



**PROFESSIONAL
PROSPECTS &
POSSIBILITIES FOR CAS
In Co-operatives –
Introduction, law and Mgt.**

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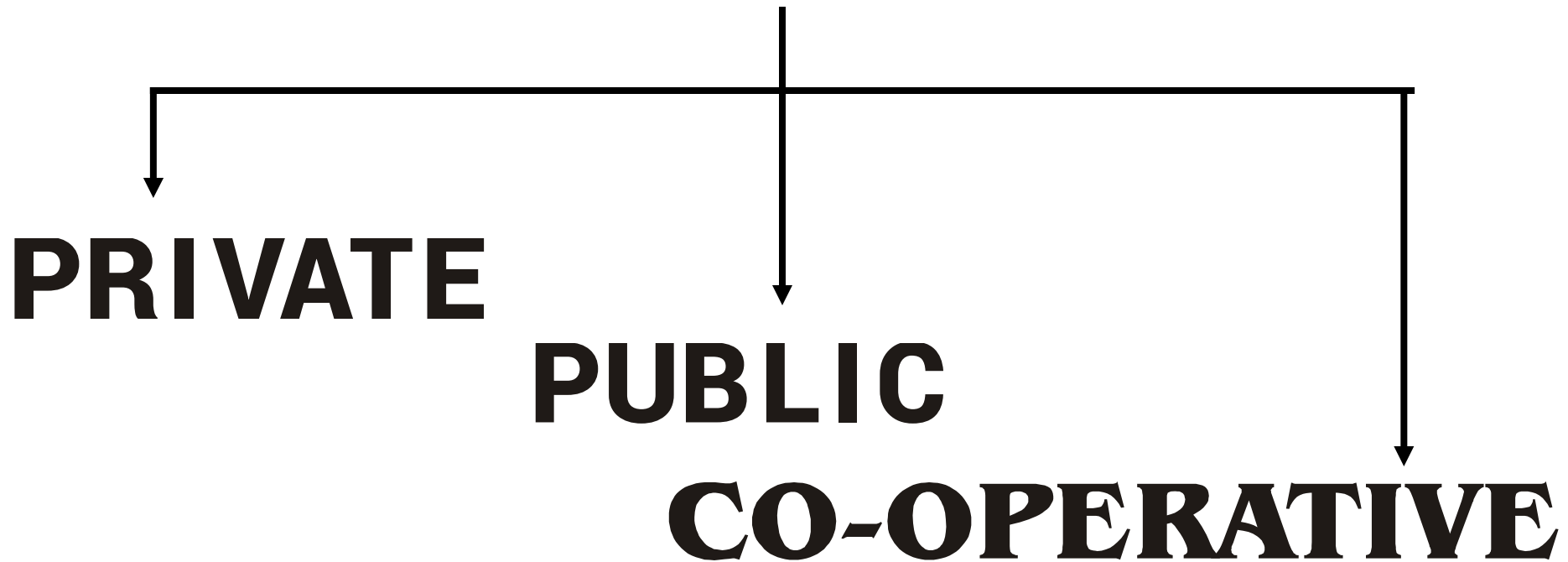
What is a Co-operative Enterprise?

Commonly known as “Cooperative Society”

κοινωνική κίνηση ως „cooperative society”

ECONOMIC ACTIVITIES

THREE SECTORS



OBJECTIVE

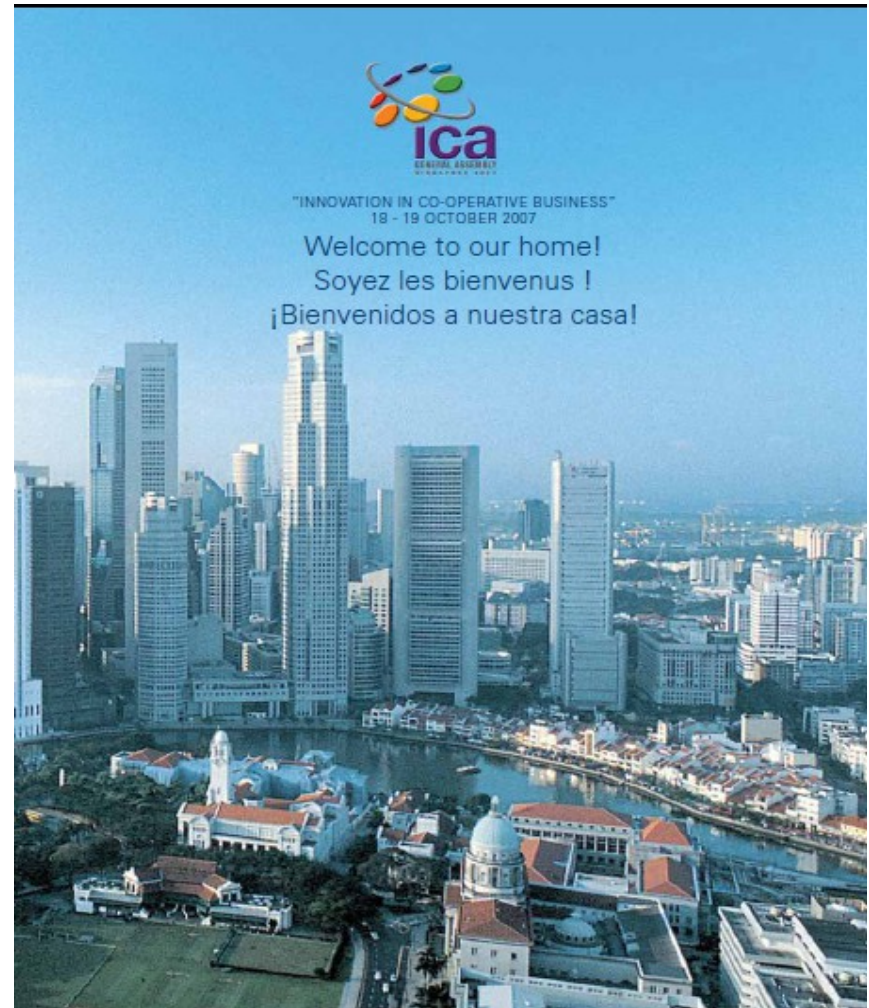
To explore opportunities to increase: employment, business enterprise resulting to uplift standard of living of economically weaker section.



