



Co-operation

STANDARD XII



The Coordination Committee formed by GR No. Abhyas - 2116/(Pra.Kra.43/16) SD - Dated 25.4.2016 has given approval to prescribe this textbook in its meeting held on 30.01.2020 and it has been decided to implement it from the educational year 2020-21.

Co-operation

STANDARD XII



2020

**Maharashtra State Bureau of Textbook Production and Curriculum
Research, Pune - 411 004**



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Cooperation Study Group Members

Shri. Mohan Salvi

(Chairman and Coordinator)

Shri. Kishor Savakare
Shri. Anilkumar Mahajan
Shri. Mahadeo Kamble
Shri. Rajendrakumar Vhanamane
Shri. Arun Gaikwad
Shri. Pramod Shirode
Shri. Prakash Bhasme
Shri. Prakash Bokade
Smt. Pallavi Rajesh

Cover, Illustrations and Computer Drawings

Shri. Sandip Koli, Artist, Mumbai

Typesetter

Baladev Computers, Mumbai

Co-ordinator

Ujjwala Shrikant Godbole
I/C Special Officer for Mathematics

Production

Sachchitanand Aphale

Chief Production Officer

Sanjay Kamble

Production Officer

Prashant Harne

Asst. Production Officer

Paper

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Vivek Uttam Gosavi, Controller

Maharashtra State Textbook Bureau,
Prabhadevi Mumbai- 400 025



The Constitution of India

Preamble

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC and to secure to all its citizens :

JUSTICE, social, economic and political ;

LIBERTY of thought, expression, belief, faith and worship ;

EQUALITY of status and of opportunity ; and to promote among them all

FRATERNITY assuring the dignity of the individual and the unity and integrity of the Nation ;

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949, do HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.

NATIONAL ANTHEM

Jana-gana-mana-adhināyaka jaya hē
Bhārata-bhāgya-vidhātā,

Panjāba-Sindhu-Gujarāta-Marāthā
Drāvida-Utkala-Banga

Vindhya-Himāchala-Yamunā-Gangā
uchchala-jaladhi-taranga

Tava subha nāmē jāgē, tava subha āsisa māgē,
gāhē tava jaya-gāthā,

Jana-gana-mangala-dāyaka jaya hē
Bhārata-bhāgya-vidhātā,

Jaya hē, Jaya hē, Jaya hē,
Jaya jaya jaya, jaya hē.

PLEDGE

India is my country. All Indians are my brothers and sisters.

I love my country, and I am proud of its rich and varied heritage. I shall always strive to be worthy of it.

I shall give my parents, teachers and all elders respect, and treat everyone with courtesy.

To my country and my people, I pledge my devotion. In their well-being and prosperity alone lies my happiness.

PREFACE

Dear Students,

We are very happy to present 12th std. textbook of ‘Co-operation’ subject from academic year 2020 – 2021 for Arts and Commerce faculty.

Seeing the importance of co-operation in the social life we have obtained primary knowledge of co-operation in 11th std. On this basis in 12th std. organisation of co-operative society, secretarial correspondence, Commissioner and Registrar of co-operatives, Maharashtra State Co-operative Societies Act, 1960, Co-operative banks, Co-operative education and training and challenges before co-operative society these units are included.

While presenting this units Maharashtra State Co-operative Societies Act, 1960 and rules 1961 has been considered. The time – to – time amendments and 97th amendment of Maharashtra State Co-operative Societies Act (amended), 2013 has been incorporated.

Seeing the provisions of the act the units of textbook of ‘Co-operation’ has been designed in a simple and easy language. The age group and understanding capacity is also taken into consideration.

Competency statements are given in the textbook. Figures and pictures have been used to understand this concept. Students learn a lot from discussion, so under the heading ‘Discuss’ some topics are given for discussion to the students. Some activities have been suggested in this textbook for student such as to visit the co-operative organizations, collect information and present it. Students have been given the opportunity to express their opinion on various topics given in this textbook. For this, questions related to this have been framed in exercise of each topic. At the end of each topic important terms, summary and exercise is given.

For effective learning and more information ‘QR code’ is also given for additional audio-visual material. It will be definitely helpful for learning.

We are thankful to Committee Members, Study Group Members, Translators, Reviewer for their valuable contribution for this textbook.

We believe that this textbook will fulfil the expectations of Educational Experts, Subject Experts, Teachers and Students.



(Vivek Gosavi)

Director

Pune

Date : 21 February 2020

Bharatiya Saur : 2 Phalguna 1941

Maharashtra State Bureau of Textbook
Production and Curriculum Research, Pune.

COMPETENCY STATEMENT

- It is expected that students will develop the following competencies after studying Co-operation syllabus in standard XII

| Unit No. | Units | Competency Statement |
|----------|--|--|
| 1. | Organization of Co-operative society | <p>Students will be able to</p> <ul style="list-style-type: none"> • Explain the Organization structure of the co-operative society. • Explain member and its types, rights and responsibilities. • Explain Managing committee's functions, powers and responsibilities. • Explain Chairman's functions, powers and responsibilities. • Explain Secretary's functions and qualities of ideal secretary. • To draft various letters of co-operative society. |
| 2. | Commissioner and Registrar of Co-operatives | <p>Students will be able to</p> <ul style="list-style-type: none"> • Explain Role, Functions, Powers and Responsibilities of Commissioner and Registrar. |
| 3. | Study of Maharashtra State Co-operative Societies Act, 1960 upto date amendments | <p>Students will be able to</p> <ul style="list-style-type: none"> • Explain the legal provisions of Maharashtra State co-operative Societies Act, 1960 (amended upto 2013) relating to Capital Raising, Meetings. • Explain the provisions of accounts and Audit of co-operative societies. |
| 4. | Study of Co-operative Banks | <p>Students will be able to</p> <ul style="list-style-type: none"> • Explain Functions, Problems and Remedies of Urban co-operative bank, District central co-operative bank and State co-operative bank. |
| 5. | Co-operative Education and Training | <p>Students will be able to</p> <ul style="list-style-type: none"> • Explain Need and Importance of co-operative Education and Training. • Explain various Training institution. |
| 6. | Challenges Before Co-operative sector | <p>Students will be able to</p> <ul style="list-style-type: none"> • Explain Challenges before co-operative society and remedies thereon. |

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1. Organization of a Co-operative Society

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1.2 Organizational structure of co-operative society

1.2.1 Member

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- Chairman
- Vice Chairman
- Secretary
- Treasurer

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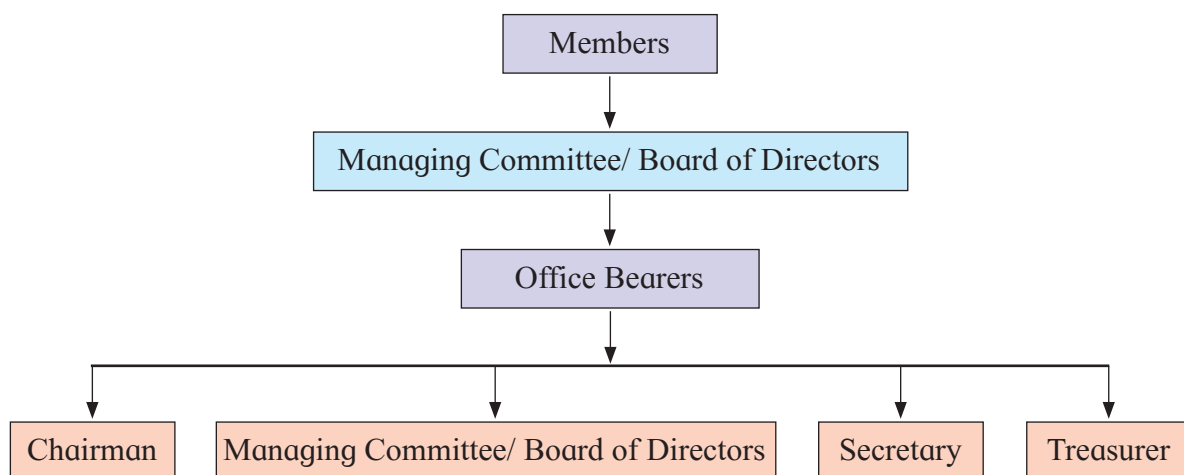
1.5 Exercise

1.1 Introduction

Co-operation is one of the form of business organization. It is different from other forms of business organizations. All other business organizations are formed with the profit motive but in Co-operation, service motive has been given priority rather than making only profit. Co-operative societies run their business on low margin. In Co-operation, person is given more importance rather than the capital. But in Joint Stock Company capital is an important factor. Co-operative society are conducting business on minimum profit. In this chapter we will study the organizational structure of co-operative society.

1.2 Organizational Structure of a Co-operative Society

Organizational or management structure of a co-operative society is as follows:



1.2.1 Member

➤ Meaning:

A Co-operative society is formed by the promoters for the benefit of common needs of persons. The people with common objectives come together and decide to form a co-operative society. Those who have signed an application form as promoter can get the membership as and when

the society is registered. They are the founder members of the co-operative society. After the registration of co-operative society, the interested eligible persons can apply in the prescribed form along with entrance fees and amount of share capital to get the membership. If the society has accepted the proposal, he/ she become the member of a co-operative society. But the co-operative society must take the decision of membership within three months from the date of receipt of an application form. The decision of membership should be communicated within fifteen days from the date of decision taken by the managing committee.

The Active members are the real owners of the society. They enjoy certain privileges as the owners of the society. A member can contest the election of managing committee. A member has various right like right to attend the meetings, to discuss and to vote in the general body meetings, etc.

➤ **Definition:**

As per the Maharashtra Co-operative Societies Act, 1960 sub- section 2(19)(a), ‘Member means a person joining in with an application for the registration of a co-operative society which subsequently registered, or a person duly admitted to membership of a society after registration, and includes a nominal member, associate member and depositor or consumer of primary agriculture credit co-operative society.’

➤ **Eligibility of Members:**

The following persons and legal entities are eligible to become a member of a co-operative society.

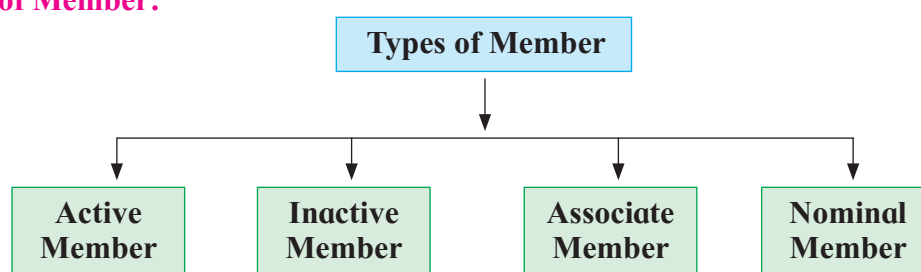
1. **Major Person:** Any major (adult) person can become member of co-operative society. An individual who has attained the age of 18 years and mentally sound is eligible for membership. An individual must be competent to enter into contract as per the Indian Contract Act.
2. **Resident of working area:** A person interested in becoming member of co-operative society must be resident of working area of co-operative society and he must pay entrance fees and amount of atleast one share of co-operative society
3. **Student Member:** In case of Student’s co-operative society which is formed by the students of School, College and University, the student of the institution can become a member. In such case, completion of an age of majority is not taken into consideration. Students below 18 years are also eligible for membership of such co-operative society.
4. **Registered Institution:** An Institution registered under the society Registration Act can become a member of a co-operative society. e.g. educational institutions, sports club, cultural association etc.
5. **Partnership firm:** A Partnership firm constituted under the Indian Partnership Act, 1932 is eligible to get the membership of a co-operative society. The business conducted by partnership must be situated in working area of co-operative society.
6. **Company:** A company registered under the ‘Indian companies Act, 2013’ can become a member of a co-operative society. The head office of the company must be situated in the working area of co-operative society and the aims and objectives of company must not be similar to aims and objective of co-operative society.
7. **Public Trust:** Any public trust registered under Bombay Public Trust Act, 1860 for providing particular services to the society can become the member of the co-operative society.

8. **Co-operative society:** A co-operative society registered under the co-operative societies Act, 1960 is eligible for membership of other co-operative society. e.g. farming co-operative society can become a member of a marketing co-operative society.
9. **Local Authority (Body):** A local authority is also eligible for getting the membership of a co-operative society e.g. Gram-panchayat, Panchayat Samiti, Zilla Parishad, Municipality, Municipal Corporation etc.
10. **Central / State Government:** If necessary Central / State Government can become the member of a co-operative society.

Activity:

- 1) Visit any co-operative society in your locality and discuss about the working of co-operative society.

➤ Types of Member:



1. **Active member:** The member who takes active part in the working of the co-operative society and avails services and resources of co-operative society as mention in bye – laws such member is known as active member. Active member fulfills all conditions of membership. Active member has all powers and rights according to the act. Active member has right to receive notice of general body meeting, special body meeting, take part in discussion of meeting, voting, receiving dividend, seeing books of accounts, etc. Active member must be present for atleast one annual general body meeting in five years period. He must utilize minimum services and resources.
2. **Inactive Member:** The member who is not present for minimum one annual general body meeting and not avail minimum services in the period of five years such member is termed as inactive member. When the member is declared as inactive member such member must be inform within thirty days and if he fulfills the condition of active member within next five years then he can again become active member but if he does not fulfill these conditions his membership is liable for cancellation. But such member can appeal to registrar.
3. **Associate member/ Joint member :** When a member jointly purchases share of co-operative society with other member but his name is not on serial number one. When two or more persons jointly apply for membership and purchase the shares of the co-operative society jointly, the member whose name is on serial number two or thereafter such member is known as joint or associate member. Associate member does not have any right. The associate member cannot attend the general body meeting, cannot take part in discussion, cannot vote, cannot contest the election. On the share certificate his name comes at second position. But in the absence of Regular member, he has the right to attend the meeting and vote in the meeting.

4. **Nominal member:** A person who is admitted by the co-operative society as a nominal member according to bye – laws is called as nominal member. Such a member pays only entrance fee. He does not purchase the shares of the co-operative society. Hence, his name is not included in the share register. Nominal member does not have the rights of membership. i.e. he cannot take part in the management of the society, contest the elections, voting, attending the meetings and receiving the dividend.

➤ **Rights of Members:**

A member has the following rights:

1. **Right to receive share certificate:** Active member has right to get the share certificate for the shares he has purchased. He has right to transfer the share as per rules with the permission of managing committee. And right to get the receipt of the payments made to the society.
2. **Rights relating to meeting:** The active member has right to receive notice, to attend, discuss and to vote in the meeting.
3. **Right towards managing committee:** The member has a right to elect their representatives of the managing committee. He also has the right to contest election of the managing committee.
4. **Right to apply to registrar:** The member has right to apply to the registrar to hold general body meeting if it is not called by the managing committee and conduct the enquiry of the co-operative society.
5. **Right to get dividend, goods and service:** The member has right to get the goods and services offered by the society and receive the dividend if declared by the society.
6. **Rights of nomination:** The member has a right to appoint the nominees. He also has right to change the nominee.
7. **Other rights:** The member has other rights like right to see and inspect the books of accounts and registers maintained by the co-operative society and to get certified copies of certain entries in the books of the society such as copy of bye-laws, audited annual balance sheet, profit and loss account, register of members, proceeding of meetings, etc.

➤ **Responsibilities of Members:**

A member of co-operative society is responsible for the following matters:

1. **To follow the rules:** It is the responsibility of the members to follow the rules and regulations and the provisions of co-operative societies Act and bye-laws.
2. **To pay the dues:** A member of a co-operative society is liable for payment of dues till the date of resignation or expulsion of membership.
3. **To hold the shares:** A member of a co-operative society can hold the shares. However, he cannot hold more than 1/5th of the paid-up share capital or Rs. 5,00,000 whichever is less of the co-operative society but State Government and Zilla Parishad are exempted from this rule.
4. **Liability:** In case of co-operative society having unlimited liability, the liability of a member is unlimited i.e. it is not restricted up to the face value of the shares held by a member it is beyond the face value of the shares. In case of co-operative society having limited liability, the liability of member is limited up to the face value of the shares held by a member.

5. **Nomination:** Every member of co-operative society should nominate the name of the person to whom his shares are to be transferred after his death. Member can nominate any person as his nominee. He can also change the nomination if required.
6. **Use of Loan and its repayment:** A member who takes loan from the society must use the loan amount for the purpose for which he has loan is taken from the society. And the loan amount should be repaid regularly to the society.
7. **To give information during enquiry:** When the enquiry is made by the Registrar, it is the responsibility of a member to provide necessary factual information.
8. **To attend the meetings:** It is the responsibility of a member to attend the meetings of the co-operative society as and when called and to vote if required.
9. **Sale of products through co-operative society:** If a person is a member of a producer co-operative society then it is his/her responsibility to sell the goods produced only through the producer co-operative society. e.g. milk, sugarcane, etc.
10. **Compensation of loss:** If the society incurred any loss due to the misconduct of the member such loss should be compensated by the member.
11. **To protect the interest of society:** It is the responsibility of the member to protect the interest of the co-operative society and to help in the working of co-operative society.

➤ **Causes of cancellation / Cessation of membership**

The membership of the member is cancelled under following circumstances:

1. **Death of member:** In case of the death of the member his membership is cancelled. Shares of deceased member are transferred in the name of his legal heirs (representative).
2. **Resignation of member:** If any member resigns and resignation of membership is accepted by the managing committee, his membership in the society comes to an end.
3. **Transfer of Shares or interest in the society:** If any member transfers his/ her all shares and interest to any other individual or to the society. His membership in the society comes to an end.
4. **Migration:** If any member permanently migrates from the area of operation of the co-operative society, his membership comes to an end. Because it is the condition in the act that the member should reside in the area of operation of the co-operative society.
5. **Dissolution of society:** When any co-operative society is dissolved its registration is cancelled which results in cancellation of membership of all the members. Partnership firm, Joint Stock Company and others of such co-operative society.
6. **Expulsion of members:** If any member of the co-operative society is not abiding the rules of the society and his conduct is harmful to the interest of the society and cause to disrepute of the reputed society. A notice is given to him regarding his expulsion from the co-operative society. A proposal for expulsion is made in the general body meeting. An opportunity is given to the member to clarify his position regarding his expulsion proposal. The resolution of expulsion must be passed by 2/3 majority in the meeting. If the resolution passed in the general body meeting, it is to be communicated to the Registrar for his approval. After the approval of Registrar, the membership of such member is terminated.

7. **Bankruptcy / Insolvency:** When any member is declared bankrupt or insolvent and becomes legally not eligible for membership then his membership is cancelled.
8. **Inactive member:** When any member is declared inactive and he is not fulfilling the conditions of active membership in future five years then his membership can be cancelled. But he can appeal to registrar.

1.2.2 Managing Committee / Board of Directors

➤ **Meaning:**

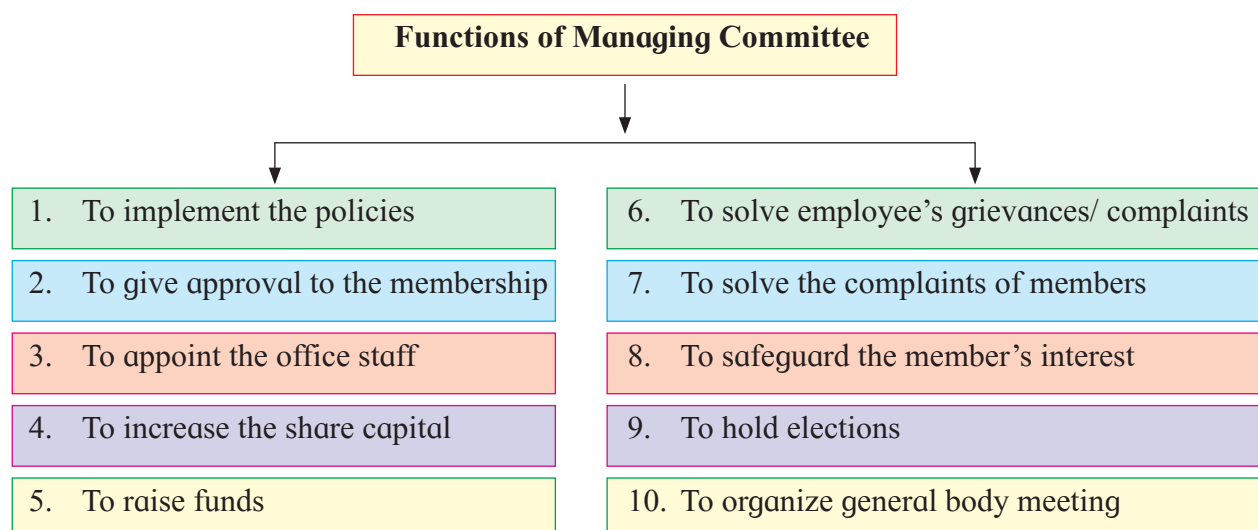
The members of the co-operative society are its owners. They are responsible for the management of the society. However, they cannot participate in the day-to-day management of the society. Due to certain reasons like large membership, change in membership, scatterly resided, etc. which lead to make alternative arrangement of management. Therefore, members elect their representatives who are called directors. The group of directors is collectively known as managing committee or board of directors. “The committee to which the management of co-operative society is given is known as Managing committee or Board of Directors.”

The Managing committee gets the powers of management from the general body as per the provisions of Maharashtra State co-operative societies Act 1960 and Rules 1961 and bye-laws of the co-operative society. The management of society shall vest in the hands of managing committee. Managing Committee can exercise the powers received from general body in the meeting of managing committee. Managing committee take decisions regarding day-to-day working of the society. The period of managing committee is five years.

➤ **Constitution of managing committee**

Generally, the number of members in managing committee is given in the bye-laws. It is odd in number to avoid the equality of voting (votes). The maximum number of managing committee is 21. And it must contain two female members. Registrar has the right to decide the member of members of the managing Committee. He can do this by issuing general or special order and publishing the order in the official gazette.

A) **Functions of Managing Committee**



1. **To implement the policies:** The managing committee frames the policies to implement the decision taken in annual general body meeting. The managing committee implements the decision taken in general body with help of the staff.

2. **To give approval to the membership:** The eligible persons in the area of operation of society decide to be member of society and apply for getting membership. All such application forms are placed before the meeting of the managing committee by the secretary for consideration. If the form is duly filled and necessary fee and amount of share capital is deposited the committee can admit that person as a member. A resolution should be passed in the meeting. The decision of membership should be taken within three months from the date of receipt of application. The decision of membership should be communicated within 15 days from the date of the decision of managing committee.
3. **To appoint the office staff:** The managing committee should decide the required number of staff to perform various function. Necessary steps to be taken to select and appoint the necessary personnel. The committee should initiate necessary steps, such as to give an advertisement in newspaper, to collect the application, to scrutinize the application forms, to issue of call letters, to conduct the interviews, to select the staff, to fix the salary and working conditions and to issue appointment letters, etc.
4. **To increase the share capital:** If the co-operative society is in need of share capital then such resolution is passed in annual general body meeting or special general body meeting and it is sends to Registrar for approval. After receiving approval from Registrar, the Managing committee takes all necessary steps to increase share capital as per approval given by Registrar.
5. **To raise funds:** For making the co-operative society economically strong, the managing committee takes efforts for raising funds. The managing committee raises the funds by various ways such as accepting deposits, borrowing loans, receiving donations etc.
6. **To solve employee's grievances / complaints:** The employees have certain suggestions / complaints and demands from the co-operative society. Due attention should be given to the suggestion, complaints and demands of employees, otherwise it leads to unrest among them which ultimately affect the daily working of the society. Their suggestions and complaints are regarding the office timing, facilities, lack of health, amenities etc. and demands are regarding increase in salary, bonus, holidays and leave, etc. The managing committee must inquire about the matters and take proper steps to solve all these problems.
7. **To solve the complaints of members:** The members are the owners of the society. They expect due respect from the employees. If they are not satisfied with the working and services provided by the society e.g. delay in transfer of shares, delay in sanction of loans, less dividend, unnecessary deductions by the society, etc. The managing committee should inquire into such complaints seriously without delay and proper steps should be taken to solve the complaints of the members.
8. **To safeguard the member's interest:** The members of the co-operative society come from the economically weaker section. They have invested their savings in a co-operative society. Therefore, they expect better services, better price to their products, proper dividend and better return on their capital, safety of invested funds, etc. from the society. Therefore, it is the duty of managing committee to give justice to the faith shown by the members on managing committee.
9. **To hold elections:** It is the duty of managing committee to conduct all elections of co-operative society. It is also the duty of managing committee to inform the State co-operative election authority and Registrar and to conduct election before expiry of the term.

- 10. To organize general body meeting:** The managing committee must organize general body meeting special general body meeting. After completion of financial year annual general body meeting must be conducted every year. The member has right to receive notice and agenda of the meeting. It is the duty of managing committee to send notice, agenda, annual report, auditors report, etc.

B) Powers of Managing Committee

The members of co-operative society elect their representatives known as director. All the directors are collectively known as Board of Directors or managing committee. Managing committee gets certain powers from the general body. These powers are exercised by the directors in the meeting. The committee has the following powers:

- 1. Powers towards the members:** Managing committee has the powers to call the annual general body meetings and special general body meeting, to transfer the shares, to approve new membership, to collect share capital from members, approve resignation of members, etc. Along with this the managing committee has the power to dismiss the member who do not follow the rules and behave indisciplined.
- 2. Powers towards the employees:** The managing committee has the powers like to appoint necessary staff, to fix the salary, to promote them from training, distribution of work, to supervise their work, decide their terms and conditions of work, etc.
- 3. Power to raise funds:** Managing committee has the power of raising fund required for the working of co-operative society and also has power for spending the funds. For this they have power to accept deposits, keep deposits, take loan and conduct necessary agreements for these.
- 4. Power to purchase assets:** Committee has the power to purchase and acquire assets and properties of co-operative societies like land, building, furniture, etc.
- 5. Other powers:** The managing committee has the power to check the books of accounts and registers of the society, to maintain the books of accounts, to prepare monthly, quarterly and yearly financial statement and get it approved, to file a suit against the guilty. It also has the power to appoint sub-committee.

C) Responsibilities of Managing Committee:

The managing committee is the body of elected members. The members of co-operative society elect their representative for the management of the co-operative society. Managing committee is the trustee of member and the society. Therefore, they are jointly and individually responsible for the working of the co-operative society.

➤ Responsibilities of the Managing Committee can be stated as below:

1. The managing committee must give the acceptance letter in prescribed form within 15 days from their appointment.
2. The members of managing committee must work diligently and loyally.
3. To fix the date and conduct annual general body meeting before 30th September.
4. The managing committee must take decisions carefully and thoughtfully after proper discussion.
5. To invest the capital and funds of co-operative society in profitable schemes.

