquiry may,-

(a) require in writing the Chairperson or other authority concerned to produce at the head office of the Co-operative Society such receipts, vouchers, statements, returns, correspondence, notice or any other documents as he may consider necessary for the purpose of special audit or inquiry ;

(b) require in writing:-

(i) any employee of the Co-operative society or other authority accountable for, or having the custody or control of such receipts, vouchers, statements, returns, correspondence, notice or other documents to appear in person ; or

(ii) any person having directly or indirectly any share or interest in any contract with the Co-operative Society to appear in person or by an authorised agent; before him at the head office of the Co-operative Society and answer any question or sign a declaration with respect thereto;

(c) in the event of an explanation being required from the Chairperson or any other authority concerned invite him in writing specifying the points on which his explanation is required to meet him at the head office of the Co-operative Society ; or

(d) exercise such other powers as can be reasonably said to be necessary for the purpose of this section.

(3) The person conducting special audit or inquiry may fix a reasonable period of not less than seven days for the purpose of compliance of the provisions of sub-section (2), and such compliance shall be mandatory on the persons required to provide information under sub-section (2).

31. Action on special audit or inquiry report:— On communication of a special audit report under sub-section (5) of Section 28 or an inquiry report under sub-section (5) of section 29 to the persons concerned, the Registrar may, where the special audit or inquiry report reveals mismanagement on the part of any or all of the office bearers or Directors, without prejudice to any civil or criminal proceedings to which they may be liable:—

(a) direct the Board to convene a General Body Meeting within such reasonable time as he may specify, to enable him to bring to the notice of the General Body, either directly or through his nominee, the findings of the special audit or inquiry report, for necessary action ; or

(b) approach the Co-operative Tribunal for necessary action.

32. Constitution of Tribunals:—

(1) The Government may, for the purposes of this Act, by notification, constitute as many Tribunals as may be necessary for such area or areas as may be specified in the notification.

(2) The provisions of Section 75 of the Andhra Pradesh Co-operative Societies Act, 1964 (Act 7 of 1964) shall, mutatis mutandis apply for the constitution of Co-operative tribunals under this section.

33. Power of the Tribunal to order recovery:—

(1) A Member, Director or Chairperson of the Co-operative Society may, and the Registrar shall file a copy of the report of the Auditor or the Special Auditor or the Inquiry Officer, before the Tribunal with an application for necessary action against the person on account of whose conduct the Co-operative Society has incurred loss. The Tribunal may on the basis of such report disallow every item of expenditure incurred contrary to law and order recovery of the same from the person incurring or authorising the incurring of such expenditure, or held

responsible in the said report for any deficiency, loss or unporfitable outlay occasioned by his negligence or misconduct or of any such amount which ought to have been accounted but is not brought into account by that person and shall, in every such case, specify the amount liable to be paid by such person to the Co-operative Society.

Explanation:— It shall not be open to any person whose negligence or misconduct has caused or contributed to any such deficiency or loss, to contend that notwithstanding his negligence or misconduct the deficiency or loss would not have occurred, but for the negligence or misconduct of some other person,

(2) The Tribunal shall state in writing the reasons for its decision in respect of every disallowance, surcharge and a copy of such decision shall be served on the person against whom it is made in the manner laid down for the service of summons in the Code of Civil Procedure, 1908:

Provided that the Tribunal shall not pass any order of recovery under this section unless the person against whom any such order is passed has had an opportunity of making a representation either by himself or through the counsel.

(3) Any person aggrieved by an order passed under this section may, within sixty days after the date of service on him of the order by the Tribunal file an appeal against such order in the High Court.

(4) Where an appeal is filed in the High Court under sub-section (3), the persons who filed the application before the Tribunal or as the case may be the Registrar shall be the sole respondent thereto, and the applicant shall not make any other person a party to the proceedings.

(5) Every order passed by the Tribunal or an order passed by the High Court shall be executed in the same manner as a decree of a Civil Court under the Code of Civil Procedure, 190P Central Act 5 of 1908.