INTRODUCTION

An autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

“International Co-operative Alliance (ICA)”



ORGANISED BY:



HOSTED BY:



MAIN SPONSOR:



HELD IN:



Co-ops Principles and Practices

Co-operative Principles and Practices

Principles	Practices
Voluntary and open membership	Member recruitment policy, rules of admission, equal opportunities,
Democratic member control	Constitution, voting rights, role of the board, members and management
Member economic participation	Economic performance, rewards to members, capitalization and how surplus is used
Autonomy and independence	Relations with government, other organisations and institutions and market position,
Education, training and information	Member, board and management training and public relations
Co-operation among members	Federation, networks, joint enterprises, movement building
Concern for community	Policy on community development, environment and networking

Shared Principles & Values

Co-operatives share the following principles & values:

- **A “bottom up” approach to development**
 - Ensures community engagement in planning and implementation of initiatives
 - Encourages collective action
- **Community engagement and control**
 - Elects local boards of directors to ensure democratic governance
 - Public consultation a norm
- **Building community capacity**
 - Provides training & experiential learning activities for local volunteers
 - Creates networks of skilled and committed people

Co-ops Enterprise set up Process

- **An alternative business model which is:**
 - An extension of community development principles into the business sector
 - A tool that can deliver community identified service requirements
 - A model that facilitates community ownership of business enterprises
 - A mechanism for generating community investment

History of Co-op. sector

In end-19th century, due to chronic indebtedness, farmers started pooling resources for:

- Cheap credit (chit funds)
- Buying fertilizers, seeds etc.
- Marketing of agricultural produce

Development of Laws

- **Cooperative Credit Societies Act, 1904**
- **Cooperative Societies Act, 1912** – for non-credit co-op. activities
- **Cooperative Societies became a state subject in 1919**
- **Multi-Unit Cooperative Societies Act, 1942** – for co-ops having members from multiple units & states. Delegation of power from Central Registrar of Cooperatives to State Registrars.

Development of Laws

- **NABARD Act, 1981** -- National Bank for Agriculture and Rural Development was set up to re-finance Co-op Banks and enhance credit flow to agriculture and rural sector.
- **Multi-State Cooperative Societies Act (MSCS) 1984** – to bring uniformity in administration of multi-state cooperatives
- **MSCS Act 2002** replaced the earlier Act of 1984.
- **Various State Laws** e.g. Maharashtra Co-op Soc. Act 1960

ACT AND RULES APPLICABLE

- 1. CO-OP. SOCIETIES ACT UNDER WHICH REGD.**
- 2. RULES FRAMED UNDER THE ACT,**
- 3. BYE-LAWS APPROVED BY THE REGISTRAR**
- 4. NOTIFICATIONS AND ORDERS
ISSUED UNDER THE POWER OF ACT, RULES**