6. After completion of financial year, the managing committee must prepare various financial statements, Statutory audit report, audit rectification report, keep this in annual general body meeting and sent to Registrar.
7. Not to use the properties such as building, vehicles of co-operative society for the personal benefit.
8. To provide the true and fair financial information of society in the general body meeting.
9. To provide information minimum 6 months in advance regarding completion of the term to the State co-operative election authority.
10. To inform state co-operative election authority regarding the vacancy of managing committee member or office bearer within fifteen days.
11. Not to undertake any business which can create a competition with the co-operative society.
12. To purchase the property in the name of co-operative society at reasonable price.

Activity:

- 2) Visit the co-operative society and collect the information regarding the working of co-operative society and discuss with your teacher.

1.2.3 Office Bearers

➤ Introduction

The shareholders are the owners of the co-operative society. But they cannot manage the working of the co-operative society due to large membership, change and scattered membership. Therefore, the ownership and management are separated from each other. Though the managing committee which is the representative body of the shareholders. All policy decisions are taken by managing committee. These decisions are executed by the office bearers.

Maharashtra co-operative society Act, 1960 (B) defines the term office-bearers as follows:

‘Office bearer’ means a person elected or appointed by a society. Any officer of such society, according to its bye-laws, includes a chairman, vice-chairman, managing director, manager, secretary, treasurer, member of the committee and any other person elected or appointed under this Act, the rules or the bye-laws, to give direction in regard to the business of such society.

From above mentioned office bearers we have to study the following important office bearers.

➤ Chairman

Meaning:

According to the act, Managing Committee of the society is elected in the Annual General Body Meeting for five years. After the election in the First meeting of the managing committee, one member is elected as a chairman of the co-operative Society.

Chairman acts as a chairman of the society and of the meeting. He presides general body meeting and the meetings of the managing committee. He is the chief authority of conducting and controlling the meetings of society. Chairman is a person, empowered under the rules or the bye-laws to give direction in regard to the business of the co-operative society. And also,

chairman is a person who presides over a meeting and conducts its proceedings. The chairman gets honorarium from the society.

A) Functions / Duties of a Chairman:

1. **To look after day-to-day administration:** The chairman has to look after day-to-day working of co-operative society and he has to ensure that the working of co-operative society is conducted according to the provisions of co-operative act and bye-laws.
2. **To Guide and help:** The chairman has to conduct the working of the co-operative society efficiently and sincerely. The chairman has to guide and help the staff and the employees for conducting the work of the society.
3. **To maintain cordial relations:** As the chairman is head of the co-operative society. So, he has to maintain the cordial relations among the members, members of managing committee, staff, employees, Government officers, etc.
4. **To protect the financial interest of the members:** The chairman has to keep the transparency in the working of the co-operative society and while taking decisions he has to protect the financial interest of the members of the society.
5. **Arrange meetings:** According to the co-operative societies act various meetings like annual general body meeting, special general body meeting, etc. are to be conducted in co-operative societies. The chairman conducts these meetings with the help of Secretary and has to see that the meetings are to be conducted according to the legal provisions of the act that is agenda, notice, quorum, minutes, etc.
6. **Conducting meetings:** The chairman is the head of the meeting, he presides over the meeting. He has to conduct meetings as per the provision of the act. He has to see that the motions are properly placed, resolutions are properly passed and members get opportunities to discuss. He has to conduct the meeting impartially.

B) Powers of Chairman:

| Powers of Chairman | |
|--|----------------------------|
| 1. Power relating to administrative work | 2. Power to sign documents |
| 3. Power relating to accounts | 4. Power to take action |
| 5. Power relating to meetings | 6. Power of casting vote |
| 7. Sign Minutes | |

1. **Power relating to administrative work:** The chairman has power to conduct day-to-day administration of co-operative society according to the provisions of the co-operative societies act. He has power to take the decisions relating to day-to-day matters. He has power to control the day-to-day working of officers and staff of co-operative society and ask reports of the work.
2. **Power to sign documents:** The chairman is head of the co-operative society so he has power to sign all the documents e.g. letters, reports, cheques, agreements, contracts, etc.

3. **Power relating to accounts:** Being head of the co-operative society he has the power to control the accounts of the co-operative societies. He has also power to verify the books of accounts of society.
4. **Power to take action:** The Chairman has power to take action against the officers, staff, employees and those who are not doing their duties properly. He also has power to dismiss the employee who is not obeying the order.
5. **Power relating to meetings:** The chairman has power to arrange and conduct the meeting of co-operative society. He has power to presides over all the meetings of co-operative society. He has power to allot time for discussion to the members, discuss the order to speak, stop unwanted discussions, adjourn the meeting, declare the results of the meeting.
6. **Power of casting vote:** The chairman has power to cast casting vote as and when required. Casting vote is an additional or extra vote. Chairman can use this vote in addition to the normal vote. If the votes cast in favour and against the motion are equal i.e. tie, in this situation the Chairman can exercise his power of casting vote. This vote decides the fate of the motion.
7. **Sign Minutes:** The chairman has power to sign the minutes of all the meetings.

C) Responsibilities of a Chairman

Chairman of the society is responsible to the managing committee and chairman of meeting is responsible to meetings of members. His responsibilities are as follows:

1. **Control:** It is the responsibility of the chairman to control on the day-to-day activities of co-operative society. for this he can guide and take help of managing committee.
2. **Take approval:** Sometimes the chairman has to take decision in urgency. It is responsibility of the chairman to take approval for all the decisions which he has taken from managing committee and general body.
3. **Co-ordination:** It is the responsibility of the chairman to have proper co-ordination and communication in all the activities of members, staff, employees, authorities, board of directors, office bearers, etc.
4. **Meeting:** It is the responsibility of the chairman to conduct all the meetings of co-operative society. As per the provisions of co-operative societies act and bye-laws and he has to give sufficient time to express the opinion to the members and conduct the meeting impartially.
5. **To sign the important documents:** As an head of office administration he has to sign the important letters, documents, contracts on behalf of co-operative society.

➤ Vice – Chairman

Every co-operative society appoints Vice – Chairman to carry on the work of the managing committee in absence of Chairman. Vice – Chairman is elected from the Directors or members of the managing committee.

In absence of chairman, the vice – chairman acts as a chairman and he has all the powers of Chairman.

➤ **Secretary**

Meaning:

In any type of business organizations like sole proprietor, partnership, co-operative or joint stock company, a Secretary plays vital role. He has to carry day-to-day routine, administrative and ministerial duties. Secretary's works differs according to type and size of a co-operative society. Under co-operative societies Act his appointment is mandatory. He may be appointed on full time or part time basis as well as honorary or salaried one. In big co-operative societies full time secretary is appointed to perform the administrative work.

Definition:

A Secretary of a co-operative society can be defined as follows:

‘A Co-operative Secretary means an individual, appointed to perform the duties which may be performed by a Secretary under the co-operative societies Act, and any other ministerial or administrative duties specified in the bye-laws of the society.’

A) Functions of Secretary

Secretary is an important officer of co-operative society. He performs various important functions in co-operative society:

- 1. Administrative Functions:** The secretary of a co-operative society has to look after office administrative and day-to-day work, such as inward and outward correspondence, cash and bank transaction, receipts and payments of the society, etc. He has to plan and co-ordinate the activities in office. He has to see that necessary books of accounts are maintained in the organization. Along with its maintenance he has to see the filing and preservation of all record of office. Finally, he has to supervise the work and take care that the work of society is being carried out smoothly and efficiently.
- 2. Maintenance of Accounts and Audit:** Secretary has to maintain the accounts of society or supervise the maintenance of accounts of the society. He has to maintain bills, vouchers, pass book, etc. He has to see that cash- book, receipt and payment and income and expenditure account is prepared in a systematic way. He has to prepare the bank reconciliation statement. Along with this he is also required to keep record of loans and advances, investments and details of creation of reserve fund. A secretary has to present budget before managing committee for consideration. At the end of the financial year accounts of co-operative society are to be audited both by internal and Government auditor. While auditing if queries are raised by the auditor, secretary has to answer them. Finally, he has to place Auditor's report before the general body for its approval.
- 3. Statutory Compliances:** According to Co-operative societies Act, the secretary has to maintain various statutory books such as member's register, share register, register of depositors, etc. The secretary has to produce the statutory books at the time of audit work. At the end of the of financial year he has to file annual return with the Registrar within 45 days from the close of the financial year. Similarly, if any amendment is done in the present bye-laws, secretary has to submit the altered copy of the bye-laws to the Registrar.
- 4. Functions towards the Meetings:** Regular meetings of general body and managing committee should be conducted in the society. It is the duty of the secretary to prepare notice, agenda and all necessary papers, documents before the meeting and submit the same to the concerned person well in advance. During the meeting, he has to see that

quorum is present. He has to assist the chairman at the time of conducting voting. He has to take down the notes of the proceedings of the meeting. After the meeting he has to draft the minutes within 30 days of the meeting and get it signed from chairman.

5. **Functions towards the Members:** Secretary has to take into consideration all requirements of members of the society. he has to answer their queries e.g. receive applications of membership, application of transfer of shares. Before the annual general body meeting, he has to send copies of notices, financial statements and annual reports to all members within proper time limit. He has to collect the entrance fees, donations from the members.
6. **Functions towards the Managing Committee:** Managing committee is the representative body of the co-operative society. Managing committee formulates the plans and policies of the society. The secretary has to carry out instructions given by the managing committee and executes the policy decisions. He attends the meetings of managing committee and communicates the decisions of the committee to the concerned parties. He assists the chairman and the members of the managing committee from time to time and tries to fulfill the goals of the society. He keeps proper coordination between staff and managing committee.

B) Qualities of an Ideal Secretary:

Qualities of an Ideal Secretary

| | |
|-------------------------|-----------------------------|
| 1. Pleasing personality | 2. Imaginative |
| 3. Communication Skill | 4. Business Knowledge |
| 5. Legal knowledge | 6. Administrative Knowledge |
| 7. Initiative | 8. Public Relation |

1. **Pleasing personality:** A secretary has a contact with directors, employees and other outsiders. Hence, he should have a pleasing personality. He should be well dressed, punctual, patience for listening to others and formal. He should also have the quality to impress others by his views and behavior which will help him to be successful.
2. **Imaginative:** A secretary should be imaginative and efficient for using technological tools with intellectual skill, for achieving his target. Institutional work should be completed in an economic way at the right time. All this work depends on secretary's intelligence and qualification.
3. **Communication Skill:** A secretary comes in contact with employees, directors, members of society and other persons. That is why he should be able to express his views clearly, coherently and confidently before others. It is necessary for him to possess good communication skills.
4. **Business Knowledge:** The co-operative society conducts business and provide services such as agriculture production, credit supply, banking services, supply of goods and service, industrial production, etc. The Secretary should have complete knowledge of business techniques or services that are provided by the society.
5. **Legal knowledge:** The Secretary should have legal knowledge of certain laws and provisions of the act applicable to the co-operative society. He should have the knowledge

of co-operative societies Act, Income Tax Act, Monopolistic Restricted trade practices Act, Industrial Act, Pollution Control Act, Right to Information Act 2005, Labours law, etc.

6. **Administrative Knowledge:** Secretary has to look after day-to-day administrative work so he must have administrative knowledge.
7. **Initiative:** For the implementation of any work a person should have basic plan and skill to gather people and for the same he should have initiative mind and enthusiasm.
8. **Public Relation:** Secretary comes in contact with a number of peoples in his day-to-day work. He has to meet various peoples and discuss with them hence, he should have good communication skills, he should be co-operative and open minded with others. In short, he should have quality of maintaining good public relations.

Activity:

- 3) Collect the information regarding functions of secretary of the co-operative society.

➤ **Treasurer**

Meaning:

Treasurer is one of the important Office-bearer of co-operative society. The treasurer is a person who is responsible for maintaining accounts and financial transactions of the co-operative society. He signs profit and loss account and balance sheet of co-operative society. He looks after bank transactions. His main function is to check the bills, receipts and cheques for income and expenditure of co-operative society.

Distinguish Between Chairman and Secretary

| Sr. No. | Points | Chairman | Secretary |
|---------|--------------------------------|---|--|
| 1. | Meaning | The head of Managing committee or Board of Directors is known as Chairman. | The person appointed to conduct correspondence and office work of co-operative society is known as Secretary. |
| 2. | Election / Appointment | The Chairman is elected by Managing committee or Board of directors. | Managing committee appoints the Secretary. |
| 3. | Functions | To look after day-to-day working, help and guide, protect economical interest, organize meetings, etc. are the functions of Chairman. | Correspondence, conducting meeting, writing minutes, send information to Registrar, etc. are the functions of Secretary. |
| 4. | Casting Vote | Chairman has right of casting vote. | Secretary do not have right of casting vote. |
| 5. | Control and Supervision | Chairman keeps control on working of co-operative society. | Secretary keeps control and supervision within the co-operative society. |
| 6. | Remuneration | Chairman gets fees, honorarium for his work. | Secretary gets honorarium or salary from co-operative society. |
| 7. | Removal | Chairman can be removed by Commissioner and Registrar or Managing committee / Board of Directors. | Secretary can be removed by Managing committee or General body. |

Distinguish Between Active Member, Associate Member and Nominal Member:

| Sr. No. | Points | Active Member | Associate Member | Nominal Member |
|---------|------------------------------------|---|--|--|
| 1. | Meaning | A member who takes active part in working and avail services mentioned in bye-laws of co-operative society is known as active member. | A person who purchases shares jointly with active member is called as associate member. | A person who becomes member only by paying entrance fees is called as nominal member. |
| 2. | Share holding | Active member holds minimum one share. | Associate member holds the shares jointly with active member. | Nominal member does not hold any share. |
| 3. | Name on share certificate | Active member's name appears first on the share certificate. | Associate member's name appears after the name of active member i.e. at second or thereafter on share certificate. | Nominal member does not hold shares therefore his name does not appear on share certificate. |
| 4. | Notice of meeting | Active member has right to receive the notices of annual general body and special general body meeting and has right to attend meeting. | Associate member has no right to receive notice of general body meeting. Hence has no right to attend meeting. He can attend meeting only in case of absence of active member. | Nominal member has no right to receive notice and attend the meeting. |
| 5. | Right to vote | Active member has a right to vote. | Associate member has right to vote in absence of active member. | Nominal member has no voting rights. |
| 6. | Dividend | Active member has a right to receive the dividend. | Shares are jointly purchased therefore they do not get dividend separately. | Nominal member does not hold the shares therefore he has no right to receive dividend. |
| 7. | Participation in management | Active member can participate in the management of the society. | Associate member cannot participate in management of the society. | Nominal member cannot participate in management of the society. |

1.3 SUMMARY

❖ **Member:**

A member is the owner of the society. A person who fulfils the necessary condition of membership becomes a member of society.

➤ **Eligibility of Member**

- | | |
|---------------------------|-------------------------------|
| 1. Major person | 2. Resident of working area |
| 3. Student member | 4. Registration institution |
| 5. Partnership firms | 6. Company |
| 7. Public Trust | 8. Co-operative society |
| 9. Local authority (Body) | 10. Central/ State Government |

➤ **Types of Member**

- | | |
|---------------------|--------------------|
| 1. Active Member | 2. Inactive member |
| 3. Associate Member | 4. Nominal Member |

➤ **Rights/ Powers of Member**

- | | |
|---|--------------------------------|
| 1. Right to receive share certificate | 2. Rights relating to meeting |
| 3. Right towards managing committee | 4. Right to apply to registrar |
| 5. Right to get dividend, goods and service | 6. Rights of nomination |
| 7. Other rights | |

➤ **Responsibilities of Members**

- | | |
|--|----------------------------------|
| 1. To follow the rules | 2. To pay the dues |
| 3. To hold the shares | 4. Liability |
| 5. Nomination | 6. Use of loan and its repayment |
| 7. To give information during Enquiry | 8. To Attend the Meeting |
| 9. Sale of products through Co-operative Society | 10. Compensation of loss |
| 11. To protect the interest of society | |

➤ **Causes of Cancellation / Termination of Membership**

- | | |
|--|--------------------------|
| 1. Death of member | 2. Resignation of member |
| 3. Transfer of shares or interest in the society | 4. Migration |
| 5. Dissolution of Society | 6. Expulsion of members |
| 7. Bankruptcy / Insolvency | 8. Inactive member |

❖ **Managing Committee**

The Members elect their representative. Elected members collectively are called as managing committee. Managing committee is responsible for day-to-day affairs of the society. The committee members are trustees of members.

➤ **Functions of Managing Committee:**

- | | |
|--------------------------------|---|
| 1. To implement the policies | 2. To give approval to the membership |
| 3. To appoint the office staff | 4. To increase the share capital |
| 5. To raise funds | 6. To solve employee's grievances/ complaints |

7. To solve the complaints of members
9. To hold elections

8. To safeguard the member's interest
10. To organize general body meeting

➤ **Powers of Managing Committee**

1. Powers towards the members
3. Power to raise the funds
5. Other powers

2. Powers towards employees
4. Power to purchase the assets

➤ **Responsibilities of Managing Committee**

1. To give acceptance letter
3. Conduct meeting
5. Investment of capital and fund
7. Use of assets
9. Information to State co-operative election authority.
11. Competitive business

2. Work diligently and loyally
4. Take decision carefully
6. To prepare financial statements and reports
8. True and fair information
10. Information of vacancy
12. Purchase property at reasonable price

❖ **Office Bearers**

The office bearer of Co-operative society includes Chairman, Vice-chairman, Secretary and Treasurer.

1. Chairman

Chairman is elected in the managing committee meeting. Chairman of the society acts as a Chairman of all meetings of managing committee and meeting of general body.

➤ **Functions of Chairman**

1. To look after day-to-day administration
3. To maintain cordial relation
5. Arrange meetings

2. To Guide and help
4. To protect the financial interest of members
6. Conducting meetings

➤ **Powers of Chairman**

1. Powers relating to administrative work
3. Powers relating to accounts
5. Powers relating to meetings
7. Sign minutes

2. Powers to sign documents
4. Power to take action
6. Power of casting vote

➤ **Responsibilities of Chairman**

1. Control
3. Co-ordination
5. To sign the important documents

2. Take approval
4. Meeting

2. Vice – Chairman

In absence of chairman, vice – chairman acts as a chairman. Qualifications, role, rights, duties and responsibilities of vice – chairman is same as that of a chairman.

3. Secretary

A co-operative society appoints secretary to manage its various activities. Nature of his work changes according to type and size of a co-operative society. He may be appointed on full time or part time basis as well as honorary or salaried one.

➤ Functions

- | | |
|----------------------------------|---|
| 1. Administrative functions | 2. Maintenance of accounts and audit |
| 3. Statutory compliances | 4. Functions towards the meetings |
| 5. Functions towards the members | 6. Functions towards the managing committee |

➤ Qualities of an Ideal Secretary

- | | |
|-------------------------|-----------------------------|
| 1. Pleasing personality | 2. Imaginative |
| 3. Communication skill | 4. Business knowledge |
| 5. Legal knowledge | 6. Administrative knowledge |
| 7. Initiative | 8. Public Relation |

4. Treasurer

Treasurer is an important office-bearer of the co-operative society who is responsible for financial transactions of the co-operative society.

1.4 KEY TERMS

1. **Member** – A person who fulfils the conditions of membership and hold the shares of the co-operative society.
2. **Share Capital** – The capital collected by the co-operative society by issuing shares.
3. **Director** – Elected representatives of members.
4. **Managing Committee** – Group of elected representatives of members.
5. **Dividend** – Profit which is allocated among the members (shareholders).
6. **Share certificate** – A document of title to shares.
7. **Unlimited liability** – Owner (member) is personally liable for the debts of co-operative society.
8. **Limited liability** – Liability limited upto the face value of shares.

1.5 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the sentences:

1. Directors are the _____ of the members.
(a) Creditors (b) Representatives (c) Servants
2. A person whose name comes second or thereafter on the share certificate is called _____ member.
(a) Active (b) Nominal (c) Associate
3. A member who fulfils all the conditions of membership is called as _____ member.
(a) Active (b) Associate (c) Nominal

4. A person who is admitted as a member and pays only entrance fee is _____ member.
(a) Associate (b) Active (c) Nominal
5. An individual who have completed the age of _____ years is eligible for membership.
(a) 18 (b) 15 (c) 21
6. Members are the _____ of the co-operative society.
(a) Creditors (b) Employees (c) Owners
7. Right of casting vote can only be used by _____.
(a) Chairman (b) Treasurer (c) Secretary
8. Right to adjourn meeting is given to _____.
(a) Chairman (b) Nominal Member (c) Secretary
9. Right to decide number of members of managing committee is to _____.
(a) Secretary (b) Chairman (c) Registrar
10. A person who conducts the correspondence of a co-operative society is _____.
(a) Secretary (b) Chairman (c) Accountant

B) Match the following:

| Group 'A' | Group 'B' |
|---------------------|---|
| a) Active member | 1. Representative of Member. |
| b) Chairman | 2. Voting rights. |
| c) Associate member | 3. No voting rights. |
| d) Directors | 4. Purchase shares jointly. |
| e) Secretary | 5. Only pays entrance fees. |
| | 6. Creditor of co-operative society. |
| | 7. No Right of casting vote. |
| | 8. Registrar of co-operative society. |
| | 9. Right of Casting vote. |
| | 10. Employee of the co-operative society. |

C) Write a word or a phrase or a term which can substitute each one of the following:

1. A member whose name appears first on share certificate.
2. A person who gets membership by paying only the entrance fees.
3. A person having right to adjourn the meeting.
4. A member who can attend the meeting in absence of active member.
5. The representative elected by the members to look after day-to-day working of co-operative society.
6. The authority with right of casting vote.
7. A person who conducts the correspondence of the society.
8. A person who manages the work of a meeting in absence of a chairman.

D) State whether the following statements are True or False:

1. Members elect directors.
2. Active members do not have right to receive dividend.
3. The group of representatives elected by the members is known as Board of Directors.
4. Directors do not look after the day-to-day working of co-operative society.

E) Complete the following sentences:

1. A person whose name is second or thereafter on share certificate is _____ member.
2. The representatives selected by the members is known as _____.
3. Chairman has right of _____ vote.

F) Select the correct option:

| | |
|--|----------------------|
| 1. Acts as chairman in absence of chairman | <input type="text"/> |
| 2. <input type="text"/> | Casting vote |
| 3. Looks after correspondence | <input type="text"/> |
| 4. <input type="text"/> | Right to vote |
| 5. Representative of member | <input type="text"/> |

Active Member, Director, Chairman, Secretary, Vice – chairman.

G) Answer in one sentence:

1. What do you mean by Director?
2. When chairman can use casting vote?
3. What do you mean by members?
4. What do you mean by Secretary?
5. What do you mean by Nominal member?

H) Correct the underlined word and rewrite the following sentences:

1. In absence of chairman, Secretary looks after day-to-day working of co-operative society.
2. Conducting election of managing committee is the responsibility of Auditor.
3. A person whose name is first on share certificate is known as Chairman.
4. Writing minutes is the responsibility of Chairman.

I) Find the odd one:

1. (a) Chairman (b) Vice-chairman (c) Secretary (d) Member
2. (a) Registering officer (b) Chairman (c) Secretary (d) Vice - Chairman

J) Arrange in proper order:

1. (a) Chairman (b) Vice-chairman (c) Secretary (d) Member

Q.2 Explain the following terms:

1. Member.
2. Directors.
3. Managing Committee.
4. Active Member.
5. Nominal Member.

Q.3 Application based/ Self-opinion question:

1. Secretary is an important office bearer of co-operative society.

Q.4 Difference Between:

1. Active member and Nominal member.
2. Nominal member and Associate member.
3. Associate member and Active member.
4. Chairman and Secretary.

Q.5. Write short notes:

1. Types of Member.
2. Causes of cancellation of membership.
3. Powers of Chairman.
4. Eligibility of Members.
5. Qualities of an ideal Secretary.
6. Functions of Secretary.

Q.6 Give Reasons:

1. Members are owners of the co-operative society.
2. Active member has voting right.
3. Chairman has right of casting vote.
4. Members elect their representatives.
5. Chairman is elected from the managing committee.
6. Secretary must have various qualities.
7. The knowledge of co-operative act is necessary for the secretary.
8. Secretary is an important office bearer of the co-operative society.

Q.7 Answer in short:

1. Types of members.
2. Causes of cancellation of membership.
3. Responsibilities of member.
4. Eligibility of members.
5. Functions of Secretary.

Q.8 Long answers:

1. Explain the rights and responsibilities of a member of co-operative society.
2. Explain the functions of Managing committee in detail.
3. Explain the powers and responsibilities of Chairman.
4. Explain the powers and responsibilities of Managing Committee.
5. Define Secretary and explain the functions of a Secretary.



2. Correspondence of the Secretary of Co-operative Society

| | | | |
|-------|-----------------------------|-------|--|
| 2.1 | Introduction | 2.3.2 | Correspondence with Managing committee / Directors |
| 2.2 | Correspondence of Secretary | 2.3.3 | Correspondence with Registrar |
| 2.2.1 | Meaning | 2.4 | Summary |
| 2.2.2 | Layout | 2.5 | Exercise |
| 2.3 | Correspondence of Secretary | | |
| 2.3.1 | Correspondence with Members | | |

2.1 Introduction

The secretary of a co-operative society is an important office bearer in the day-to-day working of the society. So, he has many responsibilities. As the executive officer he has to look after accounts and correspondence of the society very carefully. As a co-operative society is a commercial organization its success depends upon its accounts writing and correspondence.

In modern era so many advanced means of communications like mobile, fax, internet, e-mail, etc. are available but the importance of correspondence has not decreased. The co-operative society can create a decent image and add to its goodwill with the help of correspondence. The secretary of a society can create healthy relations with members, directors, office bearers, registrar, working staff and with the commercial world. He has to keep contact with above for running the organizations smoothly with the help of correspondence. The process of correspondence continues right from promotion of the society till its existence. Considering all these facts it is necessary to get information about the correspondence of the secretary of co-operative society.

2.2 Correspondence of Secretary :

There is a separate section for correspondence in a co-operative society. The secretary is the chief of this section. The subordinate staff of this section looks after the correspondence of the society. But the secretary himself has to write some important letters. The secretary of a co-operative society has to correspond constantly with members, directors, registrar, insurance companies, banks and other financial institution, etc. As the co-operative society is a commercial organization the secretary has to look in to various important matters very carefully while corresponding with them. Correspondence saves money, time and labour. The correspondence made by the secretary with the members of the society, Registrar and co-operative department etc. correspondence is the written evidence with the co-operative society. In future it can be produce as legal evidence in court if necessary. Sometimes it becomes difficult for the secretary to reject rendering some services and facilities to the members and others, but with the help of correspondence such bitter decisions can be easily conveyed to them. With the help of correspondence legal compliance of co-operative society can be fulfill and good relations can be maintained to increase business.

2.2.1 Meaning

There are various means of communications, correspondence is one of them. According to Davis, 'Transfer of information and thoughts from one person to another is called as communication'. Communication in written form is known as correspondence. Correspondence is of three types private correspondence, official correspondence and commercial correspondence. While conducting correspondence the business relations are to be considered. It must be complete and in short.