34. Filing of returns:—

(1) Every year, within thirty days of the conduct of the annual General Body Meeting, every Co-operative Society shall file the following with the Registrar, namely:—

(a) annual report of activities ;

(b) annual audited statements of accounts with auditor's report ;

(c) list of members as at the close of the year under reporting with services provided to each member ;

(d) statement on the disposal of surplus or on the allocation of deficit ;

(e) list of names of Directors, their addresses and their terms of office ; and

(f) compliance reports relating to audit, special audit and inquiry, if any.

35. Rights and privileges:— A Co-operative Society shall have all the rights and privileges available to Co-operative Societies under *Chapter-V of the Andhra Pradesh Co-operative Societies Act, 1964 and the corresponding rules, to the extent that they are not inconsistent with the provisions of this Act.

36. **Execution of decisions, decrees and orders:—** In regard to execution of decisions, decrees and orders, all the provisions of Chapter-X of the Andhra -» Pradesh Co-operative Societies Act, 1964 shall mutatis mutandis apply to Co-operative Societies registered under this Act, such however, that all references to the Registrar in the said Act shall be construed to be a reference to the Co-operative Tribunal in their application to Co-operative Societies registered under this Act.

[1][**36-A. Application of Chapter XIII-A of the Andhra Pradesh Co-operative Societies Act, 1964:—** The provisions of Chapter XIII-A containing Sections 115-A and 115-B of the Andhra Pradesh Co-operative Societies Act, 1964 shall mutatis, mutandis apply to all Co-operative Banks.

Explanation:— For the purposes of this section a "Co-operative Bank means a society registered under this Act, which is doing the business of Banking as defined in clause (b) of sub-section (1) of Section 5 of the Banking Regulation Act, 1949 (Central Act 10 of 1949).]

37. **Settlement of disputes:—**

(1) If any dispute arises touching the constitution, management or business of a Co-operative Society, and matters connected therewith or incidental thereto:—

(a) among members, past members or persons claiming through members, past members and deceased members ; or

(b) between a member, past member or a person claiming through a member, past member or deceased member and the Co-operative Society, its Board, Director, office-bearer or liquidator, past or present ; or

(c) between the Co-operative Society or its Board and any past Board, Director, office bearer, or the Nominee, Heirs, or Legal Representatives of any deceased Director, deceased Officer, of the Co-operative Society;or

(d) between the Co-operative Society and any other Co-operative Society ; or Inserted by Act No. 29 of 1998.

(e) between the promoters of a Co-operative Society and the Registrar; or a Co-operative Society and the Registrar ; or

(f) between a Co-operative Society and liquidator of another Co-operative Society, or between the liquidators of two or more Co-operative Societies; such disputes may be referred to the Co-operative Tribunal for decision.

Provided that no dispute shall be referred under this section to the Co-operative Tribunal unless the disputing parties exhausted all remedies that may be available in the bye-laws for the settlement of disputes.

(2) Any dispute relating to elections held to a Co-operative Society may be referred to the Co-operative Tribunal for decision.

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1. Ins. by Act No. 29 of 1998.

38. Offences and Penalties:—

(1) It shall be an offence under this Act, if a Co-operative Society:—

(a) fails to give a notice, send a return or document, or fails to do or allow to be done any act which a Co-operative Society is by this Act or under its bye-laws required to give, send, do or allow to be done ;

(b) wilfully neglects or refuses to do an act or to furnish information required for the purposes of this Act or does an act forbidden by this Act, or the bye-laws ; or

(c) makes a return, or wilfully furnishes information, in any respect false or insufficient.

(2) It shall be an offence under this Act, if any person or Co-operative Society contravenes the provisions of this Act or the bye-laws of a Co-operative Society.

(3) An offence by a Co-operative Society shall be deemed to have been also committed by each office-bearer of the Co-operative Society bound by the bye-laws thereof to fulfil the duties whereof the offence is a breach, or if there is no such office-bearer then by each of the Director, unless the office-bearer or Director proves to have attempted to prevent the commission of the offence.