TYPES OF SOCIETIES

2[1]. AGRICULTURAL MARKETING SOCIETY

2[9]. CONSUMER SOCIETY

2[10]. CO-OPERATIVE BANK

2[6]. CENTRAL BANK

2[10-A] CROP PROTECTION SOCIETY

TYPES OF SOCIETIES

2[12] FARMING SOCIETY

2[15] GENERAL SOCIETY

2(16) HOUSING SOCIETY

2(13) FEDERAL SOCIETY

2(16-A) LIFT IRRIGATION SOCIETY

TYPES OF SOCIETIES

2(22) PROCESSING SOCIETY

2(23) PRODUCERS SOCIETY

2(25) RESOURCE SOCIETY

2(2) APEX SOCIETY

CO-OPERATIVE ENTERPRISE- BUSINESS OPPORTUNITIES

Agriculture

Food

Retail

Wholesale

Housing

Child Care

Community Development

Financial Services

Community Economic Development

Media & Communications

Arts & Culture

Transportation

Energy

Environment

Travel

Education & Research

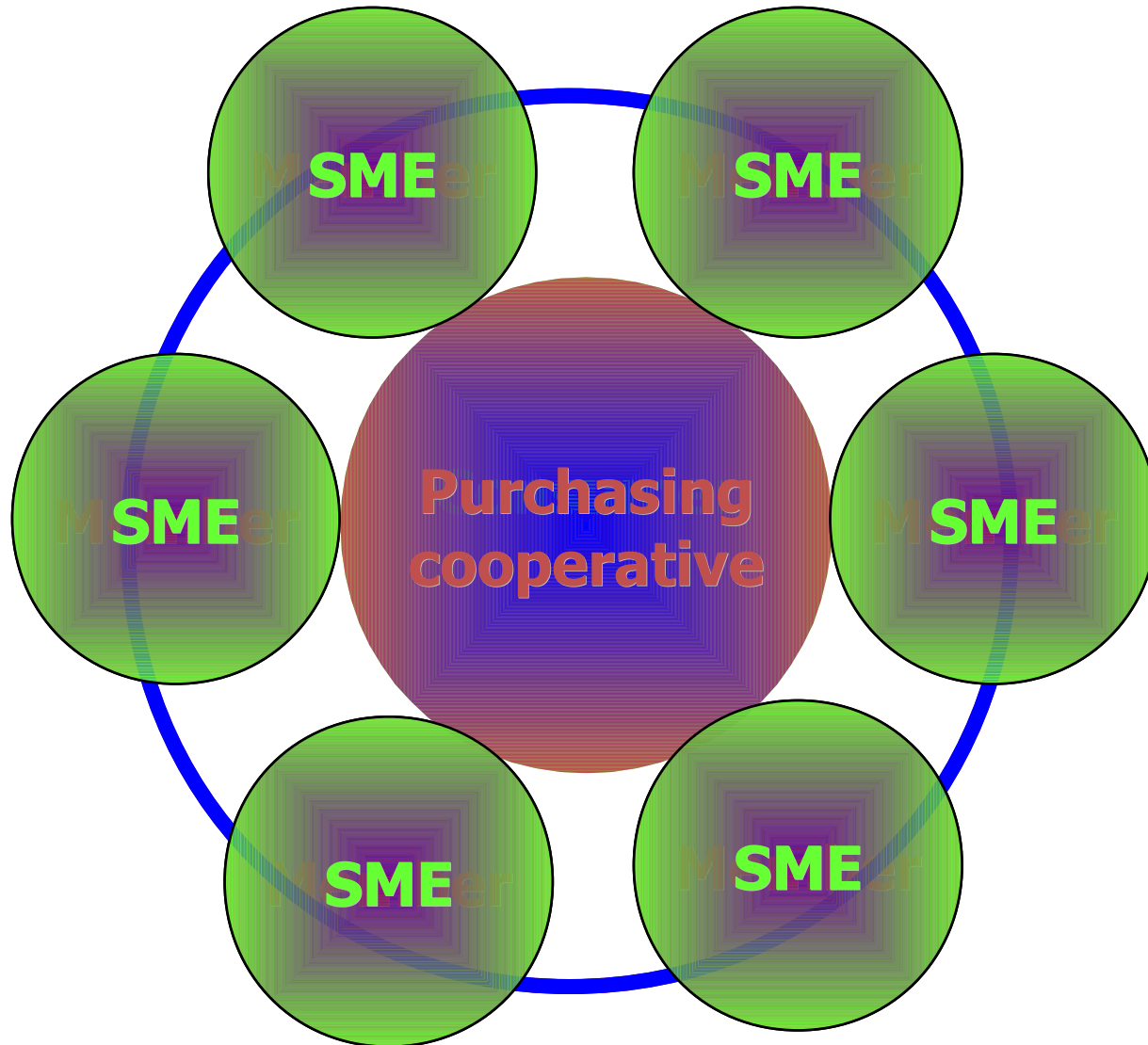
Recreation

Health

Federations & Associations

Services

Individuels and Entreprises



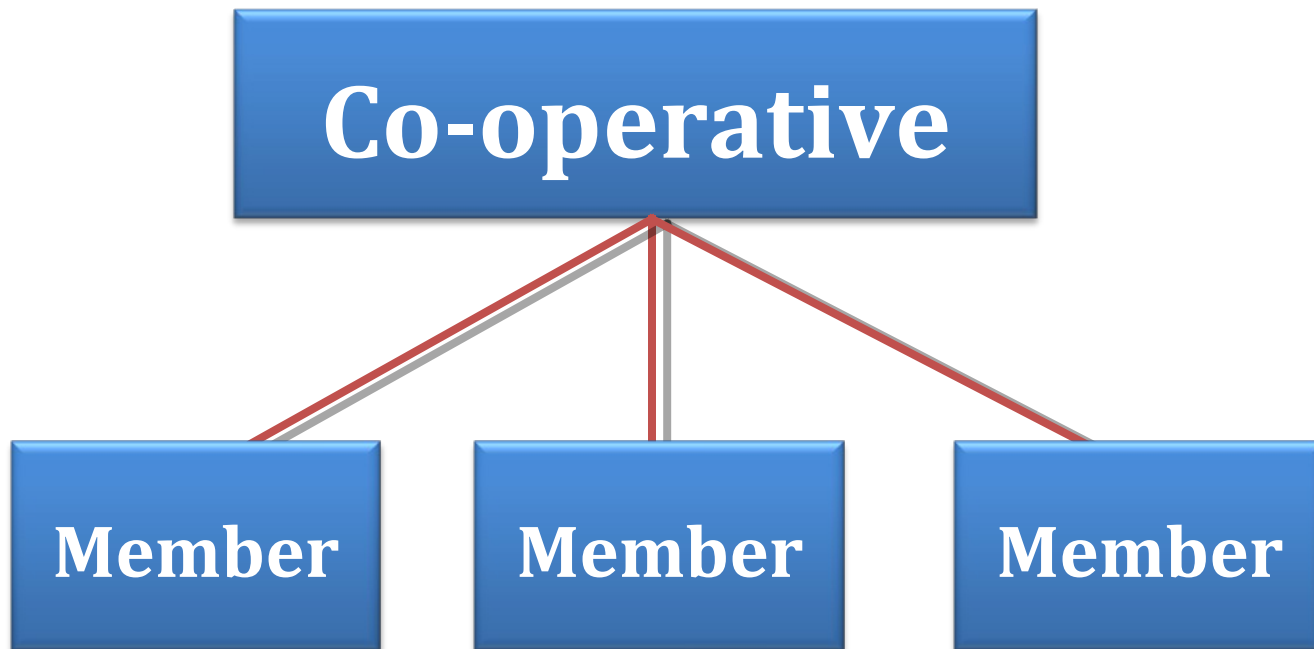
Structure of co-operation (1)