2.2.2 Layout of Letter

| | |
|--|-------------------------|
| (1) Heading | |
| Name of the co-operative society | |
| Address | |
| E-mail Id. | |
| Telephone | (2) Date- |
| (3) Outward No. | |
| (4) Inside Address. | |
| Name/ Designation | |
| Address- | |
| | (5) Subject |
| | (6) Reference |
| (7) Salutation | |
| (8) Body of the letter | |
| (A) Paragraph one (Introduction of Letter) | |
| (B) Paragraph two (Contents of Letter) | |
| (C) Paragraph Three (Conclusion of Letter) | |
| | (9) Complimentary close |
| | (10) Signature |
| (11) Enclosures | |
| (12) Initials | |
| (13) Carbon copy notation | |

- 1. Heading:** The heading of business letter contains the name address of the person or other organization or society that is sending out the letter. It is printed at the top center of the page and it is in bold letter. The heading of business letter contains following things: the name of the co-operative society, address of head office, logo, e-mail Id, phone number, etc.
- 2. Date:** It is necessary to write date on each letter. Generally, the date is written below the address on the right side. There are two methods of writing the date. According to British method it is as '25th May 2019'. It is written also May 25, 2019 according to American method. But out of these two methods, the British method is the most popular and mostly used in our country. As the letter can act as reference and legal evidence in future so the date on letter has legal importance.

3. **Outward number:** It is necessary to give outward number while writing business letter. While completing the letter and dispatching it should be registered in outward register. It is necessary to have record of page in the outward register. Each letter is recorded in the outward register and the number which is given to letter is called as outward number. It is written as L / 70 / 2019 (L- Loan, 70 - Serial no. of letter, 2019- Year)
4. **Inside Address:** It consists of the name and the address of the receiver of the letter. It is placed along to the left-hand side. Address should be written e.g.

Shri Ravindra Mahadev Suryawanshi,
At Post – Datta wadi, Tal. – Karveer,
Dist. – Kolhapur – 416 507
5. **Subject:** The purpose of the letter is briefly mentioned under this title. It is written in brief Reference is indicated if necessary. e.g. Subject – Sanctioning of loan.
6. **Reference:** Reference means someone or something which is a source of information about a subject. E.g. Reference – Your loan application number L / 210 / 2012 dated on 2nd January, 2012.
7. **Salutation:** Salutation means formal greeting from the writer to the reader. For e.g. ‘Dear Sir’, ‘Respected Sir’, ‘Sir’, etc.
8. **Body of Letter:** Business letter should be as brief as possible. The writer should complete the letter using two paragraphs only and third paragraph if necessary. In first paragraph aim of the letter is mentioned. Second paragraph contains the main subject matter in clearly and simple words and third paragraph is a concluding paragraph of the letter.
9. **Complementary Close:** It is a formal concluding part of the letter. It is placed below the body of the letter and above the signature on the right - hand side e.g. ‘Yours Faithfully’, ‘Yours Sincerely’. It depends upon the salutation.
10. **Signature:** The authorized person signs below the complimentary close on the right - hand side. Due to signature letter gets legal importance.
11. **Enclosures:** Enclosure indicates the documents attached along with the letter. It is written as ‘Encl’, which is written below the signature on the left-hand side. For e.g. dividend warrant No. 412 is send along with the dividend letter.
12. **Initials:** If the letter is in computerised form the initials of computer operator are written below the signature on the left side margin. So, if there are some typing mistakes then he is held responsible for that.
13. **The Copy for notation:** Sometimes the copies of the business letter are sent to persons for further action and then only ‘Copy for notation’ is written on the left – hand side, right below the initials e.g. C.C – Registrar of co-operatives societies, Pune.

Letter writing is a skill. Above points should be taken into consideration while writing business letter. The success of business depends on correspondence.

2.3 Correspondence of Secretary

According to Maharashtra State Co-operative Act, 1960, membership is given to the person or organizations. Correspondence is done with members due to commercial needs. We are going to study few important letters.

2.3.1 Correspondence with members.

1. Letter of approval of Membership.
2. Letter of rejection of Membership.
3. Letter for transfer of shares.
4. Letter for sanction of loan.
5. Reminder letter for loan defaulter.
6. Notice and agenda of First general body meeting.
7. Notice and agenda of Annual general body meeting.
8. Dividend distribution letter.
9. Notice and agenda of Special general body meeting.

2.3.2 Correspondence with Managing Committee / Directors.

1. Notice and agenda of meeting of managing committee / directors.
2. Reply letter to the request of a Director about changing the date of the meeting of Managing committee.
3. Letter to a Director reporting about the business transacted at the meeting in his absence.
4. Notice to Directors for sub – committee meeting.

2.3.3 Correspondence with Registrar.

1. Letter for reserving the name of Proposed Co-operative society.
2. Request letter to the Registrar for registering the Co-operative society.
3. Letter to the Registrar for approval of alteration in bye – laws.

2.3.1 Correspondence with members.

1. Letter of Approval of membership.

Yashwant Sugar Co-operative Society Limited

Ganesh Nagar,

Taluka Panhala, Dist. Kolhapur - 416 507

E-mail Id – yashwant@gmail.com.

Telephone – 02320 - 222260

Outward No. – C / 05 / 2019

Date – 16th June, 2019

To,

Shri Tejas Vishnu Devare,

At Post Khadakewadi, Tal – Panhala,

Dist. Kolhapur – 416 507

Subject – Approval of membership

Reference – Your application no. 270 / 6th April, 2019.

Dear Sir,

With reference to your letter for the membership of our sugar factory, you are here by informed that your application for membership has been approved in the meeting of the Managing Committee held on 28th May, 2019. Hence, membership is granted to you from 28th May, 2019.

After receiving the letter you have to purchase share amounting Rs. 5,000/- (Five thousand only) within fifteen days and deposit it in the Central bank. Thereafter you will be able to receive your share certificate.

Thanking You,

Yours faithfully,

sd/-

Shri. R. S. Patil

Secretary

On behalf of Board of Directors.

Encl. Cheque No. 15550

2. Letter for rejection of Membership:

Shri Ganesh Credit Co-operative Society Limited

220, Sevasadan, Khed,

Pune 410 505

E-mail Id – ganesh@gmail.com.

Telephone – 020-25672525

Outward No. – N/25/2019

Date – 10th May, 2019

To,

Shri Sachin Govind Jadhav,

Shivaji Road, Ambegaon,

Pune - 410 509.

Subject – Letter of Rejection of membership

Reference – Your application of membership no. 101/20th April, 2019.

Dear Sir,

With reference to your application of the membership of our credit co-operative society you are hereby informed that the meeting of the Managing committee was held on 2nd May, 2019. After Consideration of your application for membership has been rejected by the Managing Committee.

As per the bye-laws of our co-operative society membership is granted only to the person residing in the working area of Shri Ganesh Credit co-operative society. As you're not resident of the working area of our co-operative society hence we regret to inform your application for membership is rejected.

We are refunding the amount of Rs. 500 (five hundred only) which you have paid for membership through cheque No. 15550 drawn on Pune District Central Co-operative Bank branch Tilak road, Khed.

Thanking you,

Yours faithfully,

sd/-

S. B. More

Secretary

On behalf of Board of Directors.

Encl. Cheque No. 15550

3. Letter for transfer of shares:

Suhasini Mahila Co-operative Bank Limited

Sunrise Nagar, Nandurbar - 425 409

E-mail Id – suhasini@gmail.com.

Telephone – 02565 - 223880

Outward No. ST/50/19

Date – 20th July, 2019

To,

Mrs. Poonam Shashank Joshi,

Ramnagar,

Nandurbar – 425 409

Subject – Approval for Transfer of shares

Reference – Your application of transfer of shares R1/215/18th May,2019.

Dear Madam,

Your letter dated 18th May, 2019 for transfer of shares was kept before the meeting of the Board of Directors held on 10th July, 2019 for consideration. Accordingly, your application for transfer of shares no. 4040 to 4046, total seven shares in the name of Smt. Poorva Prashant Marathe has been approved. Hence, hereafter your membership of the society from 10th July, 2019 comes to an end and your share certificate no.510 has been cancelled. Please note that your name has been cancelled from the register of members.

Thanking you,

Yours faithfully,

sd/-

Mrs. Sandhya Pravin Raut

Secretary

On behalf of Board of Directors.

4. A letter of loan Sanction

Sharda Teachers Credit Co-operative Society Limited

Sharda Nagar, Amravati - 444 601

E-mail Id – sharda@gmail.com.

Telephone – 021-2673283

Outward No. – L. S./922/2019

Date – 7th July, 2019.

To,

Shri Ravindra Mahadev Choudhary,

15, Karve Road,

Amravati – 444 601.

Subject – Sanction of loan

Reference – Your loan application dated on 15th June, 2019.

Dear Sir,

You are hereby informed that your application for loan has been sanctioned in the Board of Directors meeting held on 25th June, 2019. A loan of Rs.1,00,000/- (One Lakh only) has been sanctioned to you.

So, you are requested to contact the office of the society immediately for the further needful action.

Thanking you,

Yours faithfully,

sd/-

Shri. H. S. Bhosale

Secretary.

5. Reminder letter for a Loan defaulter

Ajay Credit Co-operative Society Limited

Sunset Nagar, Beed - 431 122

E-mail Id – ajay@gmail.com.

Telephone – 02442 - 2578450

Outward No. – R/80/2019

Date – 5th July, 2019.

To,

Shri. Keshav Santosh Mane,
212, 'Sai Niwas', Main Road,
Beed - 431 122.

Subject – Reminder for repayment of loan

Dear Sir,

You have taken a housing loan of Rs.3,00,000/- (Three Lakh only) from our society dated on 7th March 2015. It is observed that you have not paid the installment of loan for 3 months. You have to pay dues of the installments of the loan Rs.40,000/- (including interest). You were supposed to pay this amount before 1st July 2019. Since you have not repaid the installments you are hereby declared as a defaulter.

So, you have to pay the amount in the office of the society within fifteen days, from the date of receiving this letter. Please note that if you will not pay the amount in due time, we will have to take legal action against you and you will be held responsible for the same.

Thanking you,

Yours faithfully,

sd/-

Shri. S. D. Sawant

Secretary

6. Notice and Agenda of First general body meeting:

Janata Co-operative Paper Mill Limited

Jat, Dist. Sangli - 416 404

E-mail Id – janata@gmail.com.

Telephone – 02344 – 222262

Date – 21st November, 2019.

Notice of First general meeting

This is to inform you that the first general meeting of Janata co-operative paper Mill Limited will be held according to the Maharashtra State Co-operative Act, 1960 on Monday 5th December, 2019 at 2p.m. in the Sharda Auditorium, Jat. All the members are requested to be present for the meeting.

Agenda of the meeting

1. To elect a president for the meeting.
2. To give information to the members regarding registration of co-operative society.
3. To approve the membership of new members.
4. To accept accounts and give approval for expenses of registration.
5. To approve the financial transaction of promoter upto 14 days before the meeting.
6. To consider the bye – laws approved by the Registrar of co-operative society.
7. To elect adhoc Managing committee for the year 2019-2020.
8. To decide maximum limit for raising the borrowed funds.
9. To discuss and decide any other business with the permission of the chair.

Thanking you,

Yours faithfully,

sd/-

Shri. Sagar R. Patankar

Chief Promoter

7. Notice and Agenda of the Annual general body meeting:

Gajanan Urban Co-operative Bank Limited

216, Station Road, Wardha - 442 001

E-mail Id – gajanan@gmail.com.

Telephone – 07152 - 244550

Date – 22nd August, 2019.

Notice of Annual general body meeting

(For members)

This is to inform all the members, that 25th Annual general meeting of our bank will be held on Tuesday 17th September, 2019 at 3p.m. in the Hall of co-operative society's head office. All the members are requested to be present in the meeting.

Agenda of the meeting

1. Reading the proceeding of the last year's Annual general body meeting.
2. Approval to profit and loss account and balance – sheet for the year 2018 – 2019.
3. Approval to the budget for the financial year 2019 – 2020.
4. As per recommendations of the managing committee sanctioning and declaration of dividend for the financial year ended 31st March, 2019.
5. Appointment of auditor for the financial year 2019 – 20.
6. Appointment of new directors in place of retiring one.
7. To discuss for investment of surplus fund with co-operative society.
8. Any other business with the permission of the chair.

Thanking you,

Yours faithfully,

sd/-

Shri. Ajay Rajaram Chavan

Secretary

On behalf of Board of Directors.

Notice

1. If the members are willing to ask questions about the report, profit and loss account, balance sheet then they should send them in writing up to 11th September, 2019 to the head office.
2. In the absence of adequate quorum, the meeting will be adjourned and it will be held after one hour on the same day and at the same place.
3. Members Identity card is compulsory for attending the meeting.

8. Dividend distribution letter:

Janata Consumer Co-operative Society Limited

Samata Nagar, Aurangabad – 431 001

E-mail Id – janata@gmail.com.

Telephone – 0240 - 2606615

Outward No. – DD/80/2019

Date – 20th September, 2019.

To,

Shri. Prakash Mahadev Naik,

214, Gajanan Nagar,

Aurangabad – 431 001

Subject – Dividend Distribution

Respected Sir,

We are happy to inform you that decision of 11% dividend for financial year 2018-19 on share has been taken in the Annual general body meeting held on 17th September, 2019. As you hold Thirty shares of our society, the distribution of dividend is as follows:

Amount of dividend - Rs.330/-

Less Income Tax - Nil

Payable net amount of dividend - Rs. 330/-

Enclosed here with dividend warrant of Rs. 330/-

Thanking you,

Yours faithfully,

sd/-

Shri. M. V. Mahajan

Secretary

On behalf of Board of Directors.

Enclosure – Dividend warrant No.512.

9. Notice and agenda of Special general body meeting:

Nashik District Central Co-operative Bank Limited

Maruti chowk, District – Nashik 422 001

E-mail Id – nashikdist@yahoo.com.

Telephone – 0253 - 222272

Date – 4th July, 2019.

Notice of Special general body meeting

This is to inform all the members that Special general body meeting will be held on Friday 19th July, 2019 at 11 a.m. in the Hall of the bank at the head office. So, all the members are requested to attend the meeting.

Agenda of the meeting

1. Reading notice of the meeting.
2. To change the face value of shares from Rs.50 to Rs.100 as per the provisions of bye – laws of the society.
3. As per Rule no.25 of bye-laws to change the quorum of directors meeting from five directors to seven directors.
4. Any other matter with the permission of the chair.

Thanking you,

Yours faithfully,

sd/-

Shri. D. R. Jagtap

Secretary

Notice

1. In the absence of adequate quorum, the meeting will be adjourned, after one hour the meeting will be held on the same day at the same place.
2. Each member should bring their identity card for the meeting.

2.3.2 Correspondence with Managing Committee / Board of Directors

1. Notice and Agenda of the meeting of managing committee.

Jay Shankar Urban Co-operative Bank Limited

210, Bapat Marg, Nashik – 422 001

E-mail Id – jayshankar@gmail.com.

Telephone – 0253 – 250240

Date – 2nd July, 2019.

To,
Shri. Nitesh Shivaji Patil,
44, Mahalakshminagar,
Nashik – 422 001.

Respected Sir,

Notice is hereby given that the meeting of managing committee of our bank will be held on Monday 15th July, 2019 at 2p.m. at the Hall of society's head office to transact the following business. So, you are requested to be present at the meeting.

Agenda of the meeting

1. To confirm the minutes of last meeting.
2. To consider the application for transfer of shares.
3. To discuss about the financial position of the society.
4. To appointment of staff of co-operative society.
5. To consider the application of loan.
6. Any other matter with the permission of Chairman.

Yours faithfully,
sd/-
Shri. V. S. Sathe
Secretary.

2. Reply letter to the request of a Director about changing the date of the meeting of Managing Committee:

Balaji Co-operative Cotton Mill Limited

Balaji Nagar, Dhule – 422 001

E-mail Id – balaji@gmail.com.

Telephone – 02562 - 2250240

Outward No. – B.D./217/2019

Date – 30th June, 2019.

To,

Shri. Ashok Narayan Jadhav,

‘Saikunj’, Anandnagar,

Dhule – 422 001.

Subject – Change in the date of Managing Committee’s meeting.

Reference – Your request letter dated on 25th June, 2019.

Respected Sir,

With reference to your letter dated 25th June, 2019 you have requested to change date of the meeting of Managing Committee to 25th July, 2019 instead of 13th July, 2019.

I hereby inform you that after the discussion with Hon. Chairman it has been decided that the date can’t be postponed. As in the meeting of 13th July, 2019 we are going to discuss about expansion of cotton mill Hon. Chairman and two other directors have to go to Mumbai for an important work of the mill from 20th July, 2019.

So, I request you on behalf of the Hon. Chairman to change your program and attend the meeting.

Thanking you,

Yours faithfully,

sd/-

Shri. A. P. Gurav

Secretary.

3. Letter to a Director reporting about the business transacted at the meeting in his absence.

Adinath Co-operative Sugar Factory Limited

Ektanagar, Jalgaon – 424 001

E-mail Id – adinath@gmail.com.

Telephone – 0257 - 215248

Outward No. – M / 60 / 2019

Date – 12th August, 2019.

To,

Shri. Ritivik Rajendra Bhosale,

Shree Samarth Nagar,

Jalgaon – 424 001.

Subject – Reporting about the minute of the meeting.

Respected Sir,

The Board of Directors regular meeting of our society was held on Monday 30th July, 2019 at the head office of our society. You were absent for the meeting due to your personal reason.

In the meeting the general business matters were discussed and accordingly resolutions were passed. As per the approval of the majority of directors the loan limit was increased from Rs. 1,00,000/- to Rs. 1,50,000/-. The discussion also made regarding increase in the amount of share capital. Some routine business matters were also discussed. For your information and consideration, we are enclosing a copy of minutes of the meeting along with this letter.

Thanking you,

Yours faithfully,

sd/-

Shri. Bharat Pawar

Secretary.

Enclosure – A true copy of minutes of the meeting.

4. Notice to Directors for sub – committee meeting:

Thane District Central Co-operative Bank Limited

Ram Maruti Road, Thane – 400 601

Email Id – thanedistrict@gmail.com.

Telephone – 022 – 222268

Outward No – S. C. / 05 / 2019

Date – 5th September, 2019.

To,

Shri. Suresh Namdev Mane,
412, Ghodbunder Road,
Thane – 400 601.

Subject – Notice of sub – committee meeting.

Respected Sir,

This is to inform you that the Director's loan sub – committee's meeting is arranged on 17th September, 2019 at 11 a.m. at society's office. The agenda of the meeting is enclosed along with this letter. You are hereby requested to attend the meeting.

Thanking You,

Yours faithfully,
sd/-
Shri. R. S. More
Secretary.

Enclosure – Agenda of Meeting.

2.3.3 Correspondence with the Registrar

1. Letter for reserving the name for Proposed Co-operative Society:

Proposed Vidya Credit Co-operative Society Limited

40, Navipeth, Shastri Marg, Pune – 411 030.

Telephone – 020 - 25216622

Outward No. – R/9/2019

Date – 5th August, 2019

To,
District Deputy Registrar,
Co-operative Society,
Main Administrative Building,
Pune – 411 030.

Subject – Request to reserve the name of proposed co-operative society.

Respected Sir,

With reference to your letter dated 25th July 2019 letter No. P / J / 512 you have given permission to open bank account to our proposed credit co-operative society. We have collected the minimum required share capital within one month. We will fulfill the legal provision of the registration as early as possible.

The promoters unanimously agree that the name of the proposed society as ‘Vidya Credit co-operative society Ltd.’

We request you to reserve this name for our co-operative society.

Thanking you,

Yours faithfully,

sd/-

Smt. Shubdha Prasad Joshi

Chief Promoter.

2. Request letter to the Registrar for registering the Co-operative Society:

Proposed Dhanashree Credit Co-operative Society Limited

Shahupuri, Jalana – 431 203.

Telephone – 02482 - 227012

Outward No. – R / 7 / 2019

Date – 2nd August, 2019

To,
District Deputy Registrar,
Co-operative societies,
Central Building,
Jalana – 431 203.

Subject – Request for registration of co-operative society.

Respected Sir,

With reference to above subject this is to inform you that our proposed co-operative society has collected the minimum required amount of share capital and also fulfilled all the requirements for registration of credit co-operative society. We have enclosed all the required documents.

So kindly register our society and issue the certificate of registration.

Thanking you,

Yours faithfully,
sd/-

Smt. Uma S. Shinde
Chief Promoter.

Enclosure

1. Four copies of registration forms.
2. Four copies of bye – laws.
3. Four copies of list of members.
4. Certificate of bank balance.
5. Proceedings of primary meeting.
6. A copy of co-operative society's plan.
7. No Objection Certificate.
8. Certificate of population.
9. Challan receipt.

3. Letter to the Registrar for approval of alteration in bye – laws:

Jay Kisan Co-operative Bank Limited

1310, Suyashnagar, Solapur – 413 001.

E-mail Id – jaikisan@gmail.com.

Telephone – 0217 - 222370

Outward No. – B / 15 / 19

Date – 17th August, 2019.

To,
District Deputy Registrar,
Co-operative societies, Sath Rasta,
Solapur – 413 001.

Subject – Alteration in bye – laws.

Respected Sir,

This is to inform you that the Special general body meeting of the society was held on 14th August, 2019. The members discussed about the alteration in bye – laws of the society in the meeting.

The meeting resolved by majority votes that the face value of the shares of our co-operative society should be changed from Rs.10/- per share into Rs.100/- per share.

Along with this letter the four copies of minutes and the copy of special resolution is enclosed, we have already paid the prescribed fees. We request you to approve the changes in bye – laws of the society.

Thanking you,

Yours faithfully,

sd/-

Shri. S. R. Chavan

Secretary.

Enclosures:

1. Four copies of altered bye – laws.
2. Copy of special resolution.
3. Challan receipt.

2.4 SUMMARY

- Co-operative society is a commercial organization. Secretary is the Chief executive of the society in day-to-day working of a co-operative society. Maintaining of accounts and correspondence are the important functions of the office of a co-operative society and success and failure of a society depends on him. Correspondence is a means of communication. Correspondence saves time money and labour, it acts as a legal evidence in the court of law. Healthy relations can be created with business world. Correspondence helps in growth of business and goodwill. Transfer of information or thoughts from one person to another is called as communication. Sending information or thoughts from one person to another in written form is called as correspondence. Types of correspondence private or personal Correspondence, official correspondence, Commercial correspondence. Commercial correspondence is different from other types. Brief writing, clarity using small sentences easy and meaningful words, polite language, completeness are essentials of ideal correspondence layout of business letter typical format. Heading is placed at the top center of the page with the address , on the left side Email-Id on left hand side telephone and address reference number inside address, subject and reference salutation paragraph one, paragraph two, paragraph three if required signature enclosures, initials copy for notation.

Correspondence of Secretary – Correspondence with members, Correspondence with Managing Committee and Correspondence with Registrar.

2.5 EXERCISE

Q.1 Prepare specimens of the following letters:

1. Draft a letter of approval of membership of the society.
2. Draft a letter of rejection of membership.
3. Draft a letter informing the member regarding approval of transfer of shares.
4. Draft a notice and agenda of the First general body meeting of Co-operative society.
5. Draft a notice and agenda of Annual general body meeting.
6. Draft a notice and agenda of Special general body meeting.
7. Draft a letter for sanction of loan to the member by a co-operative society.
8. Draft a reminder letter to a loan defaulter of co-operative society.
9. Draft a letter for distribution of dividend.
10. Draft a notice and agenda of the meeting of Managing committee.
11. Draft a reply letter to the request by a director about changing the date of the meeting of managing committee.
12. Draft a letter to a Director reporting about the business transacted at the meeting in his absence.
13. Draft a notice to Director for sub – committee meeting.
14. Draft a letter to the Registrar about registration of the co-operative society.
15. Draft a letter to the Registrar for reserving the name for Proposed co-operative Society.
16. Draft a letter to the Registrar of co-operative societies informing about the alteration in the bye-laws of the society.



3. Commissioner and Registrar of Co-operative Societies

| | |
|----------------------------|----------------------|
| 3.1 Introduction | 3.5 Powers |
| 3.2 Meaning and Definition | 3.6 Responsibilities |
| 3.3 Role | 3.7 Summary |
| 3.4 Function | 3.8 Key terms |
| A. Statutory functions | 3.9 Exercise |
| B. Controlling function | |
| C. Development functions | |

3.1 Introduction

Co-operative movement was started in India with First Co-operative Act, 1904. According to this act the post of registrar came into existence. According to Co-operative Act, 1912 the co-operative society was started in various sectors. From 1919 the co-operative sector was brought under the control of the State Government and appointment of Registrar was done by State government. After Independence Maharashtra state was formed in 1960 and Maharashtra State Co-operative Act came into existence. Due to increase in duties of registrar government decided to increase the powers of registrar and from June 1968 the designation of registrar was extended (widened) and was changed as 'Commissioner and Registrar of Co-operatives, 'Through this, more powers were given to registrar. And on Registrar dual responsibility of Commissioner and Registrar was given. All co-operative societies in Maharashtra comes under the control of State commissioner and registrar of co-operatives Maharashtra state Pune. Co-operative movement is the movement of economical weaker section of the society. The working of which is conducted in democratic manner. Registrar is appointed to control co-operative movement in the state. Central government made amendment in co-operative act by 97 amendments. Maharashtra government implemented this from 13th August, 2013. In this topic we are going to study the meaning role, power, functions and responsibilities of the Commissioner and Registrar of co-operative society.

3.2 Meaning and Definitions

➤ Meaning:

The person who is appointed by State Government to control co-operative societies is known as Registrar.

The person who registers the co-operative society, control and guide is called Registrar. The officer appointed at state level by co-operative department is known as Commissioner and Registrar of co-operative society.

➤ Definitions:

According to the Maharashtra State co-operative societies Act 1960 under section 2(24) 'The person who is appointed as co-operative Act as Registrar of co-operative society is known as Commissioner and Registrar.

According to the Act of co-operation, ‘The person who registers the co-operative society, control and guide is called Registrar of Registration authority.’

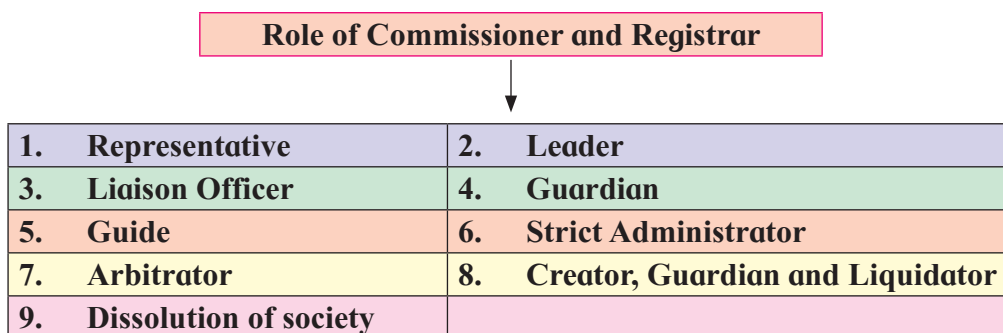
The state government appoints the Commissioner and Registrar as a chief of co-operative department for entire state. Joint Divisional Registrar is appointed for each division. There is District Deputy Registrar for each district and Deputy Registrar / Assistant Registrar are appointed for each taluka depending on its population. In Maharashtra for administrative purpose there are nine divisions of co-operative at Mumbai, Pune, Aurangabad, Nagpur, Amravati, Nashik, Konkan, Kolhapur and Latur. The office of Commissioner and Registrar is at Pune.