(4) An offence under this section shall be punishable with imprisonment for a term which may extend to one year or with fine which may extend to ten thousand rupees or with both :

Provided that where a person is guilty of misappropriation, fraud, breach of trust, cheating or any other act involving moral turpitude, resulting in loss to the Co-operative Society, he shall be punishable under the releval provisions of the Indian Penal Code, 1860 (Central Act 45 of 1860)

39. Dissolution by members:—

(1) A Co-operative Society may, by a special resolution, authorise its own dissolution :

Provided that a notice of the General Body Meeting shall also be sent with an invitation to attend, to the Registrar, to any federations of which the Co-operative Society is affiliated, to creditors and to any organisation with which a partnership contract has been entered into.

(2) Invitees under the proviso of sub-section (1) shall have the right to make a representation to the General Body if they so wish to, giving reasons why dissolution is not called for.

(3) Within fifteen days of such authorisation for dissolution, the Co-operative Society shall send to the Registrar a copy of the authorisation to dissolve the Co-operative Society by registered post.

(4) The authorisation approved in pursuance of sub-section (1) is required to set out the following, namely:—

(a) the assets and liabilities of the Co-operative Society ;

(b) the claims of creditors, and collaborators and protected shareholders;

(c) the number of members ;

(d) the nature and extent of the member's interest in the Co-operative Society; and

(e) the name of the liquidator, if appointed by the General Body, or a request to the Registrar to appoint the liquidator a request to the Registrar to issue a certificate of dissolution where there are no assets or liabilities.

(5) Where the Registrar receives the special resolution passed in pursuance ot sub-section (1), he shall cause at the expense of the Co-operative Society a notice of the special resolution to be published once a week for two weeks in a news paper published or distributed in the district where the registered office of the Co-operative Society is located.

(6) The Registrar may require from the Co-operative Society, the liquidator appointed by the Co-operative Society or any other person who is required to furnish information, a periodical return showing,—

(a) the progress of dissolution ;

(b) the distribution of any undistributed surplus or reserve ; and

(c) any other relevant information that he may require.

40. Dissolution by Tribunal:—

(1) The Registrar or an interested person may, after giving the Co-operative Society ninety days notice of the proposed application, apply to the Tribunal for an order dissolving the Co-operative Society, where he has reasonable cause to believe that the Co-operative Society has no right to be or to continue to be recognised as a Co-operative Society, because it,—

(a) obtained its registration by fraud or mistake ;

(b) is serving illegal purposes ;

(c) has wilfully, after notice by the Registrar, violated any of the provisions of this Act or its bye-laws ;

(d) is no longer operating in accordance with principles of co-operation and the provisions of this Act ;

(e) has not commenced business within two years of the date of registration; or

(f) has not carried on business for the past two consecutive years.

(2) Where an interested person applies in pursuance of this section, he shall give the Registrar notice of his application and the Registrar is entitled to appear and be heard in person or by counsel.

(3) Where the Tribunal receives an application in pursuance of this section it may, after giving a reasonable opportunity to the Co-operative Society to state its cases, order that the Co-operative Society be dissolved or liquidated and dissolved under the supervision of the Registrar.

(4) Where the Registrar receives an order made in pursuance of sub-section (3), he shall—

(a) Where the order is to dissolve the Co-operative Society issue a certificate of dissolution ; or

(b) Where the order is to liquidate and dissolve the Co-operative Society under the supervision of the Registrar, publish a notice in a newspaper published or distributed in the district in which the registered office of the Co-operative Society is situated.

41. Appointment of liquidator:—

(1) Where a Co-operative Society is to be dissolved and no liquidator is appointed by the General Body or the Tribunal, the Registrar may,—

(a) appoint any person as a liquidator to wind up the affairs of the Co-operative Society ; or

(b) where he is satisfied that the Co-operative Society has no assets and liabilities, issue a certificate of dissolution.