Co-ops can co-operative by membership form

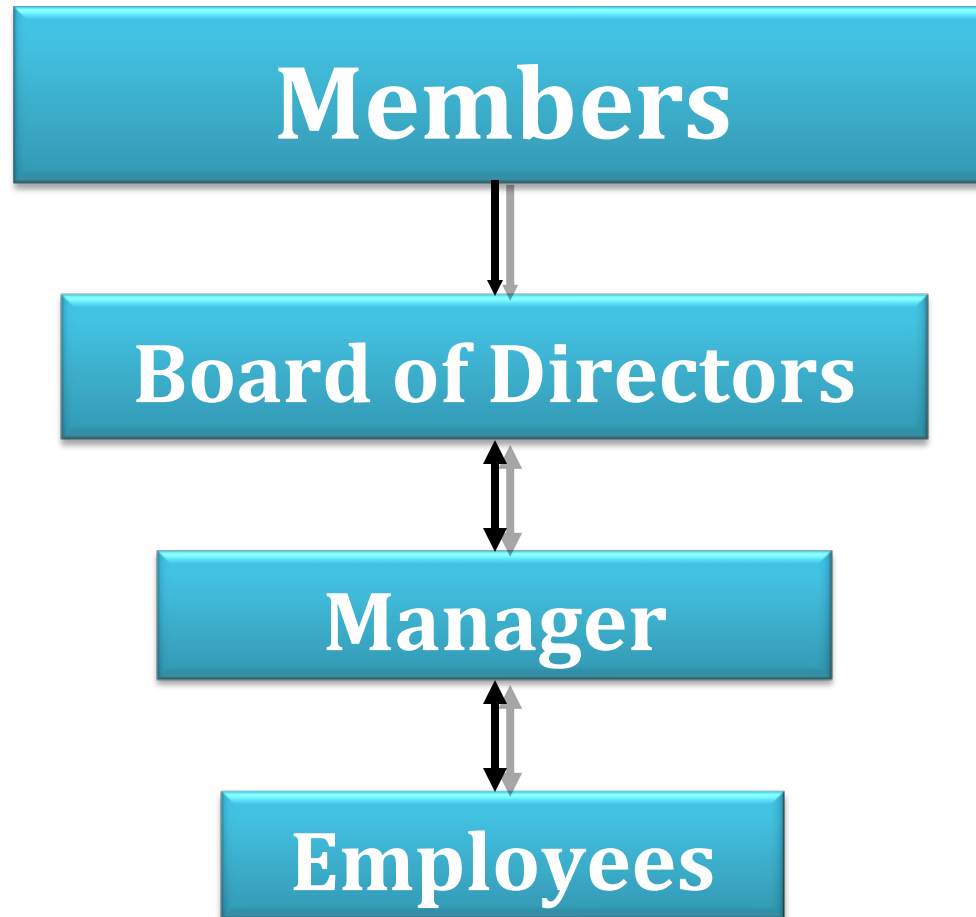
- Primary Co-op Structure - Individuals are direct members
- Secondary Co-op Structure- Primary co-ops are direct members
- Tertiary Co-op Structure – Secondary and/or primary are both are direct members