➤ The Administrative Structure of Co-operative Department

| Level | Area of operation | Authority |
|------------------|--------------------|--|
| State Level | For complete State | Commissioner and Registrar |
| Divisional Level | For each Division | Joint Divisional Registrar |
| District Level | For every District | District Deputy Registrar |
| Taluka Level | For every Taluka | Deputy Registrar / Assistant Registrar |

3.3 Role of Commissioner and Registrar

The commissioner and Registrar are the supreme authority of co-operative department. The Commissioner and Registrar is foundation of co-operative movement. To control co-operative movement along with co-operative act, 1904 the Indian government established Co-operative department. The main function of registrar is to register co-operative society, approve bye – laws, supervise working, give judgement, dissolve co-operative society as per the provisions of the act. Hence, Registrar is considered as the friend, philosopher and guide of the co-operative society. The role of registrar is very important which is explained with following points:



- 1. Representative:** As a representative of state government he implements all the policies of government for the development of co-operative sector on one hand and he forwards the problems and the requirements of co-operative societies to the government and gets it solved and fulfilled.
- 2. Leader:** He is the leader of co-operative sector, as the leaders are solving the problem of peoples and are taking the nation ahead, the commissioner solves the problem of co-operative societies or gets the problems solved from government and takes the co-operative sector on the path of progress and development.

3. **Liaison Officer:** The commissioner and Registrar acts as liaison officer between the co-operative societies and the state government. He maintains proper coordination and link between them. He places the problems of co-operative sector in front of the government and gets it solved. He also implements the policies and programmes of government. He is the link between co-operative societies and government i.e. he acts as a liaison officer.
4. **Guardian:** For upbringing and development of the co-operative society the Registrar keeps control by different ways. He points out and rectifies the errors and mistakes of co-operative societies. He also guides in solving their problems. He takes effort for development of leadership quality among the members. He explains the importance of development of co-operative movement to the members. He provides all help for development of co-operative society. For motivation of co-operative society, the role of guardian is very important.
5. **Guide:** As mention by Shahi Krushi Commission, Registrar is the foundation of co-operative movement. From registration of co-operative society till control of co-operative society is the responsibility of Registrar. He stands firmly behind the co-operative society at the time of need and helps for its progress and development. The Registrar has to perform various functions like checking of co-operative society, point out mistakes, provides solution to correct mistakes. Hence, the Commissioner and Registrar play the Role of Friend, Philosopher, and Guide of co-operative society.
6. **Strict Administrator:** The Commissioner and Registrar has to control all the co-operative societies in the state. For this the registrar must be strict administrator, being a chief administrator, he looks after the administration of co-operative department of the state. He has to ensure whether all the official work of co-operative department is conducted smoothly and in an efficient manner and according to the provision of the co-operative societies act. He executes the policies and programs of government. He plays the role of skilled administrator.
7. **Arbitrator:** When there are problems and issues in co-operative societies, the Registrar has to play the role of arbitrator. If there is any controversy on bye – laws they can take help from Registrar. The Registrar should give opportunity to both the parties and solve the problem as a judge. The Registrar plays the role of unbiased arbitrator.
8. **Creator, Guardian and Liquidator:** From registration that is birth of co-operative society, control on co-operative society, supervision on working of co-operative society and if the working is not conducted properly, dissolution of co-operative society, these all role are played by Registrar so he is known as Creator, Guardian and Liquidator.
9. **Dissolution of society:** If the working of co-operative society is not as per the co-operative act, the Registrar appoints the liquidator and conducts enquiry and improve working of co-operative society. and if improvement is not done, he cancels the registration and dissolve the co-operative society. At this time, the role of registrar is important.

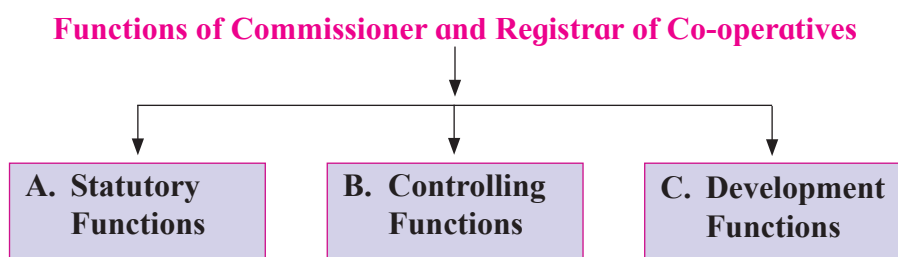
Activity:

- 1) Discuss the role of Registrar as Creator, Guardian and Liquidator.

3.4 Functions of Commissioner and Registrar of Co-operatives

The Registrar is the apex authority in co-operative sector. The Registrar has to work as per the rules of the co-operative societies act. Registrar is an administrative post. For rapid development

of co-operative movement and proper directions to co-operative movement Registrar's post is important. The functions of commissioner and registrar are classified into following:



A. Statutory Functions:

Registrar is the head of co-operative department to see whether the co-operative societies are following co-operative act or not for which he follows following functions. Following are the statutory functions of Registrar:

| Statutory Functions | |
|---|-------------------------------|
| 1. Registration of Co-operative Society | 2. Approval of Bye – Laws |
| 3. Issue of Registration Certificate | 4. Membership approval |
| 5. Classification of Society | 6. Calls and Conducts meeting |
| 7. Investment of Society's Fund | 8. Arbitration / Judge |
| 9. Arbitration / Judge | |

- 1. Registration of Co-operative Society:** The Commissioner and Registrar perform the function of registering the co-operative society. When the registrar receives the application for registration of co-operative society, he accepts the application form of registration along with necessary document, verifies all documents required for registration. If he has satisfied and when all the formalities are fulfilled, he registers the co-operative society in form 'B' and issues the Registration certificate as an evidence for a co-operative society.
- 2. Approval of Bye – Laws:** Bye – laws are internal rules of co-operative society. Four copies of bye – laws are to be submitted along with the registration form of the co-operative societies. The rule for working of co-operative society, election of managing committee, loan policy, maintenance of accounts is mentioned in bye – laws. The registrar has to see that the bye – laws are within the scope of co-operative act or not. The Registrar verifies the bye-laws of the society and if necessary, he may suggest some correction (Amendments) in them and then approves it. Thus, registrar approves the bye-laws of co-operative society.
- 3. Issue of Registration Certificate:** After registration of the society and approval of bye-laws of co-operative society the Registrar issues a certificate of registration to the co-operative society which is duly signed and stamped by the registrar which is an evidence that the co-operative society is registered. Hence the registrar issues the certificate of registration to the co-operative society.
- 4. Membership approval:** Though the membership of a co-operative society is open and voluntary to all the persons, they should fulfill the condition for membership. If any

co-operative society has denied the membership to any applicant and if such applicant approaches the registrar and fulfills the conditions for the membership then in such case the Registrar grants membership to such person.

5. **Classification of Society:** The Registrar has right to classify the co-operative societies. The societies are classified on the basis of the objectives, functions and the business. For example, agriculture society, marketing society, consumer society, co-operative banks, housing society, processing society, etc. the Registrar can change the classification if necessary.
6. **Calls and Conducts meeting:** According to the co-operative societies Act, the co-operative societies must conduct various meeting in prescribed time limit, as per the provision of the act Registrar calls and conduct meeting if it is not conducted by co-operative society in proper time limit, if required he can also call special general body meeting.
7. **Investment of Society's Fund:** The part of every year's profit is kept as reserve fund. According to the act, minimum 25% of profit must be kept as reserve fund. This fund is invested in various investments. The Registrar gives approval for investment of reserve fund. The co-operative society can invest their funds in one or many investments as per the conditions and permission of Registrar.
8. **Arbitration :** When there is any dispute in co-operative society. The Registrar functions as a arbitrator. He listens to both the parties, collects information, investigates the matter and then solves the dispute in the impartial manner. Thus, the Registrar functions as an Arbitrator.
9. **Amalgamation and Division of society:** In the economic interest of the co-operative sector if the management of an economic condition is inefficient then the Registrar amalgamates two or more co-operative societies. The Registrar also makes division of co-operative society.

B. **Controlling Functions:**

The Registrar is the apex authority of co-operative society. He guides the co-operative society. He has to perform various functions according to the act. To keep control is an important function of the Registrar. Following are the controlling functions of Registrar:

| Controlling Functions | |
|--|--|
| 1. To look after administration | 2. Auditing |
| 3. Control on Financial transactions | 4. Taking action on co-operative societies |
| 5. Implementation of government policies | |

1. **To look after administration:** As a chief executive officer of co-operative societies the registrar has to supervise the working of all the co-operative societies and see that the activities of all co-operative societies are as per the provisions of co-operatives societies, Act. He also has to ensure that there is no appropriation, manipulation, frauds in the co-operative societies. For controlling the co-operative department Registrar must be a strict administrator.

2. **Auditing:** It is mandatory to have audit of co-operative society every year. The audit is done from the auditor approved by the Registrar. The income and expenditure, books of account, bank passbook, assets, are audited. If there are any mistakes in statutory audit such mistakes are rectified. Like this through audit, the Registrar has control over the society.
3. **Control on Financial transactions:** The Registrar has to keep control over the financial transactions of the co-operative society as there are more chances of malpractices, manipulation and misuse of fund in the financial affairs of the societies. So, Registrar keeps strict control on financial transaction by keeping restrictions on borrowing, investments etc.
4. **Taking action on co-operative societies:** It is the duty of the registrar to take action against the co-operative societies which are not following the rules and regulations and the provisions of co-operative societies Act, or they are working against the principles of co-operatives. He can take action by charging fine, penalty as per the provision of act or even he can cancel the registration of co-operative society.
5. **Implementation of government policies:** The government plans various policies and programs for the welfare of the societies and for general public. Various plans and programs are implemented through co-operative societies. The registrar is responsible for implementation of these policies he has to see that these policies and programs are properly implemented.

C. *Development Functions:*

Registrar is the representative of State government for controlling the co-operative societies. He has various powers for interest and development of co-operative society. Following are the development functions of the Registrar:

Development Functions

| | |
|---|---|
| 1. Leader of co-operative sector | 2. Provides Guidance |
| 3. Provides technical guidance | 4. Provides financial assistance |
| 5. Accelerate Loan recovery | 6. Education and training to the Members |

1. **Leader of co-operative sector:** Registrar is the executive head of co-operative sector and he leads co-operative movement in the state. He looks after the co-operative societies, guides and helps them for the development. Hence, he acts as leader of co-operative movement in the state.
2. **Provides Guidance:** The co-operative society faces various problems. In such case the Registrar gives valuable guidance to solve the problem faced by the society and he also helps for smooth and efficient working of co-operative society.
3. **Provides technical guidance:** The Registrar provides technical guidance to the co-operative societies which are necessary, such as guidance regarding registration, maintaining accounts and record of co-operative society, conducting meetings, powers of chairman / president, managing committee etc. In such case registrar provides technical guidance which helps for systematic and smooth working of co-operative society.

4. **Provides financial assistance:** The co-operative societies are formed by the weaker section of society hence finance is main problem of co-operative societies. The Registrar provides financial assistance to economically weak co-operative societies through co-operative banks and from state government. This financial assistance is very important and necessary for the development of co-operative society.
5. **Accelerate Loan recovery:** Co-operative societies grant loans to the members for various purpose. Some members fail to repay the loan installment regularly. This results into the heavy overdues and the society suffers losses, leading to financial problem. In such conditions the Registrar appoints the recovery officer and accelerates the loan recovery of co-operative societies and helps the co-operative society to come out from economic problems.
6. **Education and training to the Members:** The co-operative societies are formed by the weaker section of society. So, majority of the members are illiterate and unaware of working of co-operative societies. It is the responsibility of the Registrar to provide co-operative education and training, for which he conducts various educational and training programs, workshop and seminars for the members, managing committee, staff, employees, etc.

Activity:

- 2) Discuss with your teacher regarding development functions of co-operative sector.

3.5 Powers of Commissioner and Registrar of co-operative societies

The Registrar of co-operative society is the important government authority to control co-operative society. he is responsible for the co-operative society. According to the co-operative act, various powers are given to the Registrar which are as follows:

Powers of Commissioner and Registrar

| | |
|---|--|
| 1. Registration of the co-operative society | 2. Approve the bye – laws |
| 3. To Seize records | 4. Cancel the registration of co-operative society |
| 5. Grant membership | 6. Conduct meetings |
| 7. Appoint Auditor | 8. Amalgamate co-operative society |
| 9. Classification of societies | 10. Judgement |

1. **Registration of the co-operative society:** When the proposed co-operative society is applying for registration in form 'A' the Registrar verify all required documents for registration and if he is satisfied that the co-operative society has fulfilled all the necessary formalities. He registers the co-operative society within two months from receiving the application and issues certificate of registration as an evidence for registration of co-operative society. Hence, the Registrar has power to register the co-operative society.
2. **Approve the bye – laws:** For registration of co-operative society four copies of bye – laws are necessary which are submitted by the co-operative society. These bye – laws contain the rules and regulations for day-to-day working and internal management of co-

operative society. The Registrar verifies and approves the bye – laws. He can also suggest the necessary changes in bye – laws of co-operative society. Hence, the Registrar has power to approve the bye – laws of co-operative society.

3. **To Seize records:** If any co-operative society is not maintaining the records or showing the records or making illegal changes or destroying the records and if there is chance of misuse of funds and property of co-operative society in such case the Registrar has power to seize record and property of co-operative society.
4. **Cancel the registration of co-operative society:** If the co-operative societies are not conducting business activities according to the provisions of co-operative societies act or they are not following the rules and regulations, principles of co-operation, misusing or misappropriating societies fund then in such case, the Registrar has power to cancel the registration of co-operative society.
5. **Grant membership:** If any co-operative society has denied the membership to any person and if such person has approached the Registrar and if he fulfills the condition for membership then the Registrar has power to grant membership to such person.
6. **Conduct meetings:** According to the co-operative societies act, the co-operative societies must conduct various meetings in prescribed time limit, Registrar has power to extent the period of conducting meeting. Registrar also has power to call and conduct the meeting if it is not conducted by co-operative society in proper time limit, he can also call the special general body meeting.
7. **Appoint Auditor:** According to co-operative societies act, each co-operative society must appoint the auditor and get the accounts audited of co-operative society but if co-operative societies fail to do so then in such case the Registrar has power to appoint auditor for auditing accounts of co-operative society.
8. **Amalgamate co-operative society:** The Registrar has power to amalgamate (merge) two or more co-operative societies which are economically weak or are in losses into one co-operative society so as to make these societies economically viable in the interest of its members. He also has power to restructure the co-operative societies.
9. **Classification of societies:** On the basis of functions, financial transactions, economical position of the society, the Registrar has power to classify the societies in various types. For example, marketing society, agriculture society, industrial society, etc.
10. **Judgement:** When there is any dispute in co-operative society and if Registrar receives complaints of this disputes then according to the provisions of the act and bye – laws the Registrar has power to solve the dispute and give judgement on the dispute.

Activity:

- 3) Collect the information of Registrar's power relating to registration of co-operative societies and approval of bye-laws.

3.6 Responsibilities of Commissioner and Registrar

The Registrar has to use his powers properly to perform his function. To use the powers impartially is the main responsibility of the Registrar. To provide all type of help for development of co-operative movement is also the responsibility of the Registrar. Following are the responsibilities of the Registrar:

Responsibilities of Commissioner and Registrar



| | |
|---|---|
| 1. To obey co-operative principles | 2. To conduct qualitative development of co-operative society |
| 3. Consolidation in the working of co-operative society | 4. To control unfair practices |
| 5. Coordination | 6. Action against Managing committee |
| 7. Conducting audit | 8. To dissolve co-operative society |
| 9. Proper administration | 10. To issue Registration Certificate |

1. **To obey co-operative principles:** It is the responsibility of the Registrar to see co-operative principles are strictly followed by the co-operative society. If any co-operative society is not following co-operative principles then it is the responsibility of Registrar to take action against the co-operative society.
2. **To conduct qualitative development of co-operative society:** In economic development of nation, there must be increase in number of co-operative societies to protect weaker section of the society. But it is responsibility of Registrar to see there is qualitative development in the society. For qualitative development, providing financial help, guidance and restructure of the society is a responsibility of the Registrar.
3. **Consolidation in the working of co-operative society:** The co-operative society is related with various sectors. It is responsibility of Registrar to see if the work is conducted smoothly and there is consolidation in the working of co-operative society. Various co-operative society has form group at district level for mutual help. This group conducts consolidation among the societies. This important responsibility is on Registrar according to the act.
4. **To control unfair practices:** Registrar has power to conduct audit of co-operative society from certified auditor. If required the Registrar has power to conduct enquiry of the co-operative society. Registrar has to take care and see the working of co-operative society is proper. The working of co-operative society is not against the co-operative principle and interest of the society. It is responsibility of Registrar to control the corruption in co-operative society.
5. **Coordination:** The Commissioner and Registrar is the highest authority of co-operative department. He is taking effort for progress and development of co-operative society. He is link between State government and co-operative society. He fulfills this responsibility with the help of officers and employees of co-operative department.
6. **Action against Managing committee:** It is the responsibility of the Registrar to take action against the managing committee who are not following the rules and regulations, provisions of co-operative act and bye – laws.
7. **Conducting audit:** Conducting audit every year is mandatory for co-operative society. If any co-operative society has not conducted audit then it is responsibility of Registrar to conduct the audit of such societies. It is responsibility of Registrar to see the audit of all co-operative societies are conducted from government certified auditor.

8. **To dissolve co-operative society:** If the working of any co-operative society is unsatisfactory and the co-operative society is in financial problems in such case the co-operative society is dissolved i.e. close down and liquidator is appointed by Registrar to liquidate the co-operative society.
9. **Proper administration:** Commissioner and Registrar is the top authority in co-operative department. For administrative purpose there are nine divisions at divisional, district and taluka level. Joint Divisional Registrar, District Deputy Registrar, Assistant Registrar are working. It is responsibility of Registrar to take proper work from the officers and the employees and see the administration of co-operative sector is conducted properly.
10. **To issue Registration Certificate:** When any co-operative society applies for registration then Registrar verifies the application and the documents and when all necessary formalities are completed, the Registrar registers the co-operative society. After registration it is the responsibility of Registrar to issue Registration certificate duly signed and stamped.

Activity:

- 4) It is responsibility of Commissioner and Registrar of co-operative to help for the development of co-operative movement. Discuss.

Distinguish Between Chairman and Commissioner and Registrar of Co-operatives

| Sr. No. | Points | Chairman / President | Commissioner and Registrar of Co-operatives |
|---------|--------------------------------|--|--|
| 1. | Meaning | The head of Managing committee or Board of Directors is known as Chairman. | The person appointed by State government to register and control the co-operative movement in the state is known as Commissioner and Registrar of co-operatives. |
| 2. | Election/ Appointment | The Chairman is elected by Managing committee or Board of Directors. | Commissioner and Registrar is appointed by State Government. |
| 3. | Control and Supervision | Chairman keeps control on working of co-operative society. | Commissioner and Registrar controls co-operative movement in the state. |
| 4. | Area of Work | Area of work of Chairman is limited upto the particular society. | Area of work of Commissioner and Registrar is complete state. |
| 5. | Casting vote | Chairman has right of casting vote. | Commissioner and Registrar do not have right of casting vote. |
| 6. | Remuneration | Chairman gets fees, honorarium for his work. | Commissioner and Registrar gets salary from state government. |
| 7. | Removal | Chairman can be removed by Commissioner and Registrar, Members or Directors. | Commissioner and Registrar can be removed by State government. |

3.7 SUMMARY

Meaning: The person who registers the co-operative society, control and guide is called Registrar. The officer appointed at state level by co-operative department is known as Commissioner and Registrar of co-operative society.

Definition: According to the Maharashtra State co-operative societies Act 1960 under section 2(24) 'The person who is appointed as co-operative Act as Registrar of co-operative society is known as Commissioner and Registrar.

➤ **Role of Commissioner and Registrar of Co-operative societies:**

- | | |
|---------------------------|-------------------------------------|
| 1. Representative | 2. Leader |
| 3. Liaison Officer | 4. Guardian |
| 5. Guide | 6. Strict Administrator |
| 7. Arbitrator | 8. Creator, guardian and liquidator |
| 9. Dissolution of society | |

➤ **Functions of Commissioner and Registrar of Co-operative Societies:**

A. Statutory Functions:

1. Registration of Co-operative society
2. Approval of bye – laws
3. Issue of Registration Certificate
4. Membership approval
5. Classification of society
6. Calls and Conducts meeting
7. Investment of Society's fund
8. Arbitration
9. Amalgamation and Division of co-operative society

B. Controlling Functions:

- | | |
|--|--|
| 1. To look after administration | 2. Auditing |
| 3. Control on Financial transactions | 4. Taking action on co-operative societies |
| 5. Implementation of government policies | |

C. Development Functions:

- | | |
|----------------------------------|--|
| 1. Leader of co-operative sector | 2. Provides guidance |
| 3. Provides technical guidance | 4. Provides financial assistance |
| 5. Accelerate loan recovery | 6. Education and training to the members |

➤ **Powers of Commissioner and Registrar of Co-operative societies:**

- | | |
|---|--|
| 1. Registration of the co-operative society | 2. Approve the bye – laws |
| 3. To Seize records | 4. Cancel the registration of co-operative society |
| 5. Grant membership | 6. Conduct meetings |
| 7. Appoint Auditor | 8. Amalgamate co-operative society |
| 9. Classification of societies | 10. Judgement |

➤ **Responsibilities of Commissioner and Registrar of Co-operative Societies:**

1. To obey co-operative principles
2. To conduct qualitative development of co-operative society
3. Consolidation in the working of co-operative society
4. To control unfair practices
5. Coordination
6. Action against Managing committee
7. Conducting audit
8. To dissolve co-operative society
9. Proper administration
10. To issue Registration Certificate

3.8 KEY-TERMS

1. **Commissioner and Registrar of co-operative** – Officer appointed by the state government in every state to look after the registration, guidance and to keep control on co-operative societies.
2. **Joint Divisional Registrar** – Officer appointed at the divisional level to control the co-operative movement.
3. **District Deputy Registrar** – Officer appointed at the district level to register the co-operative societies and to keep control on them.
4. **Assistant Registrar** – Chief authority of co-operative movement at the taluka level.
5. **Bye – Laws** – Rules and regulations for working and internal management of co-operative society.

3.9 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the sentences:

1. The first co-operative Act in India was passed in the year _____.
(a) 1912 (b) 1925 (c) 1904
2. For the registration of co-operative society, minimum _____ copies of bye – laws must be submitted along with application form.
(a) Four (b) Two (c) Six
3. The _____ is appointed by the State government to supervise and control the working of co-operative societies at state level.
(a) Promoter (b) Commissioner and Registrar of Co-operatives
(c) Secretary
4. Commissioner and Registrar of co-operatives is appointed by the _____.
(a) Central Government (b) State Government (c) Local Government

5. Commissioner of co-operative societies works at _____ level.
(a) Taluka (b) State (c) District
6. Commissioner must be _____ administrator.
(a) Soft (b) inefficient (c) Strict
7. The Assistant Registrar is appointed at _____ level.
(a) Taluka (b) Division (c) State

B) Match the following:

| Group 'A' | Group 'B' |
|--|-------------------------|
| a. Maharashtra State co-operative societies Act | 1. Mumbai |
| b. Office of the Commissioner and Registrar of co-operatives | 2. State Level |
| c. District Deputy Registrar | 3. 1960 |
| d. Leader of co-operative society | 4. 1904 |
| e. First co-operative societies Act of India | 5. Development function |
| | 6. 1912 |
| | 7. District level |
| | 8. Controlling function |
| | 9. Pune |
| | 10. 1932 |

C) Write a word or a phrase or a term which can substitute each one of the following:

1. The authority registering the co-operative society.
2. The authority classifying the co-operative society.
3. Chief controller of co-operative society at district level.
4. The authority controlling the co-operative society at divisional level.
5. The authority approving bye – laws of the co-operative society.

D) State whether the following statements are True or False:

1. Commissioner and Registrar of co-operatives keeps control on co-operative movement.
2. Central Government appoints Commissioner and Registrar of co-operatives.
3. The Commissioner and Registrar should be strict Administrator.
4. The Commissioner and Registrar has rights of judgements.
5. Registrar is chief authority of co-operative movement.
6. Commissioner and Registrar of co-operatives registers the co-operative society.

E) Complete the following sentences:

1. Providing education and training is _____ function of Registrar.
2. The person who dissolve the co-operative society is known as _____.
3. The Registrar gives _____ as an evidence of registration of co-operative society.
4. _____ is the link between co-operative society and government.

5. The second co-operative act in India was passed in the year ____.
6. Along with registration application _____ copies of bye – laws are enclosed.

F) Select the correct option:

| | |
|--|---|
| 1. Commissioner and Registrar of co-operatives | <input type="text"/> |
| 2. <input type="text"/> | Office of Commissioner and Registrar of co-operatives |
| 3. Maharashtra co-operative societies act | <input type="text"/> |
| 4. <input type="text"/> | District Deputy Registrar |
| 5. India's first co-operative societies act | <input type="text"/> |

Pune, 1904, District level, 1960, Registration

G) Answer in one sentence:

1. What do you mean by Commissioner and Registrar?
2. What do you mean by Statutory function of Registrar?
3. What do you mean by Development function of Registrar?
4. What do you mean by bye – laws?

Q.2 Explain the following terms:

1. Registrar and Commissioner of co-operative.
2. Arbitrator.
3. Bye- laws.

Q.3 Application based/ Self-opinion question:

1. Commissioner and Registrar of co-operative is creator, guardian and liquidator.
2. Commissioner and Registrar of co-operative must be strict administrator.
3. Registrar plays an important role in development of co-operative movement.

Q.4 Difference Between:

1. Chairman and Commissioner and Registrar.

Q.5 Write short notes:

1. Development functions of a Commissioner and Registrar of co-operative.
2. Powers of Commissioner and Registrar of co-operatives.
3. Responsibilities of Commissioner and Registrar of co-operatives.

Q.6 Give Reasons:

1. The Commissioner and Registrar is strict administrator.
2. The Commissioner and Registrar controls the co-operative movement in the state.
3. Registrar can cancel the registration of co-operative society.
4. The Commissioner and Registrar has power of judgements.