(2) The appointing authority shall fix the payment to the liquidator for his services.

42. Duties of liquidator:— On his appointment, a liquidator shall,—

(a) immediately give notice of his appointment ;

(i) in the case of liquidator not appointed by the Registrar, to the Registrar; and

(ii) to each claimant and creditor known to the liquidator ;

(b) immediately published notice of his appointment once a week for two consecutive weeks in a newspaper published or distributed in the district where the Co-operative Society has its registered office and take reasonable steps to give notice of the liquidation in every jurisdiction where the Co-operative Society carries on business ;

(c) place in the notice mentioned in clauses (a) and (b) a provision requiring any person —

(i) indebted to the Co-operative Society, to render an account and pay to the liquidator at the time and place specified any amount owing ;

(ii) possessing property of the Co-operative Society, to deliver it to the liquidator at the time and place specified ; and

(iii) having a claim against the Co-operative Society, whether liquidator unliquidated, future or contingent, to present particulars of the claim in writing to the liquidator not later than sixty days after the first publication of the notice ;

(d) take into custody and control the property of the Co-operative Society;

(e) open and maintain a trust account for the moneys of the Co-operative Society ;

(f) keep accounts of the moneys of the Co-operative Society received and paid out by him ;

(g) maintain separate lists of the members, creditors and other persons having claims against the Co-operative Society ;

(h) where at any time he determines that the Co-operative Society is unable to pay or adequately provide for the discharge of its obligations, apply to the Registrar for directions ; and

(i) deliver to the Registrar, periodically as the Registrar may require, financial statements of the Co-operative Society in any form that the liquidator considers proper or that the Registrar may require.

43. Powers of liquidator:— (1) The liquidator may,—

(a) retain lawyers, accountants, engineers, appraisers and other professional advisors ;

(b) bring, defend or take part in any civil, criminal or administrative action or proceeding in the name and on behalf of the Co-operative Society;

(c) carry on the business of the Co-operative Society as required for an orderly liquidator ;

(d) shall by public auction any property of the Co-operative Society;

(e) do all acts and execute any documents in the name and on behalf of the Co-operative Society ;

(f) borrow money on the security of the property of the Co-operative Society ;

(g) settle or compromise any claims by or against the Co-operative Society;

(h) do all other things that he considers necessary for the liquidation of the Co-operative Society and distribution of its property.

(2) Where a liquidator has reason to believe that any person has in his possession or under his control or has concealed, withheld or misappropriated any property of the Co-operative Society, he may apply to the Special Court for an order requiring that person to appear before the Court at the time aikl place designated in the order and to be examined.

(3) Where the examination mentioned in sub-section (2) disclose1 that a person has concealed, withheld or misappropriated property of the Co-operative Society, the Special Court may order that person to restore the property or pay compensation to the liquidator on behalf of the Co-operative Society.

(4) No liquidator shall purchase, directly or indirectly, any part of tli stock-in-trade, debts or assets of the Co-operative Society.

44. Final account:—

(1) A liquidator shall pay the costs of liquidiiiiv out of the property of the Co-operative Society and shall pay or make adequate provision for all claims against the Co-operative Society.

(2) After paying or making adequate provision for all claims against tl Co-operative Society, the liquidator shall apply to the Registrar for approv of his final accounts and for permission to distribute in money or in kind the remaining property of the Co-operative Society in accordance with ihe bye-laws.

(3) Where the Registrar approves the final accounts rendered by a liquidator in pursuance of sub-section (2), he shall,—

(a) issue directions with respect to the custody or disposal of the documents and records of the Co-operative Society ; and

(b) discharge the liquidator.

(4) Where the Registrar discharges a liquidator in pursuance of sub-section (3), he shall issue a certificate of dissolution.

(5) The Co-operative Society ceases to exist on the date shown in the certificate of dissolution which shall not be later than two years after the appointment of the liquidator.

45. Fee for services:— The Registrar may charge a reasonable fee for any of the services provided by him or by an officer authorised by him under the provisions of this Act.

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