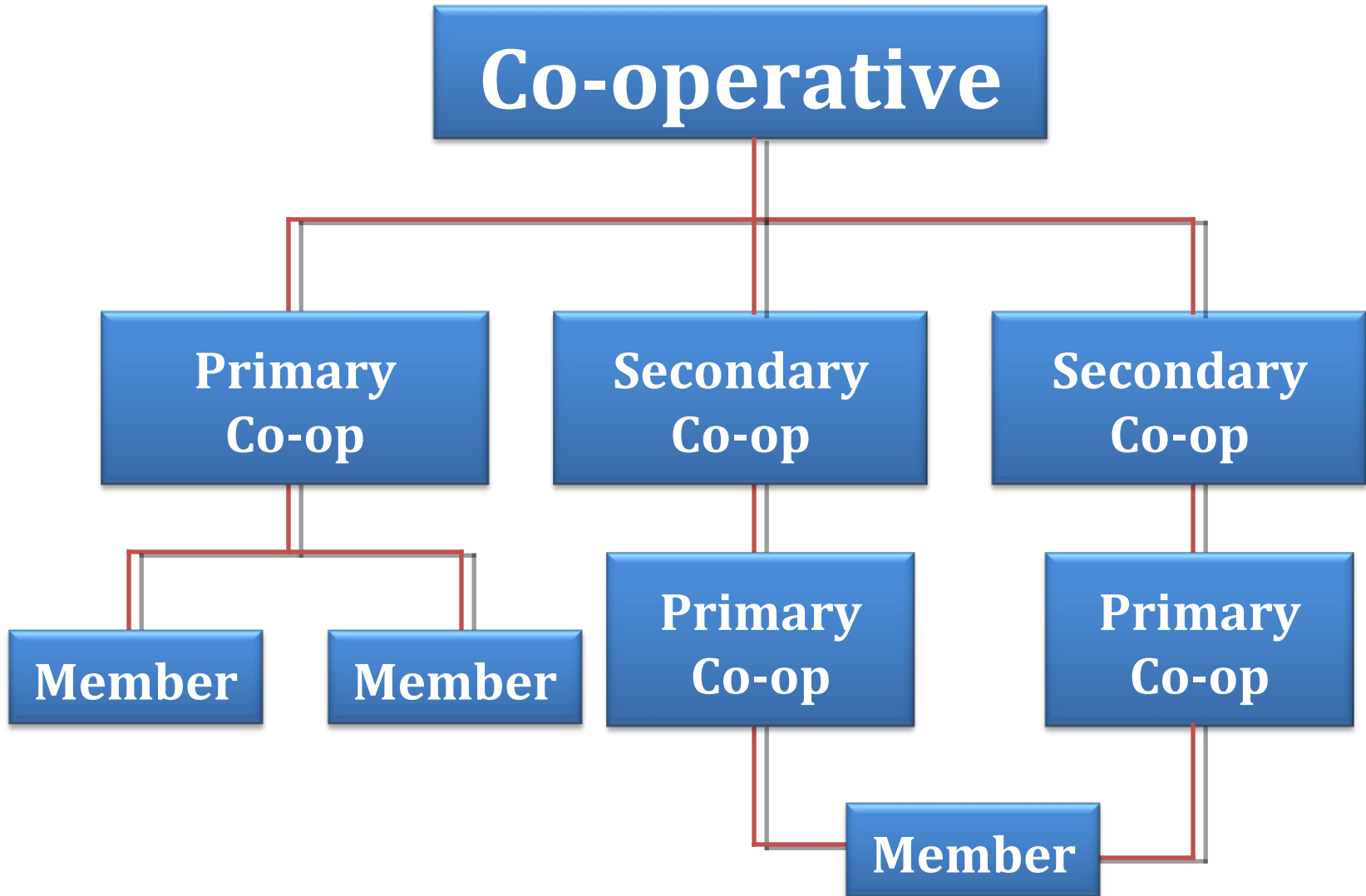
PRIMARY CO-OP STRUCTURE



Organizational Make-Up



Tertiary Co-op Structure



THE CO-OPERATIVE DIFFERENCE

- **A different purpose** –
 - co-ops care about members' needs
- **A different set of values** –
 - based on self-help, self-responsibility, democracy, equality, equity & solidarity
- **A different control structure** –
 - each member has only one vote
- **A different allocation of profit** –
 - non-profit co-ops use surplus to increase or improve services to clients- most of who are members.

Advantages of Co-op Enterprise

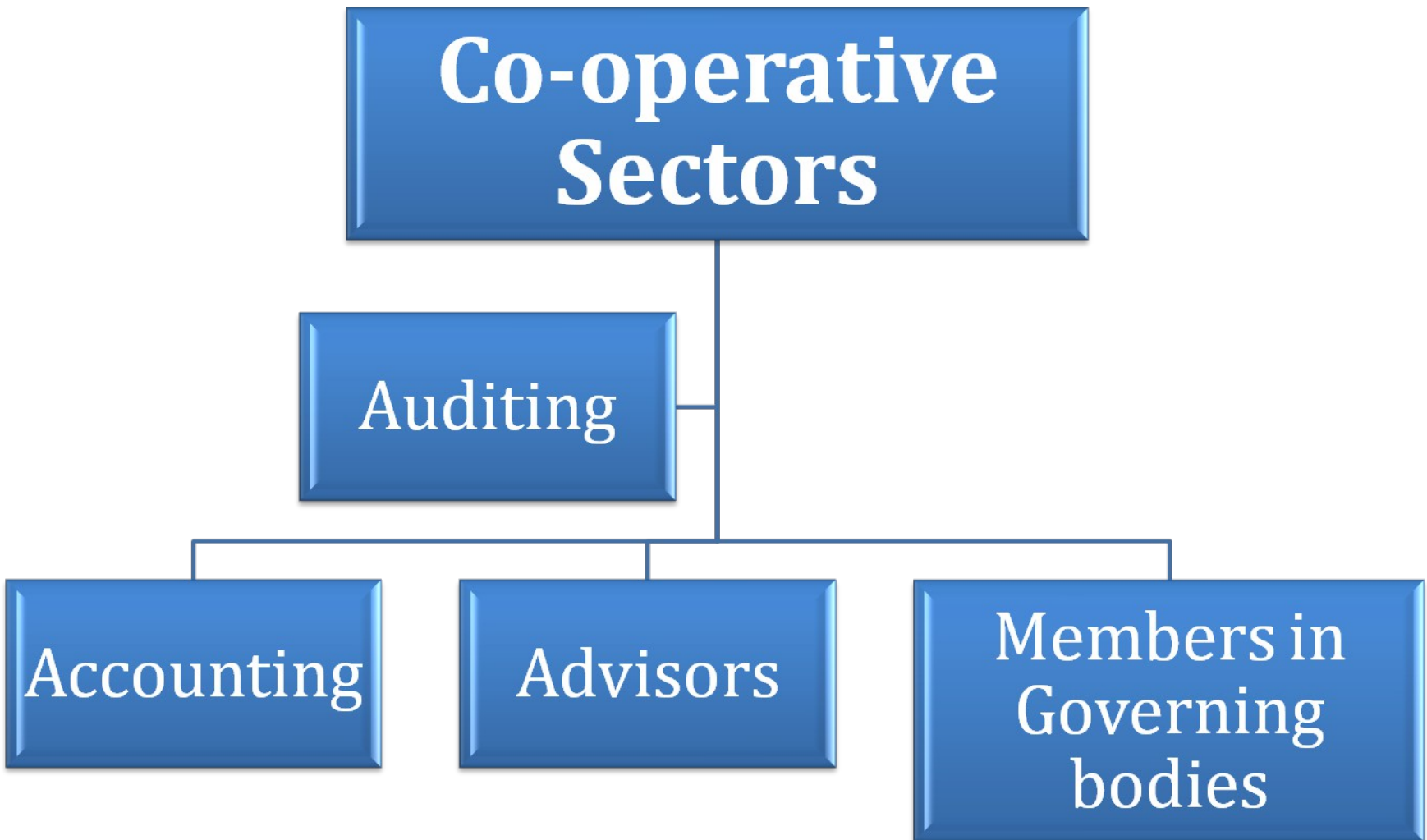
- ✓ **Potential competitors can collaborate** on one platform.
- ✓ **Combine knowledge, information & resources**
- ✓ **Lower Entry Barrier** - Cost of becoming an entrepreneur is shared.
- ✓ **Decreased business risks** due to reduced cost-per-member

Advantages of Co-op Enterprise

- ✓ **Limited liability** - Member of co-op is generally liable till the extent of his share price, unless otherwise stipulated.
- ✓ **Flat and flexible organization** -- easy to join, easy to resign
- ✓ **Performance-oriented** -- Member who fails to perform can be expelled.



PROFESSIONAL OPPORTUNITIES IN CO-OPERATIVE SECTORS



Scope for CAs: Statutory & Internal Audits as per...

- ⊙ **Maharashtra Co-op. Societies Act, 1960 (MCS Act)** -- for co-ops registered in Maharashtra and having no branches outside state.
- ⊙ **Act & Rules of respective states** where society is registered
- ⊙ **Co-operative Societies Act, 1912 & Rules** -- applicable to any state not having its own co-operative Act.