Q.7. Answer in short:

1. Controlling functions of Commissioner and Registrar of co-operatives.
2. Statutory functions of Commissioner and Registrar of co-operatives.
3. State the role of Commissioner and Registrar of co-operatives.
4. Development functions of Commissioner and Registrar of co-operatives.

Q.8. Long answers:

1. Explain the role of a Commissioner and Registrar of co-operatives.
2. Explain the statutory functions of Commissioner and Registrar of co-operatives.
3. Explain the responsibilities of a Commissioner and Registrar of co-operative.
4. Explain the Powers of Commissioner and Registrar of co-operatives.



4. Maharashtra Co-operative Societies Act 1960

| | |
|---|--|
| 4.1 Introduction | 4.4.2 Types of meeting |
| 4.2 Capital Raising of Co-operative Society | a) Members meeting |
| 4.3 Sources of Capital Raising of Co-operative Societies | b) Managing committee meeting |
| a) Internal sources | c) Sub-committee meeting |
| b) External sources | 4.4.3 Legal provisions related to meeting of Co-operative society |
| 4.4 Meetings of Co-operative society | 4.5 Conclusion |
| 4.4.1 Meaning and Definition | 4.6 Key terms |
| | 4.7 Exercise |

4.1 Introduction:

The source of Indian co-operative movement and its origin if given a thought is dated back to the first co-operative act of the year 1904. The co-operative movement in India was pioneered by the Government and it won't be an exaggeration to mention that the Government has made extreme efforts to develop the co-operative movement. The co-operative movement in India is originated out of its financial and social conditions.

The idea that the problems of the rural region can be addressed through co-operative medium. This was proposed by the then Government of Madras (Chennai). In the year 1882, Madras Government for addressing the agricultural needs of the State sent Sir Frederick Nicholson to Europe to study the possibility of establishing co-operative bank. In the year 1899, Sir Frederick Nicholson in his report suggested to establish rural co-operative societies on the "Raiffeisen" model of co-operative lines in Germany. During this period, Mr. Dupernex tried to establish rural banks in the Uttar Pradesh region. Later on, in the year 1900, a committee was set up under the leadership of "Sir Edward Law" to study on the introduction of co-operative societies and propose a suitable Act for the co-operative societies. On 23rd October 1903 Denzel Ibbetson prepared the draft of Co-operative Act. As per the recommendations of Sir Edward Law committee, first Credit Co-operative Societies Act was passed in 1904 by the Government of India. This was the beginning of Indian Co-operative movement.

As per the co-operative act of the year 1904, arrangements were made to form credit societies on the principles of co-operation. During the next 7 - 8 years, several shortcomings were observed in this Act. This was because except for credit supply societies, there was no provision to establish any other form of co-operative society. To remove the weakness of this Act, during the year 1912 second co-operative Act was enacted in India. In this Act, most of the points from 1904 act were retained. In this Act, it encouraged to establish different types of societies other than credit societies. This was one of the important feature of 1912 Act. As per the Co-operative Amendment Act of 1919, the subject of co-operation as a whole was transferred from the Central Government to State Government.

Subsequently shifting of Co-operation as a subject to the State Government, Government of Bombay passed “Bombay Co-operative Act 1925” for Bombay province. In this Act too, as per changing conditions, the provisions of the Act were found to be inadequate and unsuitable between 1925 and 1960, Bombay Act of 1925 underwent various changes from time to time. Since a need was felt to have an Act which would be complete and adequate, in the year 1956 Government of India appointed a Committee. The Government of Bombay also appointed a similar Committee to study and survey under the chairmanship of Shri G.M. Lad. The report and recommendations of both the committees were taken in to consideration by the Maharashtra Law Committee and Maharashtra Co-operative Societies Act which was approved in the year 1960. In the year 1961, this Act was approved by the Governor of Maharashtra and the Act was brought in to force from 26th January 1962. Since the Act was passed in the year 1960, it was known as “Maharashtra Co-operative Societies Act 1960”.

In this chapter, we would learn about the important provisions (amended) of Maharashtra Co-operative Society with regard to raising capital, provisions with regard to meeting and their procedures.

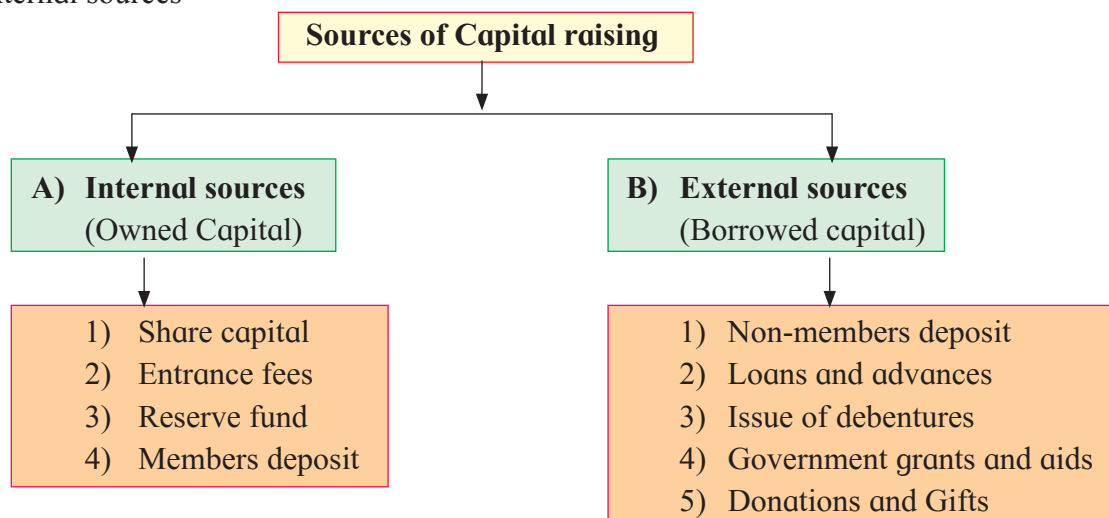
4.2 Capital raising of Co-operative Society:

Capital is required for venturing in to any kind of business and to keep it running. The primary objective of the Co-operative Society is to enhance the financial welfare of its members. Similarly, the Co-operative Societies also requires capital to operate its business. Co-operative Societies requires capital for extending loan, providing various farm accessories, necessities of life etc. to its members. For this, Co-operative Societies need to raise capital as per the provisions of the Act. Under Maharashtra Co-operative Society Act section 28 and 29 provisions have been made for Co-operative Societies to raise capital.

4.3 Sources of capital raising of Co-operative Societies/Financial sources:

Co-operative society requires finance to achieve the determined objectives. Co-operative society prominently raise the finance through two sources.

- A) Internal sources
- B) External sources



A. Internal Sources:

From the point of view of co-operative society internal sources are very important because due to such sources capital raised through internal sources, is permanent and long-term capital.

A huge amount of capital is raised through internal sources which helps the society to enjoy independence and ensures financial stability. The capital is raised by the members in the co-operative society through internal sources. It is not mandatory to return such capital raised through such sources till the membership. Such capital as compared to external sources is cheaper. Following are the sources of raising capital through internal sources.

- 1) **Share Capital:** Share capital is the prime financial source of raising internal capital of co-operative society. It is the own capital of the society. Share is the smallest part in the total share capital of the society. Capital raised through selling shares is called share capital. According to the business forms, the face value of shares is decided. What should be the face value of shares is mentioned in the bye-laws of the society. An individual is more important than the share capital in the co-operative society. According to the share capital the credit of co-operative society is decided. The person who holds the share is known as shareholder. The rules of raising the share capital is mentioned in the bye-laws of the co-operative society accordingly the share capital is collected. The authorized share capital is mentioned in the bye-laws of the co-operative society.

Share capital remains till with the society till its existence. A member cannot purchase shares more than 1/5th of the total paid-up share capital or shares of Rs. 5,00,000 whichever is less. State government, Zilla parishad and panchayat samiti are exceptional to it however state government Can decide to increase the limits of shareholding by publishing the notification in the official gazette.

Shareholders are the owners of the co-operative society. Co-operative society raise the funds by issuing the shares to the members. In a co-operative society share capital is collected as per the rules.

- **Features of Share capital:**

1. **Selling of shares in work area:** The working area limit of the co-operative society is fixed. Individuals residing in the working area of the co-operative society can purchase the shares, individuals residing out of working area can't purchase shares of the co-operative societies. Persons working in specific business and comes together with same objectives can purchase shares. Due to this there is limitation on sell of shares.
2. **Limitation on shareholding:** A member cannot purchase shares more than 1/5th of the total paid-up share capital or shares of Rs. 5,00,000 whichever is less. This limit is also mentioned in the bye-laws of the society. Co-operative society works on democratic principles. If there is no restriction on shareholding then the powers and wealth of the society will be concentrated among the few peoples in the society which will take away the society from their motto of rendering services. Moreover, the co-operative societies are formed for the benefit of weaker section of the society so to include more and more people in the co-operative societies, this provision is made in the act.
3. **Restriction on share transfer:** In a co-operative society member cannot freely transfer or sell their shares to others for this permission of the managing committee is necessary. Restrictions are levied on transfer of shares in co-operative society. The members cannot sell the shares beyond the fixed price. The member willing to transfer the share should be a member of a co-operative society for minimum 1 year. Instead of that member cannot transfer the share.
4. **Protection against cessation of shares:** The court cannot cease the shares of a member of co-operative society. So, they get legal protection due to the act. To protect the capital in

the co-operative society and the Investments made by the members as well as to promote the Co-operative movement special concessions is provided by the government. Co-operative societies members a) share capital b) funds raised through saving account c) amount invested in debentures of a co-operative society etc. is not eligible to be ceased by the order of the court.

5. **Redemption of shares:** Members can take back their amount by returning the shares to the cooperative society. Generally, how much share capital can be returned back is mentioned in the bye- laws of the society. The members can get the capital back in case of resignation. After the death of a member his shares are transferred in the name of his legal heir.
6. **Limitation on dividend:** There is limitation / restriction on dividend to be paid by the co-operative society. A co-operative society cannot declare dividend more than 15% to the shareholders.
7. **Organizational membership:** The general public can purchase the shares of co-operative society. The Other co-operative societies working in the area can also purchase the shares. For eg. local authority, partnership firm, charitable trust, such societies up to a certain limit can purchase the shares.
8. **Restriction on lending loan:** The shares certificate of the co-operative society cannot be kept as security while obtaining the loan. The society cannot grant loan against share certificate
9. **Conversion of deposit into shares:** Certain amount is deducted from the loan, dividend and the financial services provided to the member such amount is collected as deposits and such deposits are converted into shares.
10. **Contribution of State government in Share capital:** Government provides capital for development of Co-operative movement. State government can directly become the partner in Big processing co-operative societies instead of becoming partner in small and medium type of co-operative societies government purchases capital in Apex societies which helps to purchase the shares of other co-operative societies.

- **Advantages of share Capital:**

To collect own capital co-operative society sell shares. Following are the advantages of share capital.

1. **Suitable for fixed capital:** Share capital is an important and convenient way of collecting capital for a co-operative society. Such capital can be used till the winding up of a co-operative society.
2. **Permanent capital:** The capital collected by selling shares is permanent capital. Society can use the capital as per its convenience till winding up of the co-operative society.
3. **Unsecured capital:** While raising the share capital co-operative society need not have to keep any asset as a security. Such capital can be acquired without any security. Due to which if additional capital is required assets can be available for the purpose of security.
4. **Long term Capital:** Long term capital is collected by issuing of shares. Such capital can be utilized for a longer period.
5. **Participation in management:** The people providing the capital can participate in management of society. They can also take part in election and can also become director.

6. **Control on society:** Members can keep control on the working of board of directors hence they can keep control on co-operative society.
 7. **Cheap and easy source:** Sale of shares is an easiest way of raising the capital. Capital can be used without interest. In this regard there is no legal complication.
 8. **No restriction on dividend:** Main motto in formation of co-operative society is to provide services so there is no restriction on declaration of dividend on such capital.
- 2) **Entrance fees:** While granting membership entrance fee is charged in co-operative society. The amount collected through entrance fees is very nominal. Generally, entrance fees is from 1 rupee to 10 rupees. According to the number of members the amount is collected. The society get permanent capital through the entrance fees. Entrance fees is deposited in a separate account. Some societies transfer the entrance fees in reserve fund. Such amount is invested by some co-operative societies.
 - 3) **Reserve fund:** According to the act it is mandatory to all the co-operative societies to keep aside minimum $\frac{1}{4}$ i.e. 25% of the total profit in the Reserve fund. A society which earns profit by conducting the transaction such societies should maintain reserve fund. Section 66 of the act has a provision for Reserve fund. Co-operative society according to the need and convenience raises various reserve funds. Reserve fund can be used as per the need and for the future period. The financial stability of the society depends upon the Reserve fund. The society becomes financially stable and strong due to reserve fund. Hence reserve fund is called as the protecting wall of the co-operative society.

Apart from reserve fund co-operative society raise various funds like

- a) Depreciation fund b) Bad debt reserve fund c) Price fluctuating fund
- d) Dividend equalization fund e) Education fund etc., Reserve fund can be used for general purpose but other funds are to be used for the purpose for which they are created.

The society has to borrow small amount of loan from others in proportion with reserve fund. Thus, the interest on loan can be avoided. Reserve fund becomes important in terms of self-dependence. Specifically, interest or dividend does not have to be paid on reserve fund. Moreover, reserve funds increase the rank and reputation of the society full stop reserve fund can be used to develop or expand the society. Due to which the society progress. Reserve fund may be used for the business of the society or maybe invested subject to the provisions of section 70 as directed by the state government.

Co-operative registrar or commissioner have the right to reduce the rate to 1/10 to pay for the farmer members debt or to compensate for the loss and changes in prices of market. Societies special reserve funds are set up. Such reserves are prominently kept in state or district Central Co-operative Bank. Sometimes investment are made in government debentures.

- **Types of Reserve fund -**

Following are the types of Reserve fund:

1. **General reserve fund/reserve fund:** The co-operative society can raise funds to implement various development schemes, to meet various financial crisis. As per Maharashtra co-operative societies act 1960 every cooperative society needs to transfer 25% amount of their profits to such reserve fund. All Co-operative societies needs to raise such reserve fund.
2. **Dividend equalization fund:** A co-operative society does not earn profit for a particular year, so the provisions of such reserve fund is made by the society to pay dividend every

year to the shareholders. Therefore, the society keep aside some portion of the surplus to dividend equalization fund.

3. **Special Bad debts reserve fund:** Credit co-operative societies and co-operative banks gives various loans to the members. All the given loan is not recovered some loan may become bad due to this there is adverse effect on economic condition of the society. If some loans are not recovered to fulfill this loss special bad debt reserve fund is created from every year's profit. This fund is created by the co-operative society and co-operative banks to compensate the loss suffered due to unrecovered loan.
4. **Price fluctuation fund -** Marketing co-operative society raises Price fluctuating fund. There is fluctuation in the prices of the goods in the market. So, to protect from these losses such funds are raised. Due to which marketing federation have to bear the losses. Due to fluctuating marketing conditions and to protect the interest of consumers the marketing co-operative society raise such funds. This fund is a contingency fund in marketing co-operative society.

- **Advantages of Reserve fund :**

Every year the earned profit is not distributed as dividend. Some portion out of it is kept aside which is known as reserve fund.

Following are the advantages of reserve fund:

1. **Cheap and easy way:** Society can raise capital due to reserve fund. It is not necessary to give interest or dividend on it. It is very cheap and easy way of raising capital.
 2. **Use of reserve fund:** Reserve fund should be used for the same purpose for which it is raised. The society progress, if it is used for the same purpose.
 3. **Status and goodwill:** Due to reserve fund the financial status of the society become strong due to which the status and goodwill of the society increases in the market.
 4. **Financial stability:** By raising reserve funds co-operative societies becomes financial stable which enables them to solve the problem in future.
 5. **Development and expansion:** If reserve fund is raised in a co-operative society, the society can develop and expand through its own capital and provide maximum services to its members.
 6. **Repayment:** At the time of dissolution of co-operative society reserve fund can be used for repayment of loan and member's dues.
- 4) **Members deposit:** According to the provisions in the bye-laws of the co-operative society specific percentage of interest is given and deposit is accepted. These are compulsory deposits so are included in internal sources. Co-operative society raise capital through compulsory deposit. Such compulsory deposits are as under:
- 1) While granting the loan to members two and half percent to ten percent loan is deducted and compulsory kept as deposit. Some societies keep this amount as a deposit and some convert it into share capital. Credit societies, co-operative banks, agricultural Co-operative and Rural Development Banks accept such deposits.
 - 2) Some co-operative societies take certain percentage as deposit while making the payment for the goods purchased by the society. Attractive interest is given on such deposits. Bye laws contains the rules accepting the deposits.

The interest between 7% to 11% is given on the deposits kept by the member. Co-operative society have to take the permission from the registrar before accepting the deposits from the members.

The society should accept deposit and loans from its members and other person up to the extent that is prescribed or specified in the bye laws.

B. External sources:

The amount which is raised by the external sources of Financial Institutions or government it is known as external sources or borrowed capital. To raise such capital the co-operative society needs a permission of Registrar. Following are the external sources of raising capital.

- 1) Non-members deposit:** Co-operative society also accept deposits from non-members at specific rate of interest. The deposits from non-members are kept from 1 to 10 years. A co-operative society must get permission from the registrar of co-operative society to accept deposits. Collecting small saving in rural areas controlling on productive expenditure, providing capital for productive work. Co-operative societies collect deposits for the purpose of providing capital to the areas where capital is needed. Co-operative societies accept following types of deposits for example current deposit, saving deposit, fixed deposit, recurring deposit etc.

- 1. Saving deposit:** These deposits are useful to the salary earners and lower middle- class people. The main purpose of this account is to encourage the habit of saving among the people.
Following are the features of this saving account:

- 1) Saving account can be opened by small amount of Rs. 100 to Rs .500.
- 2) In order to keep the account active a certain minimum balance must be maintained in the account.
- 3) Amount can be withdrawn by using withdrawal slip and cheque from saving account. There are some restrictions on the withdrawals for e.g. Some banks require that the number of transactions should not be more than 2 per week or 25 in a quarter. But nowadays these restrictions are usually relaxed by most of the banks. If the transactions are more than Rs.50,000 PAN card is compulsory. Bank charges are charged for more transaction above the given limit.
- 4) Overdraft facility is not provided on saving account but various facilities like Cheque, ATM card, Net banking, Mobile banking, NEFT are provided.
- 5) On saving account usually 4% to 5 % per annum interest is paid on the balance amount at the end of the month.
- 6) Since there are restrictions on withdrawals on saving account the amount of saving account can be useful for providing the loan and investment.
- 7) Saving account holder have a facility of nomination.

- 2. Current deposit:** The current deposit is useful for the traders and businessman. The main object of this account is to facilitate Businessman to conduct the financial transaction through the bank safely.

Following are the features of this deposit:

- 1) Current account is opened in the name of proprietor, firm, company or institution. The account cannot be opened on the name of an individual.
- 2) In current account amount can be deposited or withdrawn any number of times while day-to-day transactions. Current account holder can withdraw amount on demand by cheque.

- 3) A pay in slip, cheque book is given to the depositor. Mostly bank provides the statement of accounts to the current account holders.
- 4) Current account holder gets the overdraft facility from the bank on certain terms and conditions.
- 5) These deposits cannot be used by the bank for lending loans as these deposits can be demanded by the account holder anytime. Generally, no interest is given on current account and if given nominal interest is given.
- 6) Minimum balance must be maintained in the account to keep the account active.
- 7) Cheque, bills, drafts, dividend warrant can be deposited in the current account for collection.

3. Fixed deposit: Those who have surplus money, they can keep it as a fixed deposit for the purpose of earning more interest in the bank. A lump sum amount kept for a particular period which is called as fixed deposits.

Following are the features of fixed deposits:

- 1) The amount cannot be withdrawn from the fixed deposit held for a specific period before the end of the term. In fixed deposit specific amount is deposited only once means while opening the account.
- 2) Rate of interest is high on the fixed deposit account. The interest on such deposits can be given monthly, quarterly, yearly or on maturity.
- 3) The fixed depositor can withdraw the entire amount of deposit by giving prior intimation to the bank. But in such case the interest is paid for the period for which deposit is kept in the account according to the rules of the bank.
- 4) Fixed deposit receipt is given to the depositor from the bank. Cheque book and pass book is not issued to the fixed deposit account holder.
- 5) The fixed deposit receipt is Non-Transferable. It cannot be sold to any others.
- 6) The interest is paid along with the fixed deposit amount on maturity to the deposit holder.
- 7) To meet the financial needs the account holder can take the loan from the banks against fixed deposit receipt. The existing rate of interest is to be paid on the loan.
- 8) After maturity the account is closed. After the period get over accordingly the deposits rules and regulations and the principal amount along with the interest is given to the depositor.

4. Recurring deposit: The deposit account in which a specific amount is deposited regularly for a specific period is called as recurring deposit. The purpose of this account is to encourage the habit of saving and collect the amount for specific future purpose. In this deposit amount is deposited at regular intervals. Depositor can open this account for 1 year to 5 year.

Following are the features of recurring deposit:

1. In Such account a small amount is deposited monthly for e.g.Rs.100 or more.
2. Once the amount is decided, the same must be deposited every month regularly for a selected period.
3. The rate of interest of recurring deposit is more than saving deposit but less than fixed deposit.

4. Interest on recurring deposit is not paid before the maturity.
5. If the depositor stops paying the monthly installments into recurring account, he can get the earlier installments together with interest there on maturity.
6. The depositor can also instruct his bank to transfer the fixed amount every month regularly from his current or saving account to recurring account.
7. The monthly installments may be deposited in any branch under core banking system.
8. The depositor can raise a loan up to 90% of the accumulated deposits in order to meet his temporary financial needs.

5. Other Deposit: In addition to above deposits various other deposits are also accepted by the Credit co-operative societies or co-operative banks. In this deposits, fixed sum is deposited regularly. Once the amount is decided the same amount must be deposited regularly up to the fixed period. After the maturity the amount together with interest there on is refunded to the depositor with interest. For example, Damduppat deposit, Festivals deposit, Pygmy deposit, Mrutunjay deposit, Dhanawardhini deposit.

While accepting above deposits KYC is mandatory and the provisions, guidelines and instructions given by co-operative departments are to be followed.

Activity:

- 1) Visit any co-operative bank or credit co-operative society in your area and collect the information of its working.

2) Loans and Advances:

Co-operative society needs to raise capital by obtaining loans or advances. They collect loans and advances from Government and Financial Institutions to fulfill the need of fixed and working capital. Co-operative society can obtain short, medium and long-term loan from State Government and Financial Institutions. Government on their own security provides loan to the co-operative society from financial institutions. Co-operative society get loan from the district Central Co-operative Bank, State Co-operative Bank, Indian Industrial Development Bank, State financial corporation, Life Insurance Corporation (LIC), Industrial credit and Investment Corporation against their property as security to meet their need of fixed capital during the formation of the business. Co-operative societies like spinning mills, sugar mills, co-operative cotton mills have raised capital in the form of loan by corporations. Reserve Bank and State Bank of India provides the loan on large scale to the Co-operative sector in India. Keeping in mind the need of capital co-operative society takes the loan from different creditors. There is limit on obtaining loan from outsiders according to the Co-operative Act.

Co-operative society can also collect the capital by taking the loan from the National Agricultural and Rural Development Bank (NABARD). Borrowed capital is to be repaid after specific period. In most of the co-operative society borrowed capital is more than the owned capital. Co-operative society can collect the loan upto the limit specified in the bye-laws.

Co-operative society can raise following three types of loan based on the period of loan:

- A. Short term loan
- B. Medium term loan
- C. Long term loan etc.

- A. Short term loan:** Short term loan is loan which is provided for a period of 3 to 15 months. The farmers need money to meet the agricultural needs like cultivation, seeds, fertilizers, pesticides, medicines, wages, food for animals, etc. Loan is repaid after the cultivation of crop so this loan is also known as “Crop Loan”. For providing short-term loan to the farmers District Central Co-operative Bank provides loan to primary credit co-operative society. Short-term includes product loan, crop loan, consumption loan. Marketing co-operative society, processing co-operative society, consumer Co-operative Society, service co-operative society need such short-term loan.
- B. Medium term loan:** The loan which is provided for the period of 15 months to 5 years is known as Medium term loan. Farmers need medium term loan for improvement of land, for Wells, purchasing the animals, Agricultural equipment's, etc. Such loan is provided by National Agricultural and Rural Development Bank (NABARD) to State Co-operative Bank and District Central Co-operative Bank. District Central Co-operative Bank provides loans to primary credit co-operative society than primary credit co-operative society provide loan to members farmers.
- C. Long term loan:** The loan provided for a period of 5 to 25 years is called as Long-term loan. Long - term loan is given especially for Land Development, purchasing costly equipments, etc. This loan is provided by National Agricultural and Rural Development Bank (NABARD). This loan is made available by State Government and Reserve Bank. Generally co-operative society depends upon co-operative bank and other Financial Institutions for borrowed capital but government is always ahead in providing loan and advances to develop the Co-operative sector.

3) Issue of debentures:

The document which is a written proof of the loan is known as debenture. Debenture is a certificate acknowledging indebtedness of co-operative society. Debt security is a loan that is created on tangible and intangible assets by burdening the society with its signature and Stamp on it. Co-operative society issue the debenture and raise the borrowed capital. The face value of debentures may be from Rs.100 to Rs.1000. Co-operative society issue the debenture to raise long-term capital.

For issue of debentures permission from State Government and Reserve Bank is necessary. A debenture holder has no voting right and cannot participate in the management of co-operative society. In a co-operative society fixed asset can be provided as a security for issue of debentures. Debentures are classified into two categories secured debenture and unsecured debenture. Secured debenture creates a charge on the assets of the co-operative society. Interest on debenture is payable on due date irrespective of profit and loss. State government, Central government, Apex Institute, State Bank of India purchase the debentures to provide capital to co-operative society.

Generally large Federal and Apex co-operative society issue the debentures. Primary co-operative society rarely implement such ways. Specially farming and Rural Development Banks issue debentures.

Debenture holders are the creditors of the co-operative society. They do not have any rights in the co-operative society. Debenture holders get regular interest at fixed rate on the borrowed capital. Issue of Debenture is the secondary financial source of raising capital. The State government guarantees repayment and regularize interest on such issue of debentures so that the public can respond and purchase the debentures from the co-operative societies. Debentures are issued by keeping the fixed assets as mortgage.

4) Government grants and subsidies:

The State government provides finance by providing grants and subsidies to the co-operative society. The State government and the Central government contributes in the capital by purchasing shares of co-operative society. At the time of formation stage the State government provides grant for purchase of land and construction of building. The State government also provides financial help to the rural and taluka level co-operative societies. Government gives this Grant as per Audit Classes awarded to the co-operative society.