Scope for CAs: Statutory & Internal Audits as per...

- ⦿ **Multi-State Co-op. Societies Act, 2002 and Rules**
-- for societies whose objects are not confined to one state).
- ⦿ **Reserve Bank's mandated audits for Co-op Banks**, apart from Statutory Audit e.g. concurrent audit, EDP audit, Stock & Book Debt audits for large borrowers

OVERALL AREA OF CA'S INVOLVEMENT

Financial Planning



Financial Management



Financial Accountability



Financial Management- An Overview





Financial Management- An Overview

- Financial accountability, transparency and good governance are the need of the hour in the Co-op sector.
- As per the growth , the need for proper financial planning, financial management and financial accountability is also increasing accordingly.
- Various components of financial management for a Co-op organisation can be explained with the help of the adjoining diagram.

Big Problems

- 1. Not easy to form cooperative society**

Big Problems

- 2. Principles of democratic member control, autonomous functioning & professional management are not followed.**

Big Problems

3. Political Interference

Latest Developments



- 97th Constitutional amendment passed in 2011 has major reforms in Co-operative sector
- Expert committee was set up to amend Mah. Co-op Societies Act, 1960
- Mah. Co-op Societies (Amendment) Ordinance 2013 received assent of Governor on 14.2.2013
- Societies have been directed to amend their Bye-laws

Article 19

Protection of certain rights regarding freedom of speech, etc.—(1) All citizens shall have the right —

- (a) to freedom of speech and expression;
- (b) to assemble peaceably and without arms;
- (c) to form associations or unions **or co-operative societies;**
- (d) to move freely throughout the territory of India;
- (e) to reside and settle in any part of the territory of India; and * * * * *
- (g) to practice any profession, or to carry on any occupation, trade or business.

Insertion of Part IX B into the Constitution Definitions of Co-operative Societies

- Part IX defines “The Panchayats”
- Part IX A defines “The Municipalities”
- And now, Part IX B defines **“The Co-Operative Societies”**
- After that comes Part X, which defines “The Scheduled and Tribal Areas”

- new 4. After Part IXA of the Constitution, the following Part shall be inserted, namely:—

'PART IXB

THE CO-OPERATIVE SOCIETIES

243ZH. In this Part, unless the context otherwise requires,—

(a) “authorised person” means a person referred to as such in article 243ZQ;

(b) “board” means the board of directors or the governing body of a co-operative society, by whatever name called, to which the direction and control of the management of the affairs of a society is entrusted to;

(c) “co-operative society” means a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State;

(d) “multi-State co-operative society” means a society with objects

97th Constitutional Amendment for Co-op Reforms (Jan 2012) – Highlights



- Amendment of Article 19 makes Right to form Cooperative Societies a **Fundamental Right**.
- Insertion of Article 43B makes it a **Directive Principles of State** to ensure voluntary formation, autonomous functioning, democratic control and professional management of Cooperative Societies.
- **Election Commission-like authority mandated:** “The superintendence, direction and control of the preparation of electoral rolls for, and conduct of, all elections to a co-operative society shall vest in such an authority or body, as may be provided by the Legislature of a State...”

97th Constitutional Amendment – Highlights (Cont'd)

- Fixed term of **five years** to elected board.
- **Active members-** Economic Participation & attending meetings
- **Professional Mgt** by Expert & Functional Directors
- Equality by providing reservations for **women & SC/ST**
- Provides for **independent professional audit**
- Gives **Right to Information** to Members of Co-op Societies
- Empowers Govt to obtain periodic reports & A/cs.
- Provides for **offences** relating to Coop Societies & **penalties** for such offences

ALL THIS IMPLIES THAT...

Ordinary members of cooperative societies are empowered to get proper persons elected by due process, co-opt or appoint professionals as board members or officers, and then hold them accountable for proper performance. A first step has been taken to create a proper legislative framework to ensure good management.

Let us understand:

What are the changes
As per MCS (Amendment)
Act- 2013 ”



CONCEPT OF ACTIVE MEMBER

- **As per Constitution:**

Article 243ZI : “Subject to the provisions of this Part, the Legislature of a State may, by law, make provisions with respect to the incorporation, regulation and winding up of co-operative societies based on the principles of voluntary formation, **democratic member-control**, **member-economic participation** and autonomous functioning”

- **Article 243 ZO(2) provides:**

“The Legislature of a State may, by law, make provisions to ensure the participation of members in the management of the co-operative society **providing minimum requirement of attending meetings** by the members and **utilizing the minimum level of services** as may be provided in such law”

CONCEPT OF ACTIVE MEMBER

- **Section 2(19) (a-1)**

'Active member' means one who

- (1) participates in the affairs of the co-operative society and
- (2) utilizes the minimum level of services or products of that society as may be prescribed in the bye-laws.

- **Section 26(1)**

A member shall be entitled to exercise such rights as provided in the Act, Rules and Bye-laws:

Provided that no member shall exercise the rights until:

He has made such payment to the society in respect of membership or acquired such interest in the society, as may be prescribed and Specified under the Bye-laws of the Society.

CONCEPT OF ACTIVE MEMBER

- **Section 26(2)**

It shall be duty of every member of a society-

- (a) To attend 1 General Body(GB) meeting in 5 years. Provided this clause not applicable, if condoned by GB.
- (b) To utilise minimum level of services at least once in 5 years as per bye-laws of the Society.

- **Provided:**

- Member who does not perform above duties shall be classified as “NON Active Member”
- Society to inform classification within 30 days of the year.
- Non-Active Member for 10 years liable for Expulsion.
- Eligible to reclassify as active member on complying.
- Appeal lies before Registrar within 60 days of knowing.
- Election done immediately –all members have voting rights.