State government provides financial help directly or indirectly to the co-operative society. The State government helps co-operative society by purchasing shares, purchase of debenture, guarantee for long term loan, loan at low interest rate, etc. to the co-operative societies.

5) Donations and gifts:

Co-operative societies have rights to receive donation and gift. They can receive gifts, donations from persons, Institutions and Government. The Municipal council, Municipal corporations, Gram Panchayat, Panchayat Samiti Zilla Parishad, etc. give donation to the co-operative society as a financial help. Such donation can be in the form of cash or asset. For example, land, building, furniture, cupboard, etc. as well as cash is accepted in the form of donation.

Co-operative society get donations and gifts regularly. The capital is increased due to such donations.

Co-operative society should frame the financial policies in such a manner that the need of fixed and working capital can be fulfilled by balancing internal and external sources.

According to the objectives and bye-laws capital can be raised for the progress, growth and development of the co-operative society.

4.4 Meetings of Co-operative society:

Introduction:

Co-operative society is a democratic organization. Co-operative societies are conducting their activities in democratic manner. The ownership of co-operative society is in the hands of large number of shareholders. Single member cannot take decision of the business. To decide aims and objectives of the co-operative society members come together and discuss. Decisions cannot be taken without a meeting. All decisions of co-operative society are taken by conducting meeting, discussing the matter in the meeting and resolution is passed.

4.4.1 Meeting - Meaning and Definition:

According to the provisions the working of co-operative society is on general policies and decisions are taken by the Managing committee and the members. To formulate the Strategies and to take decisions the group needs to come together, therefore a meeting is called to decide on specific purpose.

“A meeting means an official gathering of two or more persons invited at a specific place and to discuss on specific subject and to take decision on it.”

“A meeting is defined as a gathering or an assembly of two or more persons at a particular time, particular place and particular date to discuss lawful purpose”

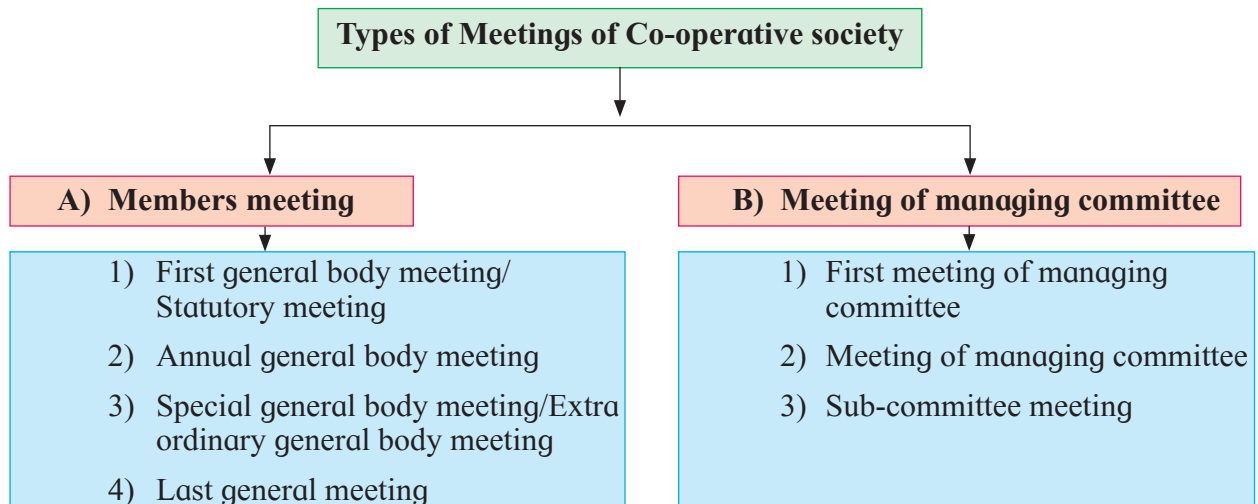
“When members come together on a specific place, specific date and specific time to discuss on a specific matter and to take decision on such matter is known as Meeting”

4.4.2 Types of meetings of Co-operative society

According to the Maharashtra co-operative societies act 1960 and 1961 the meeting is of two types:

- A) Meetings of members
- B) Meetings of managing committee

Meetings of members are important to have control on the working of the society. Meeting of managing committee is essential for daily working of the society. Types of meetings of co-operative societies are as follows:



A) Members meeting:

A meeting where all the members remain present and take active part in the working of the co-operative society and have a right to vote such meetings are known as meeting of members. Such meetings are known as general body meetings.

Members have right to decide policies, to achieve aims and objectives of the co-operative society. As general body meeting is the supreme authority all decisions taken in the general body meeting are to be implemented by the Managing committee. Maharashtra Co-operative Act Section 75 and 76 and Maharashtra state co-operative societies rules 59 to 63, mentions provisions about meeting.

The meeting which is called for the members is called General Body Meeting. Members take the decision regarding objectives and policies in the meeting. Decisions about resolution, changes, amendments are done in the meeting and resolution is passed. So, member is an important factor in the meeting.

Following are the meetings of the members:

1. First General Body Meeting / Statutory Meeting:

According to rule 59 of Maharashtra co-operative societies Act, the first General Body Meeting of members is called by the Chief promoter of the society within 3 months from the date of registration of the society. After registration co-operative society gets legal status. Every co-operative society must conduct such meeting according to the act. The First General Body Meeting is held once in the lifetime of the co-operative society. It is the duty of the chief promoter of the society to convey the First General Body Meeting of the society. If the chief promoter fails to convey the First General Body Meeting, then the registrar or any authorized person may convey the meeting.

➤ **Business transacted at the First General Body Meeting:**

1. To elect a president for the meeting.
2. To inform the members about registration of society.
3. To accept the bye-laws approved by the register.
4. To elect provisional committee for the period of one year to look after the management and affairs of the society.
5. To give approval to the preliminary expenditures for formation of society.
6. To accept the books of accounts and the transactions conducted by the promoter which should be submitted 14 days before the meeting.
7. To transfer the bank account opened with District Central Co-operative bank from promoter's name to the societies name.
8. To admit new members.
9. To fix up the maximum limit of loan.
10. To sanction budget for next year.
11. Any other business with the permission of the chairman.

The first General Body Meeting is held to give proper direction for specific or progressive work and to achieve aims and objectives of the society.

Activity:

- 2) Discuss on the working of First General Body meeting of the co-operative society.

2. Annual General Body Meeting:

According to rule 75 of Maharashtra Co-operative Societies Act, 1960, Annual General Body Meeting of a co-operative society must be held within a period of 6 months after completing the financial year. This meeting is called as Annual General Body Meeting. This meeting is held every year. The financial year of the co-operative societies ends on 31st March. Thereafter within 45 days the books of accounts are to be completed and audit must be conducted within 4 months. According to the bye laws, Secretary must give the notice of the Annual General Body Meeting minimum 14 days in advance to all the members of co-operative society. A notice of the meeting should also be given to the auditor. If required auditor can be present for the meeting to clarify the books of accounts. According to the Act, members are the owners and they can use the right to monitor the work done throughout the year. Regular and Active member can remain present for the general body meeting. They can evaluate the work done by the Managing committee.

In addition to the First General Body Meeting, the secretary according to the bye laws of the society can notify the registrar requesting for conveying such meeting in the particular time period.

In the past section 75 specifies the provisions regarding postpone the AGM but according to the amendment under any circumstances the society should compulsory conduct the Annual General Body Meeting within 6 months i.e. before 30th September after completing the financial year.

➤ **Business transacted at the Annual General Body Meeting:**

1. To elect the chairman of the meeting.
2. To read and confirm the minutes of last meeting.
3. Elect new directors on the place of vacant post.

4. Consideration and approval to the annual accounts (profit and loss account and balance sheet) auditor's report for the financial year.
5. Last year's auditors report, rectified last auditors report, managing committee's report and annual report should be kept for approval.
6. Sanction the budget for next financial year.
7. To fix and declare rate of dividend.
8. To arrange internal audit for the next financial year.
9. To take an action on defaulting member.
10. To fix limit for granting loan.
11. To discuss for investment of surplus fund of the society.
12. According to the rules and regulations, to provide information ask by the Registrar in the meeting
13. To provide information about the loan given to the members of Managing committee and their relatives.
14. To appoint the auditor among the panel of auditors approved by the government for auditing.
15. Any other business with the permission of the chairman.

In this meeting the evaluation about the working of a co-operative society in a financial year is done and future policies are decided so the Annual General Body Meeting has more importance.

3. Special General Body Meeting:

This meeting is called according to Rule 76 of the Co-operative Society Act. The Special General Body Meeting is called to discuss and decide on urgent matters.

The meeting which is held in between two Annual General Meeting is called Special General Body Meeting. This meeting is held for specific purpose. Some urgent issues are to be discussed with the members. The matters which cannot be postponed till the Annual General Body Meeting are discussed in this meeting. So, Special General Body Meeting is called.

According to Co-operative Societies Act section 76 (1) specifies that who can call the Special General Body Meeting. A special general body meeting may be called at any time by the chairman or by a majority of the members of the Managing committee. Such a meeting must be called within one month from the date of receipt of the requisition.

- a) Such requisition must be in writing by one fifth of the members of the society or by certain number of members specified in the bye-laws whichever is less or
- b) As per the instruction given by the registrar or
- c) The meeting may be called by the registrar of the co-operative societies. If the society is the member of federation than the Officer of the federation or
- d) As per the order of the Managing committee.

If the meeting is not called as per the provisions in the bye-laws as requested by the members. The register has got the power to call the meeting and such meeting shall be deemed to be called by the Committee. Such meetings are held as per the law by the Managing Committee. The notice of Special General Body Meeting is given seven days in advance to the members.

➤ **Business transacted at the Special General Body Meeting:**

1. To amend the bye-laws of the co-operative society.
2. To change the liability clause in the bye-laws of the co-operative society.
3. To change the name of the co-operative society.
4. To transfer, dissolution, amalgamation or merge the co-operative society.
5. To increase the authorized share capital and face value of shares of the co-operative society.
6. To grant / sanction the development projects of societies.
7. To consider no confidence motion against any Office bearers of co-operative society.
8. To conduct meeting as per the order of Registrar for the work suggested by him.
9. To implement new policies of the Government.

Special General Body Meeting is called to discuss and decide matters in emergency. In this meeting resolution can be passed against the decisions and recommendations taken by the Managing committee.

4. Last General Meeting:

This is the last meeting in the life of co-operative society and the members. This meeting is held after the dissolution of the co-operative society. Last General Meeting means a legal end of the co-operative society. The meeting is called by the liquidator of the co-operative society when the society is wound up. Quorum is not necessary for this meeting. The society can be dissolved by three ways 1) Voluntarily 2) Compulsory 3) As per the order of closure by registrar (closer transaction). In this meeting review of the dissolution process is done. The reason for failure of working of co-operative society is given in the meeting. If any balance amount is left after the income and expenditure, then such information is given and the appropriation of the balance fund is done. This meeting is called by the liquidator after completion of the dissolution process. This is the last general meeting of co-operative society because on the basis of liquidator's report, the registrar will order to close down the society.

If the co-operative society is incurring losses, if the financial position is weak, the objectives of the co-operative society are not fulfilled or if there is a failure in achieving the members interest then society needs to be wound up.

Activity:

- 3) Collect the information about when last general meeting is called.

A. Meeting of managing committee / Board of Directors:

Managing committee is elected to see the daily working of the society on behalf of members. The representative of members has right to take decisions of daily activities and management. But to take such decisions member should come together and conduct a meeting to discuss and exchange the ideas. For that managing committee should conduct the meeting. All members of the committee are required to attend the meeting.

Following are the various types of meetings of managing committee:

1. First Managing Committee Meeting:

After the registration of co-operative society managing committee is appointed for a period of one year. This meeting is the first meeting of managing committee or board of directors. It is known

as First managing committee meeting. According to section 73, the tenure for temporary committee cannot be more than one year. The topic discussed in the first managing committee meeting cannot be discussed in the next meeting because no purpose is left. The rights given to the committee is the same for the entire managing committee.

After the existence of co-operative society, the meeting is carried out on the following topics to ensure the regular functioning of co-operative society.

➤ **Business transacted at the First Managing Committee Meeting:**

1. To elect chairman for the meeting.
2. To open an account in the name of co-operative society in the District Central Co-operative Bank and rights are given to operate the account.
3. To elect the office bearers to conduct the affairs of the society till the Annual General Body Meeting.
4. To give approval to the expenses after the First General Body Meeting.
5. To fix limit for granting loans.
6. To sanction the budget.
7. To decide the authority to sign the documents of co-operative society.
8. To decide the direction of working of the society.
9. To approve the bye-laws sanctioned by the registrar.

2. Meeting of Managing Committee:

These meeting is conducted after the First Managing Committee Meeting. According to the bye-laws the meeting of the Managing committee should be called every three months or once in every month. The act specifies the maximum number of members of Managing committee should not be more than 21. The notice of the meeting of managing committee should be sent 7 days in advance. The meeting is conducted to carry out day-to-day activities of co-operative society.

➤ **Business transacted at the Meeting of Managing committee:**

1. To confirm the minutes of the last meeting.
2. To sanction the entrance form of new members.
3. To transfer the shares.
4. To recommend the rate of dividend.
5. To take the decisions on loan proposals.
6. To recover the loan and to take proper action on the defaulters.
7. To appoint the Employees, distribution of working among employees, promotion or transfer.
8. To invest the funds of co-operative society.
9. To prepare books of accounts, annual report, balance sheet and to produce the budgeted report of the next year in front of the Annual General Body Meeting for approval.
10. To form sub-committee as per the requirement.
11. To get the books of accounts checked from the auditor. To accept audit rectification report and to take action on it.

3. Sub-committee meeting:

When the size of society and the number of board members are large, the Managing Committee is authorized to appoint the sub-committee of two or more directors. Sub-committee is appointed out of board of directors. Some members from managing committee are taken in sub-committee. At least three members should be in a sub-committee. The president of the managing committee presides over the meetings of sub-committees. The expert in concerned fields are appointed in sub-committees. The rights are given from managing committee to the sub-committee. The sub-committee has to work under the Managing committee. The decisions taken by the sub-committee should be approved by the Managing committee. Bye-laws specifies the rules regarding the meeting of committee. The functioning of sub-committee meeting is same like the Managing committee meeting. Discussion is done on the sub-committee report in the meeting of managing committee. Generally, sub-committee is appointed on various subjects like increase in production, sale of produce, purchasing the assets, employee management, raising loan, financial management, transfer of shares. The minutes of sub-committee meeting is written in separate book.

4.4.3 The legal provisions related to meeting of Co-operative society

In Maharashtra Co-operative Act, 1960 and rule 1961 all the legal provisions are given regarding First General Body Meeting and General Meeting of members they are as follows:

1. **Notice of meeting:** According to provisions of co-operative societies act, the Managing committee has given right to call the meeting of co-operative society. Under certain circumstances, the right to call a meeting is given to the members or the registrar of co-operative societies. On behalf of the chairman the secretary has the right. The notice of the meeting should be proper i.e. name of the meeting, date and day of meeting, time and place, etc. should be given clearly. The notice of members meeting should be sent minimum 14 days before the meeting in writing to members and notice of managing committee meeting should be given 7 days in advance to the members of managing committee as per the provision of bye laws. The bye -laws specifies the period of notice of meeting.
2. **Agenda of meeting:** An agenda of meeting means list of items to be transacted in the meeting. An agenda of the meeting should be sent along with notice. The secretary of the co-operative society should frame an agenda of the meeting discussing with the chairman. The members and members of the Managing committee should get an idea before the meeting so that they can come to the meeting well prepared by seeing the notice and agenda of the meeting. Agenda cannot be changed without the permission of the chairman. Agenda is useful for the smooth functioning of the members and managing committee meeting.
3. **Quorum of meeting:** The minimum number of members required to start and to conduct a meeting is called as Quorum. The quorum should be present throughout the meeting. In the bye-laws quorum is mentioned for General Meeting of members. The decisions taken in the absence of the quorum is not binding towards the members and the co-operative society. Moreover, the meeting is not considered valid.

The quorum for the General Meeting is considered as $\frac{1}{5}$ th of the total number of members or 25 members whichever is less, while quorum for the meetings of managing committee is $\frac{1}{3}$ rd or 5 members whichever is less.

Before starting the meeting, chairman should see whether the quorum of the meeting is fulfilled or not. If quorum is not there then the meeting is cancelled. Upto 30 minutes or time mentioned in the bye-laws the meeting is hold till the arrival of members. Quorum is not necessary after

the adjourned of meeting. When the adjourned meeting is to be called is mentioned in the bye-laws.

4. **The chairman of meeting:** According to the Co-operative societies Act, a chairman or president should be their while conducting a meeting. The chairman of meeting is a person who is elected to regulate and control the meetings. The Eligible chairman or the president of the society presides over the meeting. The chairman of co-operative society is the chairman of general meeting and managing committee's meeting. In the absence of the chairman, the vice chairman presides over the meeting. If both of them are absent, the members present at the meeting shall elected the senior member among themselves to preside over the meeting. Under his chairmanship meeting is conducted. All the rules relating to the smooth functioning of the co-operative society are followed or not is the responsibility of the chairman. The chairman should possess various qualities like politeness, humble, knowledge of law, good nurtured and balanced nature, etc.
5. **Method of voting:** According to co-operative societies Act Section 27 (1), in the meetings of co-operative society a member has right to give one vote irrespective of his shareholding. It may be raising show of hands or by secret ballot as may be adopted. Generally, raising and voting is adopted everywhere. The voting at the General Meeting should be secret voting on demand of members, except the above methods the provisions are made in bye laws of society. The voting by voice can be used.
6. **Adjournment or postponement of meeting:** Quorum is essential for meeting. This meeting is adjourned if quorum is not present. The meeting shall be adjourned or postpone on the same day or as specified in the notice. Such urgent meeting waits for 30 minutes to feel the quorum. Then the meeting shall be conducted irrespective of quorum. If all the business on the agenda of the meeting cannot be transacted on the date on which the general meeting is held, the meeting is postponed. This meeting should be conducted within 30 days from the date of meeting as may be decided by the members present at the meeting. The same agenda is considered for the postponed meeting.
7. **Motion:** A motion is a proposal put before the meeting for discussion and decision. Any member of the meeting or chairman put the subjects in the meeting serially as per the agenda. All the present members discuss on it and express their opinions. After completing the sufficient discussion the voting takes place. The approved motion of the meeting is known as resolution. A person who put up motion is known as proposer and person who supports the motion is called seconder. There should be signature of proposer on motion. The motion must be in writing and affirmated. The proposal can be amended or withdrawn before acceptance or voting. Every member has a chance to speak on motion if he desire. Motion should be within the scope of notice and agenda of the meeting. Motion once sanctioned becomes property of the meeting. Every member has a right to speak once on the motion but mover can speak twice before putting the proposal for voting.
8. **Resolution:** Motion which is passed in the meeting is called resolution. It is the final decision. This is approved subject in the form of resolution. Resolution is end of motion. Resolution is mandatory for society. There is no discussion and changes made in it. There are two types of resolution
(1) Ordinary resolution (2) Special resolution. Special resolution is to be sent for the approval of Registrar. The special resolution passed for the changes in the bye-laws or policy decisions need to be submitted to the Registrar for approval. The resolution can be implemented only after the

approval of the Registrar. Resolution is the decision of the meeting. Once the resolution takes place it could not be withdrawn on any condition. It becomes a part of minutes of meeting.

9. **Casting vote:** Casting vote is a power of the chairman to cast an extra vote in case of tie situation at the meeting. Sometimes when voting is conducted the votes in favour of the proposal and against the proposals are equal. This situation is known as tie. In such case, to decide the matter the chairman can exercise his right of casting vote. It is an extra vote than his normal voting right as per section 27 (1) of Maharashtra Co-operative Societies Act, 1960 which he can exercise in favour or against the proposal but in the interest of the society. In this way the chairman has a right to vote twice.
10. **Minutes of meeting:** Minutes is written record of resolution passed and decision taken at a meeting. Minutes are the written record of the proceedings of the meeting. Minutes is a legal written proof of decisions taken in the meeting. It is necessary to maintain separate minute book one for the members meeting and another for managing committee's meeting. The minutes are used to decide policies.

The business transacted must be written clearly in the minutes. The Secretary of co-operative society has to attend the meeting, check the quorum, note down the work done and resolutions passed in meeting. Decisions taken in the meeting are binding on the society. The minute book must be kept open for members and directors. If the members demand the copy of minutes, the society has to provide the same. Minutes must be recorded within 30 days after completion of the meeting. Chairman and Secretary signs the minutes.

The member who is absent for the meeting can get information of the business transacted in the meeting through minutes. Minutes are of two types (1) Descriptive minute (2) Resolutive minute.

In short, the meeting conducted in co-operative society must be conducted according to the provisions of the act and bye-laws of co-operative society.

1. Distinguish between Motion and Resolution:

| Sr. No. | Points | Motion | Resolution |
|---------|---------------------------|---|---|
| 1. | Meaning | It is a proposal placed before the meeting for discussion and decision. | It is a final decision taken in the meeting on motion after sufficient discussion. |
| 2. | Nature | Motion is a proposal put before the meeting. Discussion starts when motion is put. | Resolution is the final decision of meeting. Discussion ends when resolution is passed. |
| 3. | Discussion | Every member has a right to discuss on motion. | Once resolution is passed members cannot discuss on it. |
| 4. | Binding | Motion is not binding on the society and members. | Resolution is binding on the society and members. |
| 5. | Amendment (change) | Motion can be changed or amended. It can also be withdrawn before voting with the permission. | Once the resolution is passed it cannot be amended. Once the resolution is passed it cannot be withdrawn. |
| 6. | Tool / Outcome | Resolution is passed with the help of motion, so motion is a tool of resolution. | Resolution is passed by submitting the proposal, so resolution is the outcome of motion. |

2. Distinguish Between Shares and Debentures:

| Sr. No. | Points | Shares | Debentures |
|---------|--------------------------|---|--|
| 1. | Meaning | Share is a part of the total share capital of co-operative society. | Debenture is a certificate issued by a society as an acknowledgment of the debts. |
| 2. | Holder | One who holds the share is known as shareholder. The shareholders are the owners of the co-operative society. | One who purchases the debenture is known as debenture holder. Debenture holders are the creditors of the co-operative society. |
| 3. | Income / Return | The shareholders get dividend which is fluctuating. | The debenture holders get interest at fixed rate. |
| 4. | Voting Rights | The shareholders have normal voting rights. | Debenture holders do not have voting rights. |
| 5. | Source of capital | It is an internal source of raising capital. | It is an external source of raising capital. |
| 6. | Security | Shares cannot be kept as security | Debentures can be kept as security |

3. Distinguish Between Internal Source and External Source:

| Sr. No. | Points | Internal sources | External sources |
|---------|------------------|--|--|
| 1. | Meaning | The source by which members provide self-owned capital to the society. Such source is known as internal source. | The source by which the capital is raised for a particular period and it is to be repaid, such source is known as external source. |
| 2. | Include | Internal sources include share capital, entrance fees, reserve fund, members deposit etc. | External sources include non-members deposit, Loan, debentures, govt help, grants and donations |
| 3. | Period | Due to internal source co-operative society gets permanent capital | Due to external source co-operative society gets the fund for a particular period |
| 4. | Stability | Due to internal sources co-operative society becomes financially stable | Due to external sources co-operative society becomes dependent |
| 5. | Rights | Members who provide own capital or propriety capital are the owners of the co-operative society. They have the right to participate in the management of the society | The institutions who provide loan to the co-operative society need not participate in the management but government is an exception. |

4. Distinguish Between Agenda and Minutes:

| Sr. No. | Points | Agenda | Minutes |
|---------|-------------|---|---|
| 1. | Meaning | Agenda is the list of items to be discussed in the meeting. | Minutes is the written records of resolution passed and decision taken in the meeting. |
| 2. | Period | Agenda is prepared before the meeting and sent along with notice to the members. | Minutes must be prepared within 30 days from date of meeting. |
| 3. | Useful | Agenda is useful for smooth functioning of meeting. | Minutes are useful for future as it is written proof of the business transacted at meeting. |
| 4. | Information | Members get information in advance about the subject to be discussed in the meeting | The absent members get all information about the business transacted in the meeting and helps to implement the policies easily. |
| 5. | Changes | Agenda can be changed with the permission of chairman. | Once the minutes are written it cannot be changed. |

5. Comparative study of Saving Deposit, Current Deposit, Fixed Deposit and Recurring Deposit:

| Sr. No. | Points | Saving deposit | Current deposit | Fixed deposit | Recurring deposit |
|---------|-----------------------------|---|--|--|--|
| 1. | Meaning | The deposit which is meant for individuals to save their surplus money safely is called saving deposit. | The deposit which is meant for businessmen, traders or business organizations to conduct their financial transactions smoothly is called current deposits. | The deposit which is meant for keeping surplus money for specific period on certain condition is known as fixed deposit. | The deposit which is meant for depositing a certain fixed amount regularly for a specific period is called recurring deposit. |
| 2. | Depositors | This deposit is opened by the salary or wage earners, middle class or general people. | This deposit is opened by the Businessman, traders or business organization. | This deposit is kept by the rich people or the people having surplus money and want to invest it for long term. | This deposit is kept by individuals those who are interested in regular savings and who plan for future needs. |
| 3. | Transactions | Money can be deposited any number of times. The account holder Can withdraw the money twice a week or 25 withdrawals in a quarter | Money can be deposited any number of times. There is no restriction on withdrawals, any number of withdrawals are allowed | Money deposited only once at the time of opening account. The account holder can't withdraw the money till the completion of selected period he gets the money on maturity | A certain amount of money is deposited regularly for specific period. The account holder can't withdraw the money till the completion of selected period he gets the money on Maturity |
| 4. | Rate of interest | Nominal rate of interest is given on such deposit. | No interest is given on such deposits and some bank gives very low rate of interest. | Higher rate of interest is given on such deposits depending upon the period of deposits. | Attractive rate of interest is given on such deposits which is generally more than Savings and less than fixed deposit. |
| 5. | Pass book / Receipts | Passbook and cheque book are provided on the demand of the account holder. | Passbook, cheque book and computerized statements of the account are provided to the account holder. | Passbook and cheque book are not provided. Only fixed deposit receipt (FDR) is provided to the account holder. | Passbook is only provided to the account holder. |
| 6. | Facilities | The accountholder gets the other facilities like ATM, Safe deposit locker, money transfer but do not get the overdraft facility. | The account holder gets all banking services like ATM, core banking and overdraft facility. | The account holder does not get the other facilities like ATM, core banking etc. but they can obtain a loan against fixed deposit receipt (FDR) | The account holder does not get the other facilities like ATM, core banking overdraft, etc. but they can obtain loan upto 90% of the deposited money. |

6. Comparative study of First General Body Meeting, Annual General Body Meeting, Special General Body Meeting and Last General Meeting:

| Sr. No. | Points | First General Body Meeting | Annual General Body Meeting | Special General Body Meeting | Last General Meeting |
|---------|--------------------|--|--|---|---|
| 1. | Meaning | First General Body Meeting is a meeting which is called within 3 months from the date of registration of the co-operative society. | This is a meeting which is held once in every year after the financial year ending is called Annual General Body Meeting. | Meeting which is held in between two Annual General Body Meeting to pass urgent and special business matters is called Special General Body Meeting. | The meeting which is called to wind up the co-operative societies is called Last General Meeting of co-operative society to close the society forever. |
| 2. | Convener | The meeting is convened by the Chief promoter of the society. | The Secretary has power authority to call Annual General Body Meeting. | The meeting can be convened by the chairman or by a majority of the members of the Managing committee or by the Registrar. This meeting can be called on requisition in writing by 1/5 th of the members of the co-operative society. | The meeting is called by the Liquidator. |
| 3. | When called | The First General Body Meeting should be held within 3 months from the date of registration of the co-operative society | It is held once in every year after completion of financial year. | It is called in case of emergency as per the need. | It is called when the society is to be dissolved. |
| 4. | Business | This meeting is held to inform the members about admission of new members, preliminary contracts and preliminary expenses done by the promoters, appointment on chairman and adhoc Managing committee. | The purpose of these meetings is to review the working of cooperative society during the year, to approve the final accounts, consideration of audit report, declaration of dividend, evaluation of annual work etc. | The meeting is held to transact urgent and special business which cannot be postponed till the next Annual General Meeting etc. alteration in share capital or changes in the bye laws, removal of director, amalgamation, division or dissolution of co-operative societies etc. | This meeting is held to take the decision of dissolution of cooperative society. In this meeting they discuss about the assets to be realized liabilities to be pay and the remaining amount to be distributed etc. |
| 5. | Objectives | This meeting is called for establishment of co-operative society. | This meeting is called to take policy decisions. | This meeting is conducted to approve urgent and special matters. | This meeting is called to dissolve the co-operative society. |
| 6. | Importance | The first general body meeting gives birth (existence) to the co-operative society. | This meeting is conducted to evaluate the working of financial year. | The meeting is important for specific changes in society. | The meeting is for winding up of co-operative society. |

4.5 SUMMARY

➤ Capital raising of Co-operative society:

The capital raised by the co-operative society is not sufficient. In this regard co-operative society raise the capital through other sources. To achieve the objectives co-operative society has to raise the capital.

➤ Following are the sources of raising capital:

A. Internal sources:

- | | |
|------------------|--------------------|
| 1) Share capital | 2) Entrance fees |
| 3) Reserve fund | 4) Members deposit |

B. External sources:

- | | |
|------------------------|------------------------------------|
| 1) Non-members deposit | 2) Loans and advances |
| 3) Issue of debentures | 4) Government grants and subsidies |
| 5) Gifts and donations | |

➤ Meetings of co-operative society:

Meeting means when two or more persons come together to discuss and take decision on an important matter in a co-operative society

➤ Types of Meetings in co-operative societies:

A) Members meeting:

- | | |
|---|--------------------------------|
| 1) First General Body Meeting / Statutory Meeting | 2) Annual General Body Meeting |
| 3) Special General Body Meeting | 4) Last General Meeting |

B) Meeting of Managing committee:

- 1) First meeting of Managing committee.
- 2) Meetings of Managing committee.
- 3) Sub-committee meeting

➤ Legal provisions related to meeting of Co-operative society:

- | | |
|----------------------|---|
| 1) Notice of meeting | 2) Agenda of meeting |
| 3) Quorum of meeting | 4) Chairman of meeting |
| 5) Method of voting | 6) Adjournment or Postponement of meeting |
| 7) Motion | 8) Resolution |
| 9) Casting vote | 10) Minutes of meeting |

4.6 KEY-TERMS

1. **Internal sources:** The capital raised from the members in a co-operative society.
2. **External sources:** The capital raised other than members in a co-operative society.
3. **Shares:** A smallest part of the entire share capital.
4. **Dividend:** Return on the shares to the shareholders out of the profit of co-operative society.

5. **Debentures:** An acknowledgement of indebtedness of co-operative society.
6. **Meeting:** Meeting means when two or more persons come together to discuss and take decision on an important matter in a co-operative society at specific place, date and time.
7. **Notice:** Notice is an advance intimation given by the society to its members and directors stating the day, date, time and place of meeting and agenda.
8. **Agenda:** A list of business items to be transacted at the meeting.
9. **Quorum:** Quorum is the minimum number of members who must be present at the meeting for transacting valid business.
10. **Motion:** Motion is a proposal put before the meeting for discussion and decision.
11. **Resolution:** It is the decision taken in the meeting on any matter.
12. **Overdraft facility:** The facility given to the current account holder to withdraw excess amount standing to his balance.
13. **K.Y.C.:** All the members are required to be identified in all transactions with the society, for this identity all the members are required to comply with KYC (Know Your Customer) guidelines.

4.7 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the sentences.

1. After registration the First general body meeting of the co-operative society is called within _____ months.
a) Two b) Three c) Four
2. A list of subjects to be discussed in the meeting is called _____.
a) Notice b) Agenda c) Minutes
3. The first co-operative society Act in Maharashtra was passed in the year _____.
a) 1904 b) 1912 c) 1960
4. The prime source of co-operative society is _____.
a) Share capital b) Entrance fees c) Grants and subsidies
5. As per Maharashtra co-operative societies Act every co-operative society needs to transfer _____% amount of their profit to reserve fund.
a) 12 b) 15 c) 25
6. Second co-operative society Act in India was passed in the year _____.
a) 1904 b) 1912 c) 1960
7. An External source of capital is _____.
a) Share b) Debenture c) Reserve fund
8. After ending the financial year of co-operative society _____ general body meeting is called.
a) First b) Annual c) Special
9. The details of meeting are written in _____.

- a) Minute book b) Agenda c) Notice book
10. Long term loan is raised by issuing _____.
a) Shares b) Debentures c) Entrance fees
11. The financial year of co-operative society ends on _____.
a) 30th June b) 31st March c) 31st December
12. The meeting which is called for specific purpose is known as _____ general body meeting.
a) Special b) First c) Last
13. The First general meeting is called by _____.
a) Chairman b) Promoter c) Registrar

B) Match the following:

1)

| Group 'A' | Group 'B' |
|--|---------------------------------|
| a. Annual general body meeting | 1. Once in every month |
| b. Liquidator | 2. Reserve fund |
| c. Shares | 3. Current deposit |
| d. Debentures | 4. Dividend |
| e. Protection wall of Co-operative society | 5. Interest |
| | 6. Last meeting |
| | 7. Special general body meeting |
| | 8. Called every year |
| | 9. Development Fund |
| | 10. Depreciation |

2)

| Group 'A' | Group 'B' |
|--------------|--|
| a. Minutes | 1. List of subjects to be discussed in meeting |
| b. Chairman | 2. Responsibility to write minutes |
| c. Secretary | 3. Registration Certificate |
| d. Quorum | 4. Minimum number of members to start a co-operative society |
| e. Agenda | 5. Unnecessary numbers of members for meeting |
| | 6. Control on meeting |
| | 7. Reserve fund |
| | 8. Minimum number of members for valid meeting |
| | 9. End of co-operative society |
| | 10. Legal proof of the decisions in a meeting |

3)

| Group 'A' | Group 'B' |
|---|--------------------------------------|
| a. Last meeting | 1. Existence of Co-operative society |
| b. Overdraft facility | 2. Fixed deposit |
| c. Maharashtra co-operative societies Act | 3. End of society |
| d. Special general body meeting | 4. Current deposit |
| e. Share capital | 5. Meeting called by promoter |
| | 6. Internal sources |
| | 7. As per the demand of shareholder |
| | 8. External sources |
| | 9. 1904 |
| | 10. 1960 |

C) Write a word or a phrase or a term which can substitute each one of the following statements.

1. The protection wall of a co-operative society.
2. The book which is kept to record proceedings of the meeting.
3. A list of subject to be discussed in the meeting.
4. Amount deposited for a specific period.
5. The deposit in which amount can be withdrawn and deposited any number of times.
6. The special power given to a chairman for voting.
7. A person having right to call First general body meeting.
8. A meeting called in emergency for a specific purpose.
9. Minimum number of members for a valid meeting.
10. The year in which first co-operative act was passed in India.
11. The amount to be kept aside from the net profit of the society every year.
12. The motion passed in the meeting after discussion.

D) State whether the following statement are True or False.

1. All the co-operative societies collect capital by issuing debentures.
2. It is the responsibility of the chairman to write the minutes of meeting of the co-operative society.
3. Managing committee can appoint sub-committee.
4. The chairman has power of casting vote.
5. Members are the moneylenders of the co-operative society.
6. Shares cannot be transferred without the permission of managing committee.
7. Overdraft facility is given on current account.
8. In Maharashtra co-operative societies are registered under the co-operative societies Act, 1904.
9. In Maharashtra first co-operative act was passed in the year 1904.
10. Quorum is not essential during the meeting.
11. Share capital is an external source of raising finance.

12. Only Managing committee has right to call special general body meeting.
13. In the year 1904 the subject co-operation was transferred from central government to the state government.
14. Maintaining reserve fund is mandatory for a co-operative society.

E) Complete the following sentences:

1. The meeting which is conducted between two annual general meeting is _____.
2. The proceedings of the meeting is written in _____ book.
3. The deposit is kept for a specific period is _____.
4. Co-operative society can provide maximum _____% of dividend.
5. Motion which is passed in the meeting is called _____.
6. Due to the provisions of co-operative societies Act no member can hold the shares more than _____ of the total share capital.
7. In Maharashtra co-operative societies act was passed in the year _____.
8. The notice of the annual general meeting must be given to all the members minimum _____ days in advance.
9. The main source of finance of the co-operative society is _____.
10. The First co-operative act in India was passed in the year _____.
11. The amount kept aside from net profit of co-operative society is known as _____.
12. Debenture holders are the _____ of the co-operative society.

F) Select the correct option:

| | |
|---------------------------|--|
| 1. Shares | <input type="text"/> |
| 2. <input type="text"/> | Reserve Fund |
| 3. Current Deposit | <input type="text"/> |
| 4. <input type="text"/> | First General Body meeting |
| 5. Dissolution of society | <input type="text"/> |
| 6. <input type="text"/> | Maharashtra Co-operative Societies Act |

Overdraft facility, Dividend, Liquidator, Reserve fund, Promoter, 1960

G) Answer in one sentence

1. What is a Meeting?
2. Why are minutes of a meeting kept?
3. What is an Agenda of meeting?
4. What is Special general body meeting?
5. What is reserve fund?
6. What is current deposit?
7. Why is quorum important for meeting?

H) Correct the underline word and rewrite the sentences:

1. Debenture means a smallest part of the share capital in a co-operative society.
2. Debenture holders are the Owners of the co-operative society.
3. In Current deposit amount can be deposited only once.
4. First general body meeting of the co-operative society is called by the Registrar.
5. The list of items to be discussed in the meeting is known as Minutes.

I) Find the odd one out:

1. (a) Share capital (b) Entrance fees
(c) Donations (d) Reserve fund
2. (a) Current deposit (b) Fixed deposit
(c) Debenture holders (d) Saving deposit
3. (a) Short term loan (b) Price fluctuating fund
(c) Long term loan (d) Medium term loan
4. (a) Dividend equalisation fund (b) Overdraft facility
(c) Special bad-debt reserve fund (d) Development fund

J) Arrange in proper order:

1. (a) First general body meeting (b) Last General meeting
(c) Annual general body meeting
2. (a) Resolution (b) Motion (c) Agenda
3. (a) Minutes of meeting (b) Agenda (c) Notice of meeting
4. (a) Year of Maharashtra co-operative societies act
(b) Year of India's second Co-operative societies Act
(c) Year of India's first co-operative societies Act

Q.2 Explain the following terms:

1. Quorum
2. Reserve fund
3. Minutes
4. Motion
5. Debenture
6. Resolution
7. Meeting
8. Overdraft facility

Q.3 Application based/self-opinion question:

1. First general body meeting gives existence to the co-operative society.
2. Co-operative societies raise reserve fund.
3. Notice should be given to all the members about annual general body meeting.
4. Finance is required for the development and financial growth of the co-operative society.

Q.4 Distinguish between:

1. Motion and Resolution
2. Current deposit and Saving deposit
3. Saving deposit and Fixed deposit
4. Internal sources and External sources

5. Current deposit and Recurring deposit
6. Annual general body meeting and First general body meeting
7. Shares and Debentures
8. Fixed deposit and Recurring deposit
9. First general body meeting and Special general body meeting
10. Agenda and Minutes
11. Annual general body meeting and Last general meeting

Q.5 Write Short notes:

1. Sub-committee meeting
2. Types of reserve fund
3. Annual general body meeting
4. Features of Share capital
5. Types of deposit
6. Advantages of reserve fund
7. Minutes

Q.6 Give reasons:

1. Quorum is essential for meeting.
2. Notice should be given to all the members about Annual general body meeting.
3. It is compulsory to raise reserve fund by co-operative society.
4. Annual general body meeting must be called every year.
5. Co-operative society raises share capital.
6. Chairman of the meeting has right of casting vote.
7. A member cannot hold the shares more than $\frac{1}{5}^{\text{th}}$ of the total share capital of the co-operative society.

Q.7 Answer in short:

1. Explain the advantages of reserve fund.
2. Explain types of deposit.
3. Explain various types of meeting.
4. Explain various types of loans.
5. Explain the advantages of share capital.

Q.8 Long answers:

1. Explain in detail the external sources of raising capital of a co-operative society.
2. What is meeting? Explain various types of meeting.
3. Explain the sources of collecting capital of a co-operative society
4. Explain legal provisions regarding meeting of a co-operative society as per Maharashtra Co-operative Societies Act, 1960.
5. Explain the internal sources of raising capital of a co-operative society.



5. Accounts and Audit of Co-operative Societies

| | |
|---|--|
| 5.1 Introduction | 5.4.4 Advantages of Audit |
| 5.2 Books of Co-operative society | 5.4.5 Legal Provisions of Audit |
| 5.3 Financial Statements of Co-operative society | 5.4.6 Audit Report |
| 5.4 Audit of Co-operative society | 5.5 Summary |
| 5.4.1 Meaning and Definition | 5.6 Key Terms |
| 5.4.2 Types of Audit | 5.7 Exercise |
| 5.4.3 Audit Classification | |

5.1 Introduction:

Every business organization involves an exchange of goods and services. Exchange of goods and services from one business organization to other parties is called as transaction. Business organization having an object to earn Profit, maintaining the books of accounts to know the profit or loss in the business during the financial year.

Co-operative societies are voluntary organization formed by the members. Even though, the main object of co-operative society is not to earn profit, but to take a review of financial conditions of the society they maintain the books of accounts.

Scientific recording of financial transaction is known as accounts. The scientific record contains the details of the date and amount of the transaction. Every co-operative society must conduct the audit every year. Verification of accounts is known as audit

According to Maharashtra co-operative societies act 1960, it is mandatory to maintain books of accounts of co-operative society. As cooperative society is an organization of persons and is working on the basis of Democratic principle, there should be transparency and honesty in the financial transactions. Therefore, it should make the arrangement for maintaining and writing the books of accounts.

So, we are going to study the books of accounts and Audit in this topic.

5.2 Books of Co-operative society

In the working of co-operative society many financial transactions take place. All these transactions are recorded in different books of account. It is mandatory to maintain the books of accounts and also other books. This book is useful for the smooth functioning of the co-operative society. Following are the different books of accounts.

A. Books of accounts:

Every co-operative society has to maintain books of accounts. This book is the mirror of financial transaction in a co-operative society. This book shows the financial position of the co-operative society.

Following are the different books of accounts and statement of a co-operative society.

1. **Journal:** The journal is a primary book of original entries. In this book the day to day transactions are recorded in a chronological order, in debit and credit form and in a systematic manner. All cash and credit transactions are recorded in this book. Therefore, this book has a Legal importance. Journal is a base of ledger.
2. **Subsidiary book:** The co-operative societies which has large number of business transaction maintains subsidiary book. It is secondary book. The journal is divided into several parts to enter the numerous transactions quickly and effectively. In each subsidiary book the specific types of transactions are recorded. Under subdivision of journal all cash transactions are recorded in cash book and credit transactions are recorded in suitable subsidiary book. e.g. Purchase book, Sale book, Purchase return book, Sales return book etc.
3. **Ledger:** A bundle of accounts is known as ledger. The book in which various accounts are recorded is known as ledger. After recording the transaction in a journal, subsequently it is to posted to a ledger. The process of transferring entries from journal is known as ledger posting. The ledger is a record of final entry at the end of the financial year. All accounts are balanced and trial balance is prepared. Therefore, it is the most important book of accounts. All co-operative societies maintain ledger.
4. **Cash book:** The cash book is a sub division of the general. In this book all cash transactions are recorded. It records details of cash received by the co-operative society, cash paid by the co-operative society and cash in hand on the particular date.

B. Statutory books:

According to Maharashtra co-operative societies act 1960. The books and registers which is obligatory to be maintained by the society are called as statutory books. Every co-operative society has to maintain the following statutory books. The cash book, journal ledger are statutory books in addition to these books following statutory books are maintained:

Statutory Books



| | |
|------------------------------------|--|
| 1. Members Register | 2. Active and Non-active member Register |
| 3. Share Register | 4. Debenture Register |
| 5. Minutes Book of members meeting | 6. Minutes book of Managing committees meeting |
| 7. Stock Register | 8. Asset Register |
| 9. Investment Register | 10. Dead Stock Register |
| 11. Loan Register | 12. Audit Register |
| 13. Deposit Register | |

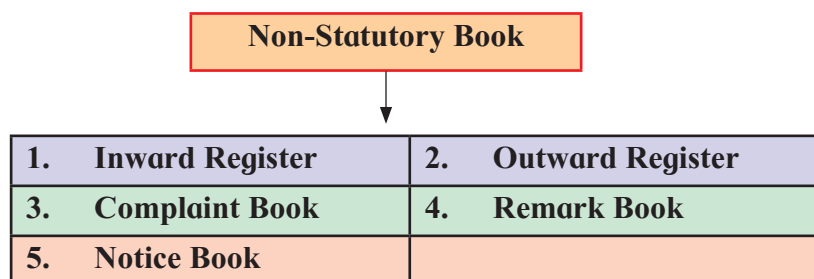
1. **Members register:** The co-operative society act 1960 provides that, every society has to maintain the register of members. It should be maintained in the form 'I'. The register includes full name of members, address, occupation, date of admission, shares held by them, date of entrance fees paid name of the nominee etc.

2. **Active and non-active member's register:** After completing the financial year the name of the active and non- active members is written in the register. In this register name, address, email, classification of active member according to the date, classification of non -active members according to the date such information is recorded. The list of active members is recorded in form J1 and list of non -active members is recorded in form J 2 separately.
3. **Share register:** This register contains the details of shares allotted to the members. The share account is written with the help of share register. The list of shares which are allotted is prepared according to the number of share certificates.
4. **Debenture register:** This register contains all the details regarding debenture sold by co-operative society, its face value and total amount. The register contains the name and address of the debenture holders.
5. **Minute book of members meeting:** This book contains the proceedings of General Body Meeting of the society. This book has legal importance. It contains names and signatures of the members, chairman, secretary present for the meeting and the business transacted in the meeting.
6. **Minutes book of managing committees meeting:** The proceedings of the meeting of the Managing committee are recorded in this book. The business transacted in every meeting is recorded separately. Accordingly, if sub-committee meetings are conducted there minutes are recorded separately.
7. **Stock register:** All the details of the stocks in the different departments of a co-operative society are recorded in this register. The entries of incoming and outgoing stock are recorded in this register.
8. **Asset register:** All the types of assets which are owned by the co-operative society are recorded in this register. It contains the title and nature of asset, date of purchase of asset, cost of asset, installation charges and any addition or deduction of the assets.
9. **Investment register:** The details of the investment made in different forms at different places by the co-operative society are recorded in this register. The particulars regarding the name and nature of investment, date of investment, amount invested, date of maturity, rate of interest or dividend etc. are recorded in this register.
10. **Dead stock register:** In this register details related to dead stock are entered e.g. outdated stationary, furniture, etc. The date of purchase of asset, cost, quantity etc. is recorded in this register. The assets written off are also recorded in this register.
11. **Loan register:** The loans provided by the co-operative society to its members are recorded in this register. Register is maintained to record the name of member, the amount of loan given to the member, rate of interest, period, loan recovery and outstanding amount etc.
12. **Audit and audit rectification register:** Every year auditor is appointed in the Annual General Body Meeting. The auditor audits books of co-operative society. All information relating to audit is recorded in this register. This register is known as auditors remark book. In this book the accounting year, name and address of the auditor, appointment of auditor, auditors remark etc. such information is recorded. If auditor has taken any objection and suggested any rectification then it is also recorded in separate audit rectification register.

- 13. Deposit register:** A co-operative society accepts deposits from its members as well as from the non-members. The details of all deposits are recorded in this register. It includes the date, amount, rate of interest and maturity date etc.

C. Non-statutory registers:

Co-operative society maintenance the following non statutory books for it smooth and efficient working.



- 1. Inward register:** A co-operative society receives the letters, circulars and other documents from the outsiders, they are recorded in inward register. This register is kept in columnar form. Columns are provided to enter for each letter viz. inward no, date of receiving, sender's name and address, subject, department for which letter is received, remark etc.
- 2. Outward register:** All the letters dispatched to the various parties; organizations are recorded in this register. This register is also in a columnar form. columns are provided to enter outward number, date, address name, subject, postage charges, remark etc.
- 3. Complaint book:** The Complaints made by the outsiders, Institutions, members, customers are recorded in this register.
- 4. Remark book:** When the government authorities and visitors visit the co-operative society and they give some remark about the working of the society. Such remarks are recorded in remark book.
- 5. Notice book:** Some common notices and circulars are given by the society to the members, directors, staff and employees of the co-operative society. Such notices and circulars are recorded in this book.

Activity:

- 1) Collect the samples of inward and outward register under the guidance of your teacher and make at least 5 records on it.

5.3 Financial Statements of co-operative society

In a co-operative society more importance is given for accounting. Therefore, every co-operative society have to maintain daily transactions for the different books of accounts. Books of accounts can be used to evaluate the financial progress of the co-operative society.

According to the act co-operative society has to prepare following books of accounts:

- | | |
|----------------------------|--------------------|
| 1. Trial balance | 2. Trading Account |
| 3. Profit and loss Account | 4. Balance sheet |

1. **Trial Balance:** It is necessary to prepare the trial balance for every co-operative society at the end of financial year as per the provisions of the Co-operative societies act. Trial balance is a statement of the debit and credit balances of the various ledger accounts, which is prepared to check their arithmetical accuracy.

At the end of the financial year the ledger accounts are closed and their balances are drawn, then a list of debit and credit balance is prepared on separate sheet. This list of balances is called trial balance. The total of debit columns and credit columns of trial balance must tally. Arithmetical accuracy of recording the transactions and appropriate writing of books of accounts can be checked with the help of trial balance. Trial balance is a basis for preparation of the final accounts i.e. trading account, profit and loss account and balance sheet.

2. **Trading Account:** Trading account is prepared to find out the gross profit or gross loss in the business out of the buying and selling of goods and services. On debit side of trading account opening stock and all direct expenses like purchase of goods, wages, octroi, carriage inward etc. and on credit side direct income like sales and closing stock is recorded. Debit balance of this account indicates the gross loss and the credit balance of this account indicates gross profit.
3. **Profit and loss Account:** Profit and loss account is prepared in the form 'N' mentioned by the Co-operative act. All indirect expenses like office and administration expenses, selling expenses, distribution expenses and losses are debited to the profit and loss account and indirect incomes like interest, Commission, dividend etc. are credited to profit and loss account. The balances of nominal account transfer to the profit and loss account and total amount of debit side and total amount of credit side is taken. If credit side is more than debit side, it indicates the net profit and the debit side is more than a total of the credit side it indicates net loss.
4. **Balance sheet:** Balance sheet is a statement of assets and liabilities of the co-operative society on a particular date. Balance sheet shows the financial position of an organization on a particular date. This statement is prepared at the end of the financial year. It shows true and fair position of the society. Therefore, it is called the mirror of the financial position of the co-operative society. On the left side of the balance sheet capital and liabilities of the society are recorded and on the right side of the balance sheet properties and Assets of the society are recorded. Balance sheet is prepared on the basis of trial balance. The total of both the sides and balance must tally.

5.4 Audit of co-operative society

The Co-operative sector has been developed as a result of government initiative and effective measures. India's First Co-operative Societies Act was passed in the year 1904 and necessary amendments were made time to time. On 1st May 1960 Maharashtra state was established and Maharashtra co-operative societies act 1960 was passed. According to the act the co-operative societies are required to maintain accounts and these accounts must be audited from certified auditor of the co-operative department or Chartered Accountant.

5.4.1 Meaning and Definition

➤ **Meaning:**

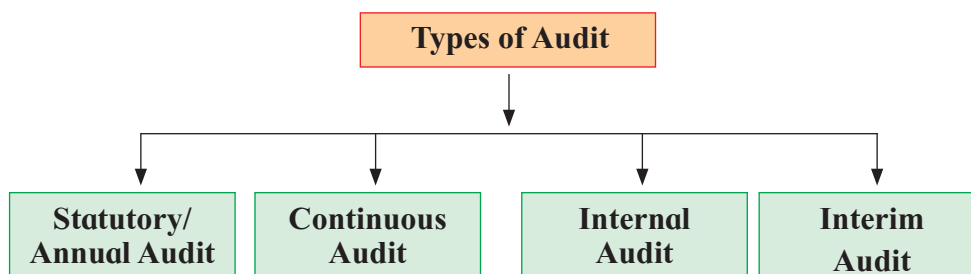
Audit is an examination and verification of the financial statements and books of accounts of the co-operative society.