ACTIVE MEMBER-As per bye laws

Provision made in New Model Bye-laws-Housing:

Bye-law No. 3(xxiv) (a) defined an "Active member" means a person:

- 1)Who has purchased and/or owns the Flat / Unit in the Society.
- 2)Who attends at least one General Body Meeting of the Society in the previous Five consecutive Years.
- 3)He has at least paid the amount equivalent to one Year of society Maintenance and Service charges, within a consecutive period of Five years

ACTIVE MEMBER-As per bye laws

Provision made in New Model Bye-laws-Co-op Bank:

Bye-law No. (14) ACTIVE MEMBER :

“Active Member” means a person who has been admitted as an ‘Ordinary Member’ under the Bye-laws of the Bank and who complies following conditions:

- i) To attend at least one general body meeting in the previous five consecutive years,
- ii) To utilize minimum level of services as provided in bye - law no. 15 as following

ACTIVE MEMBER-As per bye laws

Provision made in -Co-op Bank New Bye-laws No15 MODEL

LEVEL OF SERVICES FOR BECOMING ACTIVE MEMBER :

No	Deposit on Prv List Date	Share Capital(RS)	Deposit (Rs)	Or Loan (Rs)
1	Upto Rs.100Cr	500	3,000	50,000
2	Rs. 100-00 Cr. To Rs.500-00 Cr.	1,000	5,000	50,000
3	Rs.500-00 Cr. And above	1,500	7,000	1,00,000

Proviso - I:Aggregate deposits (in all types of accounts) as per above for the continuous period of not less than **one year** in the Bank.

Proviso - II : 'Borrower' means an ordinary member, who is enjoying any type of sanctioned and availed credit facility of the Bank for continuous **two years** during the last five years.

AUTHORISED PERSON-Under Constitution

- **Article : 243ZH(a)** of Constitution: Authorised person means “ a person referred to as such in Article 243 ZQ.
- **Article : 243ZQ** reads as under :
 - (1) The legislature of a State may, provide for the offences relating the Co-op Soc & penalties for such offences.
 - (2) A law under clause (1) shall include the commission of he following act or commission as offences, namely:-
 - (a) a Co-op Society or an officer or member thereof willfully **makes a false return or furnishes false information** or any person willfully not furnishes any information required from him by a person authorised in this behalf under the provisions of the State Act.

AUTHORISED PERSON-Under Constitution

- (b) Any person willfully or without any reasonable excuse **disobeys any summons, requisition or lawful** written order issued under the provisions of the State Act;
- (c) any employer who, without sufficient cause, **fails to pay to a co-op society amount deducted by him from its employee** within a period of 14 days from the date on which such deduction is made.
- (d) any officer or custodian who willfully **fails to handover custody of books, accounts, documents, records, cash,** security and other property belonging to a co-op society of which he is an officer or custodian, to an authorised person and
- (e) whoever before , during or after the election of members of the board or office bearers, **adopts any corrupt practice.**

AUTHORISED PERSON-As per MCS Act,1960

- **Sec.2(2-A) of MCS Act**, 1960 “ Authorized person” Means
The person referred to in article 243ZQ **and includes any person duly any person duly authorized by the Registrar** to take action under the provisions of this Act.
- In **section 79(1A)** of MCS Act, 1960-
Every society shall file returns within 6 months of the close of financial year to which accounts relate, to the registrar or to the person authorized by him.
- In **section 82 of MCS Act**, 1960 to submit Audit Rectification report:
Provided that, the Registrar or the person authorised by him shall scrutinise the Audit rectification report accordingly and inform the society about such report within 6 months from the date of receipt thereof.
- Thus registrar can discharge his function by appointing an authorized person on his behalf.

AUTHORISED PERSON-As per MCS Act,1960



Person Authorised under Act to discharge responsibilities/ obligations otherwise liable for penal actions

Any member of the society Any Committee member Entire Committee Auditor appointed by GB, Any other person as per MCS Act who is made accountable.

Person appointed by registrar to discharge his functions- under section 77A, 79, 82, 88 and any other sections.

Any Panel person Any Officer Any other person as per MCS Act, whom the Registrar has made Accountable.

Constitution: On Professional Management

- Constitution : Article 243ZJ (3) provides that “ The Legislature of a State shall, by law, make provisions for co-option of persons to be members of the board having experience in the field of banking, management, finance or specialization in any other field relating to the objects and activities undertaken by the co-operative society as members of the board of such society”
- Provided : Expert Directors shall not exceed two.
- Provided they shall not have the right to vote in any election of the co-operative society in their capacity as such member or to be eligible to be elected as office-bearers of the board.
- Provided also that the functional directors of a co-operative society shall also be the members of the board.

MCS Act, 1960-On Professional Mgt

- **Section 2 (11-A)** "expert director" means and includes a person having experience in the field of banking, accounts, finance, professional management, or having specialization in any other field relating to the objects and activities undertaken by the concerned society.
- **Section 2(14-A) "functional director"** means and includes a Managing Director or a Chief Executive Officer by whatever designation called, or any of the Head of the Department of the concerned society, nominated by the committee
- **Section 73-AAA(2)** of the Act provides discussed hereinabove provides for co-option of two expert directors and also one (upto 17 members) or two function directors(above 17 members) to bring professionalism in the working of co-operative Societies.

Hsg Society Bye-laws : On Professional Mgt

Housing Society Bye-laws No 116 (b) provides as under:

- 1) The Committee of the society may co-opt Two "expert directors" relating to the objects and activities of the soc.
- 2) The number of such co-opted members shall not exceed two in addition to the strength of the committee.
- 3) Such co-opted members shall not have the right to vote in any election of the society & can not to be elected as office bearers of the committee.
- 4) 116(c) The Committee of the society may co-opt Two "functional directors", such members shall be excluded for the total com. members & shall have no right to vote.

Constitution of the Committee

Constitutional Provision: Article 243ZJ. (1) of the constitution provides that “The board shall consist of such number of directors as may be provided by the Legislature of a State, by law:

Provided that

- 1) maximum number shall not 21:**
- 2) reserve one seat for the SC/ST and**
- 3) two seats for women.**

(2) The term of office of elected members of the board and its office bearers shall be five years from the date of election and the term of office bearers shall be co-terminus with the term of the board:

Constitution of the Committee

Constitutional Provision:

Provided that the board may fill a casual vacancy on the board by nomination out of the same class of members in respect of which the casual vacancy has arisen, if the term of office of the board is less than half of its original term

Article 243ZK (1) of the constitution provides that “Notwithstanding anything contained in any law made by the Legislature of a State, the election of a board shall be conducted before the expiry of the term of the board so as to ensure that the newly elected members of the board assumes office immediately on the expiry of the term of the office of members of the outgoing board.”

Constitution of the Committee

MCS Act. 1960: Section 73-AAA. :

The Committee shall consist of numbers per the bye laws:

- Provided that the maximum shall not exceed 21.
- Provided Banking Regulation Act 1949 shall apply to all societies carrying the business of banking.
- The Committee may co-opt “ 2 expert directors”
- The committee may nominate 1 functional director(upto 17 members) and if more directors : 2 functional directors.
- Functional and Expert directors are in addition to elected 21 directors.

Constitution of the Committee

MCS Act. 1960: Section 73-AAA. :

Expert directors shall not have the right to vote at any election of the society and shall not be eligible to be elected as office bearers of the committee.

Any casual vacancy in the Committee may be filled in from amongst the members belonging to the same category

The authority conducting within seven days of the declaration of two-thirds or more number of members, forward their names to the Registrar, who shall, within fifteen days thereof, publish or cause to be published such names on the Notice Board or at any prominent place in his office; and upon such publication of the committee of the society shall be deemed to be duly constituted.;

Constitution of the Committee

MCS Act. 1960: Section 73-AAA. :

Provided that, such publication shall not be deemed,-

- (1) To preclude the completion of elections of the remaining members and the publication of their names and the permanent addresses of the elected members likewise as and when they are available; or
- (2) To affect the term of the office of members of the Committee under the Act;

The names of the remaining members after they are elected (together with their permanent addresses), may also thereafter be likewise published by the Registrar.

Constitution of the Committee

MCS Act. 1960: Section 73-B.

Reservation of seats on committees of certain societies for Scheduled Caste, Scheduled Tribes or Other Backward Classes, De-notified, Tribes (Vimukta Jatis) Nomadic Tribes, Special Backward Classes and election thereto.

(1) Three seats shall be reserved.--

- (a) One for the members belonging to the Scheduled Castes or Scheduled Tribes;
- (a-1) One for the members belonging to the Other Backward Classes;
- (a-2) One for the members belonging to the De-notified Tribes (Vimukta Jatis), Nomadic Tribes or Special Backward Classes

Constitution of the Committee

MCS Act. 1960:

Section 73C: Reservation for Women:

Notwithstanding anything contained in this Act, or in the rules made there under, or in the bye-laws of any society, there shall be two seats reserved for women on the committee of each society consisting of individuals as members and having members from such class or category of persons, to represent the women members.

Where no woman member or, as the case may be, women members are elected to such reserved seats, then such seat or seats shall be filled in by nomination from amongst the women members entitled to contest the election

Provision made in The New Model Bye-laws

Bye law No. 116(a) provides that

“Election of all the members of the Committee shall be held once in 5 years, before expiry of its term, in accordance with the provisions of **Sec 73- CB** of the Act and the Rules / procedure framed there under.

Committee to intimate to the State Election Authority for holding of its election before expiry of its term. On failure, the committee members shall cease to hold office after expiry of its term and attract action by the **Registrar under section 77 A.** “

Provision made in The New Model Bye-laws

Bye-law No. 119 provides that

“In a general election of members of the committee of a society, on the election of two-thirds or more number of members, the returning officer or any other officer or authority conducting such election shall within seven days after the declaration of results of the election of such members

Bye-law No. 122 provides

”The period of office of the Committee elected under the bye-law No. 116(a) shall be for 5 years from the date of election.”

Provision made in The New Model Bye-laws

Bye Law No. 123 provides

“The first meeting of the newly elected and outgoing Committee shall be held within 15 days from the date of constitution of the new committee as per bye-law No. 119 and the provisions of Section 73AAA.” And all other relevant changes are done in the Model Bye-laws.

ELECTION TO BE CONDUCTED BY STATE CO-OP ELECTION AUTHORITY

Constitutional Provision:

Article 243ZK (2) of the Constitution provides that “The superintendence, direction and control of the preparation of electoral rolls for, and the conduct of, all elections to a co-operative society shall vest in such an authority or body, as may be provided by the Legislature of a State, by law:

Provided that the Legislature of a State may, by law, provide for the procedure and guidelines for the conduct of such elections.

Changes made in MCS Act. 1960: Section 73CB has been introduced in the MCS Act, 1960 which provides as under regarding the election:

ELECTION TO BE CONDUCTED BY STATE CO-OP ELECTION AUTHORITY

Changes made in MCS Act. 1960:

Section 73CB has been introduced in the MCS Act, 1960 which provides as under regarding the election:

1.The superintendence, direction and control of the preparation of the electoral rolls

2.The State Co-operative Election Authority shall consist of a State Co-operative Election Commissioner (Provided that a person appointed as the State Co-operative Election Commissioner shall retire from the office on completion of the age of 65 years.)

ELECTION TO BE CONDUCTED BY STATE CO-OP ELECTION AUTHORITY

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BOTTOM LINE

New Legislations & Ongoing Reforms in Co-operative sectors makes it more fruitful for us to form cooperative societies -- for social good!

to form cooperative societies -- for social good!



Co-op Enterprises & Co-op Stakeholders



Let us be Partner in Nation Building

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What is all this empowering us to do? Innovate, Get involved & Solve social problems for financial inclusion and better India through Co-ops!

Thank you for Getting involved in the discussion!