➤ **Definition:**

“Auditing may be defined as the examination of the books of accounts and vouchers of the business with a view of ascertaining whether the balance sheet is properly drawn or not so as to show true and correct view of the state of affairs of the business” -R. G. Williams

“Auditing is an intelligent and critical scrutiny of books of accounts of a business with the documents and vouchers from which they have been written up, for the purpose of ascertaining whether the working results of a particular period as shown by profit and Loss Account and also the financial position as reflected in the Balance Sheet are truly and fairly determined and presented by those responsible for their compilation” – J.R.Batliboi

5.4.2 Types of Audit



1. **Statutory/Annual Audit:** It is compulsory to conduct audit after end of the financial year as per the co-operative societies act. It is also called Annual audit. The audit which is conducted after preparing accounts is known as Statutory audit or Annual audit. It must be conducted within four months after the end of financial year by the statutory auditor appointed by the state government. On the basis of this audit, Audit class is allotted to the society.
2. **Continuous Audit:** Continuous audit means detail examination of all transactions continuously throughout the year or at regular intervals in a year. Continuous audit is conducted for the societies having large number of transactions. Due to continuous audit final accounts are prepared immediately.
3. **Internal Audit:** Internal audit is the independent appraisal of activity within an organization for the review of accounting financial and other business practices as a protective and constructive aim of management. In case of large co-operative society, they have a separate internal audit department for stock excise department is working independently and efficiently the auditor may depend upon the checking undertaken by such department. This audit is done by the employer appointed by the co-operative society. Internal audit is helpful for Statutory audit.
4. **Interim Audit:** An audit which is conducted in between two statutory audits with a view to find out interim profits to enable the society to declare interim dividend. It is a kind of audit which is conducted in between the financial year in between two periodical balance sheets. It helps for annual audit. It becomes easy to prepare profit and loss account and balance sheet due to interim audit, because majority of the work is completed in interim audit. Due to interim audit mistakes, irregularities and fraud are detected which keeps control on the employees. In the middle of the financial year audits can be done to understand the financial position of the business and accordingly adopt appropriate policies.

5.4.3 Audit Classification:

After conducting the audit of a co-operative society, auditor gives Audit Classes to co-operative society. The audit class is given with the help of marks secured by the society. The quality of the co-operative societies is known with the help of audit class. Audit Class is based on the observations of the profit and loss account. These observations are share capital, financial positions, recovery of loans, management of society, reserve funds number of shareholders, turnover of co-operative society, etc.

The marking system is used to allot the audit class to the society is as under:

Capital Raising -20 Marks, Financial stability-40 marks, Management-15 Marks, General administration-25 Marks

In this way 100 marks are divided. As per the marks secured by the co-operative society, Audit Class is awarded. Following is a classification of audit.

1. **‘A’ class** : The cooperative societies securing more than 60 marks are awarded ‘A’ class. The financial condition of the society is sound, loan recovery is good and overdues are less than 10%.
2. **‘B’ class** : The co-operative society securing marks between 50 to 59 awarded ‘B’ class in audit examination. The financial position of society is fair and the overdues of societies are near 25%.
3. **‘C’ class** : The societies securing marks between 35 to 49 are awarded ‘C’ class. The management of society is inefficient, financial position is not satisfactory. The overdues of such societies are between 30% - 40%. The Management and general administration need to be reformed.
4. **‘D’ class** - The co-operative society securing less than 35 marks are allotted ‘D’ class. Management of societies is inefficient. Such society violates the rules and regulations of the act and does not keep the books of accounts properly and overdues of societies are up to 60%.

Activity:

- 2) What shall be the effect of co-operative society securing ‘A’ class? Discuss with your teacher.

5.4.4 Advantages of Audit:

The audit of co-operative society is important and essential. After auditing the book of accounts auditor gives his opinion about the financial position of the co-operative society in his report. On the basis of this report the information about the financial position of the society is known. Therefore, auditing is advantages. Following are the advantages of audit:

1. **To understand the real financial position:** After auditing the books of accounts of the co-operative society real financial position is understood. Such information is known to the directors, members, registrar and general public. Accordingly, society can plan future policies.
2. **Accurate and up- to - date Audit:** Books of accounts are to be checked by the auditor every year. So, books of accounts are written carefully, accurately and up-to-date. All the books of accounts are written accurately is known due to audit.
3. **Avoid mistakes and Frauds:** While writing the books of accounts fear is created among the employees so that the frauds and misconduct are exposed. Due to auditing control is kept on employees which avoids mistakes and frauds.
4. **Remedies on mistakes in Audit:** If the employees have done any kind of mistake while writing the books of accounts, such mistakes are identified and rectified and proper remedies are taken to avoid such mistakes in future.
5. **Increase in sale of share capital:** Due to auditing the trust among the members and ordinary people is created. As auditing is trustworthy it helps to increase in sales of share capital.
6. **Interest of shareholders:** The working of co-operative society is done by the directors elected by the shareholders. Most of the members are assured that a director cannot commit fraud in the financial affairs of the society and cannot harm to the members for their own benefit. In this regard the members are assured due to audit so interest of the members/ shareholders is protected.

7. **Get loan easily:** The societies which provide loan rely more on audited accounts. Due to audit the real financial position of the society is known. So, on the basis of audit they can provide loan to the co-operative society. Due to audit it is easy to get loan.
8. **Advice for maintaining books of accounts:** Various defects and deficiencies are identified while conducting the audit. Auditor is an expert in auditing so he gives various advices on how to remove defects and deficiencies in auditing. In the same way he gives proper advice for preparation of books of accounts.

5.4.5 Legal provisions regarding Audit

Following are the legal provisions according to Maharashtra Co-operative Societies Act, 1960:

1. **Co-operative Year:** For uniformity in the financial year of all types of co-operative societies, it is decided that the financial year of co-operative societies is from 1st April to 31st of March. This financial year is called as co-operative year.
2. **Audit by registrar:** According to the Act, it is the responsibility of the Registrar to conduct audit of co-operative society. Registrar can appoint a certified auditor to audit the books of accounts of the society. It is mandatory that co-operative society must audit books of accounts within four months after the end of every financial year.
3. **Maintenance and writing of books of accounts:** As per the provisions of the co-operative societies act following books of accounts and registers should be maintained:

| | |
|--|--|
| (a) Members register (Form I) | (b) Shares Register |
| (c) Debenture register | (d) Minute book |
| (e) Cash book | (f) Journal and Ledger |
| (g) Stock register | (h) Assets register |
| (i) Register of Audit objections and rectification | (j) Other books as ordered by State government |
4. **Annual statement:** The co-operative society should prepare all the statement of accounts within 45 days after the end of financial year or within the extended time given by the registrar of co-operative societies. This statement includes:

| | | |
|-------------------------------|----------------------------|------------------|
| a. Trial balance for the year | b. Profit and loss account | c. Balance sheet |
|-------------------------------|----------------------------|------------------|

Profit and loss account should be in form 'N'. This statement should be presented before members in the meeting for approval.
5. **Provisions of Audit:** While conducting the audit following matters must be checked:

| | | |
|--|-----------------|--|
| A. Amount of overdues, loan and advances given by society | B. Cash balance | C. Financial transaction is harmful or not to societies and member's interest. |
| D. Expenses borne by the society while achieving objectives. | | |
6. **Availability of books of accounts:** All books of accounts, documents, assets and cash book should be kept open for examination. Such books should be provided by the custodian of assets for purpose of auditing in the main branch of the society or at any branch of the society for auditing.
7. **Responsibility to provide information:** The responsibility to provide information to the auditor is on the retired and current office bearers, employees and members. Necessary information of business transaction and working of society should be provided to the registrar or person appointed by him.

8. **To keep books of accounts open for inspection for the members:** The co-operative societies must provide books of accounts and financial statements for inspection to the members in the office of the society. A copy of financial statement should be sent to the certified auditor appointed by the Registrar within 15 days. No fees to be charged for inspection of books of accounts to the members. However, if a member demands a copy of financial statement it is mandatory to the society to provide such copy by charging nominal fees. Such copy of financial statement should be given within one month from the date of receipt of the application and payment of fees.
9. **Errors and rectification in accounts:** The auditor should report the errors and deficiencies in the books of accounts in his report. The society should rectify the errors and remove the irregularities within 3 months from the date of receiving the auditor's report. The proper explanation of that should be given to the registrar along with the audit rectification report by the society. The audit rectification report is prepared in Form 'O'. The registrar may give some suggestions for the rectification of the errors which is to be done within prescribed time limit.
10. **Presence of Auditor in Annual General Body Meeting:** The auditor has a right to receive the notices of the Annual General Body Meeting. The auditor is present in Annual general body meeting and he can express his opinion on any of the related matter in the Annual General Body Meeting.
11. **Re-audit of books of accounts:** As per the demand or if required the registrar can check the books of account himself and can also re-audit the books of accounts. All the provisions of audit are applicable for the re-audit of books of accounts.

5.4.6 Audit Report

After having a detailed examination of books of accounts maintained by the co-operative society, the auditor has to submit his report to the registrar, stating whether the accounts have been maintained properly and the state of affairs shows true and fair view of the financial position of the co-operative society. The copy of the report is also given to the co-operative society. The audit report is submitted in specific format. In the same manner the defects and the irregularities are also mentioned. The audit report is of two types:

1. **General audit Report:** The general financial condition of the co-operative society is expressed in this report. The changes that have been affected during the financial year are also mentioned in this report. The report contains information regarding the capital of the society, deposits, reserve funds, number of members, profit or loss and any change in connection with the financial matters of the society.
2. **Audit rectification Report-** The errors that are detected during the audit of a society are reported in this report. Also, rectifications are suggested and this report is submitted to the registrar. The co-operative society needs to rectify such areas within 3 months after the submission of the report. The rectification report should be submitted to the registrar in Form 'O'.

Activity:

- 3) Collect annual report of co-operative society and discuss with your teacher regarding accounts and audit in that report.

1. Distinguish between Profit and Loss Account and Balance Sheet:

| Sr. No. | Points | Profit and Loss Account | Balance Sheet |
|---------|-------------------|---|---|
| 1. | Meaning | The account which shows net profit or net loss of the transactions carried out throughout the year in a co-operative society is known as profit and loss account. | Balance sheet is a statement showing financial position of the co-operative society on a particular date. |
| 2. | Content | Profit and loss account contain record of income and expenses of the society. | Balance sheet contains assets and liabilities of the society. |
| 3. | Side | Profit and loss account is an account. Left side of P/L A/c is called debit side and right side is called as credit side. | Balance sheet is a statement. The left side of the balance sheet contains liabilities and right side contains the assets. |
| 4. | Purpose | The purpose is to find out Net profit or Net loss | The purpose is finds out the financial position of the co-operative society on a specific date |
| 5. | Usefulness | Profit and loss give information about the net profit of the society, which helps for deciding dividend. | It helps to know financial position of the society on a particular date which helps to get the financial assistance. |

2. Distinguish Between Statutory Books and Non-Statutory Books

| Sr. No. | Points | Statutory Books | Non-Statutory Books |
|---------|---------------------|--|---|
| 1. | Meaning | The books which are mandatory for co-operative society according to the Maharashtra co-operative societies Act 1960, clause 65 are known as statutory books. | The books which are not maintained as per the Act but for the convenience of the co-operative society are called as non -statutory books. |
| 2. | Mandatory | It is mandatory to maintain statutory books as per the act. | It is not mandatory to maintain statutory books as per the act. |
| 3. | Verification | These books are verified by Auditor. | These books are not verified by Auditor. |
| 4. | Importance | Statutory books help to show the financial position of the society. | Non statutory books help to run the working of the society smoothly |
| 5. | Types | Some of the examples of statutory books are Members register, Minutes of annual general body meeting, Deposit register, cash book etc. | Some of the examples of Non statutory books are Inward and outward register, complaint book, Remark book, notice book, etc. |

3. Distinguish Between Statutory Audit and Internal Audit

| Sr. No. | Points | Statutory Audit | Internal Audit |
|---------|-------------------------------|---|--|
| 1. | Meaning | The Audit which is conducted compulsorily according to the co-operative Act within four months after the financial year ending is called statutory Audit. | The Audit which is conducted voluntarily by the co-operative societies throughout the year as an administrative work of the society is called Internal Audit |
| 2. | Purpose | Statutory audit is done with a purpose to know real financial position of co-operative society. | Internal audit is done to find out the mistakes and misconduct at society level. |
| 3. | Appointment of auditor | For statutory audit of the society the auditor is appointed by the members in Annual general body meeting, registrar or by the government. | For internal audit of the society the auditor is appointed by the managing committee. |
| 4. | Responsibility | In the statutory audit the responsibility of the auditor is according to the provisions given in Co-operative Act. | In the internal audit the responsibility of the auditor is decided by the managing committee |
| 5. | Audit class | Statutory Audit helps in awarding the audit class to the co-operative society | Internal Audit does not help in awarding the audit class to the co-operative society. |
| 6. | Mandatory | Statutory Audit is mandatory. | Internal Audit is not mandatory. |

5.5 SUMMARY

- A co-operative society should maintain the books of accounts to record the financial transactions. This record is useful to the members, registrar and auditor of the co-operative society. It adds a transparency and reliability towards the society.
- **Books of Accounts of co-operative society**
 - A. Books of Accounts:** (1) Journal (2) Sub division of journal (3) Ledger (4) Cash Book
 - B. Statutory Books :** (1) Members register (2) Active and Non active members register (3) Share register (4) Debenture register (5) Minute book of members meeting (6) Minute book of managing committee meeting (7) Stock register (8) Asset register (9) Investment register (10) Dead-stock register (11) Loan register (12) Audit and audit Rectification register (13) Deposit register
 - C. Non-Statutory books:** (1) Inward register (2) Outward register (3) Complaint book (4) Remark book (5) Notice book

Financial statement: (1) Trial Balance (2) Trading account (3) Profit and loss account (4) Balance sheet

Audit: It is an examination of the books of accounts and vouchers of the organization with a view of ascertaining whether or not the surplus is properly calculated and the financial position of the society is shown properly. The books of accounts are audited as per the provisions of Maharashtra co-operative societies Act, 1960. A person who verifies books of accounts and the working of the co-operative society is known as Auditor.

Types of Audit: (1) Statutory Audit (2) Continuous Audit (3) Internal Audit (4) Interim Audit

Audit Classification: (1) 'A' class (2) 'B' class (3) 'C' class (4) 'D' class

Advantages of Audit: (1) To understand the real financial position (2) Accurate and up-to-date audit (3) Avoid mistakes and fraud (4) Remedies on mistakes in Audit (5) Increase in sale of share capital (6) Interest of shareholders (7) Get loan easily (8) Advice for maintaining books of accounts.

Legal provisions regarding co-operative audit: (1) Co-operative year (2) Audit by registrar (3) Maintenance and writing of books of accounts (4) Annual statements (5) Provisions of audit (6) Availability of books of accounts (7) Responsibility to provide information (8) To keep the books of accounts open for inspection for the members (9) Errors and rectification in accounts (10) Presence of auditor in the annual general body meeting (11) Re-audit the books of accounts.

Audit Report: (1) General audit Report (2) Audit Rectification Report

5.6 KEY-TERMS

1. **Journal book-** Book of the original entry of financial transaction.
2. **Cash book-** Book for recording all cash transaction.
3. **Statutory books-** Books mandatory according to the Co-operative societies Act.
4. **Non-Statutory books-** Books not mandatory according to Co-operative societies Act but prepared for convenience for working of the co-operative society
5. **Trial balance** – Statement of Debit and credit balances of ledger account.
6. **Trading account-** Trading account is prepared to find out the gross profit or gross loss in the business out of the buying and selling of goods and services.
7. **Balance sheet-** Statement showing financial position of co-operative society on a particular date.
8. **Audit-** Verification of books of accounts after completing the financial year of the society.
9. **Auditor-** A person appointed to conduct the audit of co-operative society.

5.7 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the sentences:

1. Books which are used for recording business transactions are called _____.
a) Inward register b) Stock register c) Books of accounts
2. A Journal is a book of _____ entries.
a) Primary b) Secondary c) original

3. The errors shown in the audit report should be rectified by the societies within _____ months.
a) Two b) Three c) Six
4. Audit Rectification Report must be in _____ form.
a) 'N' b) 'A' c) 'O'
5. Member's register should be kept in _____ form.
a) 'O' b) 'I' c) 'N'
6. The letter received by the society is recorded in _____.
a) Inward register b) Outward register c) Dead Stock

B) Match the following:

| Group 'A' | Group 'B' |
|------------------------------------|--|
| a. Cash book | 1. Conducts audit |
| b. Statement of financial position | 2. Form 'I' |
| c. Members register | 3. Recording cash transaction |
| d. Profit and loss account | 4. Recording credit transaction |
| e. Auditor | 5. Form 'O' |
| | 6. Balance sheet |
| | 7. Information of gross profit or gross loss |
| | 8. To write books of accounts |
| | 9. Trial balance |
| | 10. Information of Net profit or Net loss |

C) Write a word or a phrase or a term which can substitute each one of the following:

1. A book which contains various accounts.
2. A book in which cash transactions of the co-operative society are recorded.
3. The statement which indicates the financial position of the co-operative society.
4. The register in which the members information like names, addresses, admission date etc is recorded.
5. The account which shows the net profit or net loss of the co-operative society.
6. The person appointed to inspect books of accounts of the co-operative society.
7. The audit which is mandatory every year for co-operative society according to the act.
8. The audit which is undertaken continuously in co-operative society.

D) State whether the following statement are True or False:

1. Auditing is important for co-operative society.
2. According to the act it is compulsory to maintain non-statutory books.
3. Balance sheet shows financial position of co-operative society.
4. Errors detected during audit can be corrected by society at any time.

5. The stock is recorded in share register.
6. After the statutory audit awarding Audit class is not required.

E) Complete the following sentence:

1. Profit and loss a/c is prepared in ____ form.
2. Audit done between two balance sheets is known as _____.
3. All the financial transaction of the society is recorded in _____.
4. Audit rectification report is prepared in ____ form.
5. The co-operative societies securing marks between 50% to 59% are awarded ____ class in the audit.

F) Select the correct option:

| | |
|--------------------------------------|----------------------------|
| 1. Member's Register | <input type="text"/> |
| 2. <input type="text"/> | Audit rectification report |
| 3. Recording of cash transaction | <input type="text"/> |
| 4. <input type="text"/> | Profit and loss account |
| 5. Financial position of the society | <input type="text"/> |

Cash book, Form 'N', Balance-sheet, Form 'O', Form 'I'

G) Answer in one Sentence:

1. What is ledger?
2. What is continuous audit?
3. What do you mean by statutory book?
4. Which are the audit classes given after audit of the co-operative society?
5. What is audit classification?

H) Correct the underlined word and rewrite the sentence:

1. Chairman audits the books of accounts of the co-operative society.
2. Profit and loss A/c shows the financial position of co-operative society.
3. Audit rectification report is sent in Form 'I'.
4. Auditing should be done within Three months after completing the financial year.
5. The investments made by the co-operative society is recorded in Loan Register.

I) Find the odd one:

1. a) Ledger
b) Outward register
c) Journal
d) Subsidiary book
2. a) Trial balance
b) Profit and loss /c
c) Audit rectification report
d) Balance -sheet
3. a) Notice book
b) Remark book
c) Complaint book
d) Journal

Q.2 Explain the following terms:

1. Auditing
2. Co-operative year
3. Balance sheet
4. Profit and loss a/c
5. Members register
6. Minute book of members meeting
7. Interim audit

Q.3 Application based/Self-opinion question:

1. According to co-operative society auditing is compulsory.
2. Auditing class is given after statutory audit
3. Co-operative society should maintain books of accounts.
4. Co-operative society must conduct internal audit.

Q.4 Distinguish between:

1. Statutory books and Non-Statutory books.
2. Balance sheet and profit and loss account.
3. Statutory audit and Internal audit.

Q.5 Write short notes:

1. Advantages of audit
2. Books of accounts of co-operative society
3. Audit classification
4. Statutory books
5. Books of accounts of co-operative society

Q.6 Give reasons:

1. Maintenance of statutory books is mandatory for co-operative society.
2. Balance sheet is a mirror of the financial position of the co-operative society.
3. According to co-operative society auditing is important.
4. Auditor gives audit class to the co-operative society.

Q.7 Answer in short:

1. Which are the financial statements of the co-operative society?
2. Explain types of audit?
3. What are the advantages of audit?
4. Which are the books of accounts of the co-operative society?

Q.8 Long answers:

1. Explain in detail statutory books of co-operative society.
2. Explain the legal provisions regarding 'Audit' as per the Maharashtra co-operative societies Act 1960.



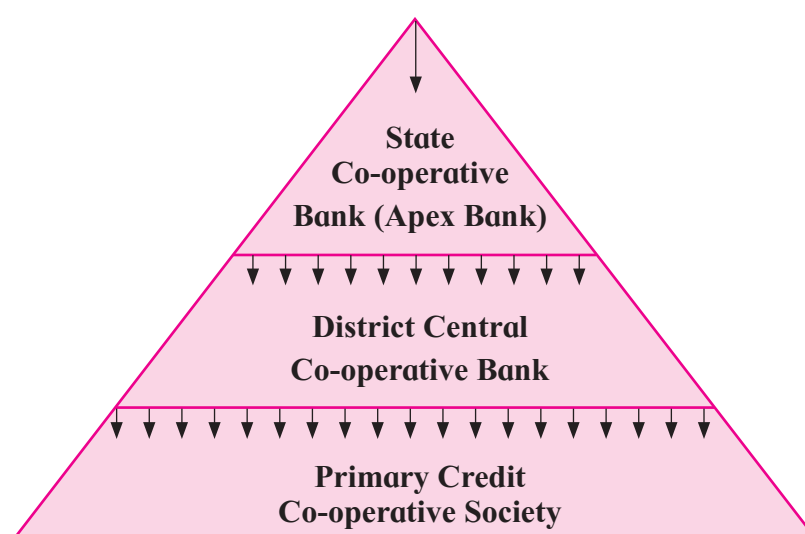
6. Urban Co-operative Bank

- | | |
|----------------------------|---------------|
| 6.1 Introduction | 6.5 Remedies |
| 6.2 Meaning and definition | 6.6 Summary |
| 6.3 Functions | 6.7 Key terms |
| 6.4 Problems | 6.8 Exercise |

6.1 Introduction

The Co-operative movement was started in India to improve the economic condition of poor people. The need was felt to start such institution to help the poor and middle-class people in urban and semi urban areas.

In India there is three- tier system of co-operative banking. At State level State Co-operative Bank, at District level District Central Co-operative Bank and at Village level Primary / Credit Co-operative Society.



The Urban co-operative bank was established to fulfill financial needs of urban peoples like labourers, artisans, small trader, craftsmen, salary earners, etc. To relieve them from the clutches of moneylenders, to provide personal loans and to increase the habit of saving and thrift such bank were established.

Urban co-operative banks are established in urban and semi-urban areas.

In India the first co-operative bank (credit society) was established in the princely State of Baroda on 5th February, 1889 under the guidance of Vithal Laxman Kavthekar also known as Bhausahab Kavthekar. The name of this co-operative bank was 'Anyonya Sahayakari Mandali Co-operative Bank Limited'. These co-operative banks were accepting deposits, providing loan and banking services.

6.2 Meaning and Definition of Urban co-operative bank

➤ **Meaning:**

The working area is restricted upto certain urban area and collect savings deposits as well as lend loan for different purposes and established to perform the banking functions is called as Urban co-operative Bank. The bank which is established to provide banking services and loan to the urban people like labourers, artisans, small trader, craftsmen, salary earners, etc. is called Urban co-operative bank.

The bank established on co-operative principles to provide loan in urban and semi-urban areas is known as Urban co-operative bank.

➤ **Definition:**

Banking Regulation Act 1949: ‘Those share capital and reserve fund is more than Rs.100000/- and perform general banking functions and not offer membership to any co-operative society is known as Primary credit co-operative society or Urban co-operative Bank.’

Banking Regulation Act 1949 was applicable to Urban Co-operative Banks from 1966 and accordingly. The salary earners, small traders, merchants, middle class people, artisans, etc. are the members of Urban co-operative Banks. The membership of Urban co-operative bank is open to all the people residing in the working area of the bank. Urban co-operative banks are the members of District Central Co-operative bank.

6.3 Function of Urban co-operative bank

The Urban co-operative bank is established with an objective to fulfill financial need to urban and semi – urban areas. The urban co-operative bank has created important place in the mind of urban peoples. Due to easy operation and quick fulfillment of members and non – members need these banks have become popular in urban areas. Following are the functions of Urban co-operative bank:

Function of Urban co-operative bank

| | |
|-----------------------------------|------------------------------------|
| 1. Accepting Deposits | 6. Modern banking services |
| 2. Granting Loan | 7. Helping for self- employment |
| 3. To act as an Agent | 8. Quick banking services |
| 4. Discounting bill of exchange | 9. Financial management |
| 5. To provide Safe Deposit Locker | 10. Training to staff and officers |

- 1. Accepting Deposits:** The main functions of Urban co-operative bank are accepting deposits from public. The deposits are collected from members and non-members of urban and semi-urban areas. This bank accepts deposits in the form of Saving deposit, Current deposit, Fixed deposit and Recurring deposit, Pygmy deposits, etc.
- 2. Granting Loan:** Urban co-operative banks provide short-term and medium-term loan to the members and non-members against security. The loan is provided to the businessmen, merchants, craftsmen, salary earners, etc. considering their needs. The loan is provided to the members for children education, housing, purchasing consumers product like television, refrigerator, computer, etc. Overdraft facility is also provided to the business on current account.

3. **To act as an Agent:** Urban co-operative bank provides all banking functions. As an agent of account holder, the bank makes payment of telephone bill, electric bill, LIC premium, children educational fees, house rent, housing loan installment, purchase and sale of shares and debentures, etc. for these functions nominal bank charges are charged by the bank. And also provides guidance to the members for proper investment.
4. **Discounting bill of exchange:** When the credit transaction takes place between two parties, the creditor draws bill of exchange for a specific period which is accepted by debtor this bill of exchange is discounted by the bank for this interest is charged which is known as discount.
5. **To provide Safe Deposit Locker:** Urban co-operative banks provide safe deposit lockers to its customers means depositors. The depositor can keep safely their valuables like gold and silver ornaments, important documents in such locker. This service or facility is provided by the bank for the safe custody of valuables of its customers. Bank charges rent, as per the size of lockers.
6. **Modern banking services:** Urban co-operative Banks also provides modern banking services like 24 hours ATM services to the members. This service is provided by the ATM centers located nearby market, railway station, bus stand, etc. The bank also provides other modern banking services like Electronic money transfer, core banking, e-banking, mobile banking, Credit card, Debit card, etc. In Telebanking system a specific phone number is allotted to the members through which they can get all information regarding their accounts like transaction, balance of their account, current rate of interest, foreign exchange rate, etc.
7. **Helping for self-employment:** Urban co-operative banks provide loan for self-employment in urban and semi-urban areas for the persons want to start their own business. Self-employed persons like work-shop owner, machinery repairer, tailor, weaver, truck transporter, auto rickshaw driver, etc. These persons get the financial help from Urban co-operative bank for self-employment which helps to solve the problem of unemployment.
8. **Quick banking services:** Due to globalization competition is increasing in all sector. The Urban co-operative society provides quick banking services as per the needs of the customers by charging reasonable charges. Members pay service charges to the bank. The bank maintains good relation with customers and provide quick services to the customers.
9. **Financial management:** Urban co-operative bank makes proper investment of funds. The bank invests surplus fund as per the provisions and instructions of Reserve Bank of India. After taking into consideration the cash requirement security (safety) and return on investment.
10. **Training to staff and officers:** The Urban co-operative bank provide professional training to the staff, officers and employees of the bank. For this they arrange various workshops to improve the quality of banking services. The success of bank is dependent on the services provided by the bank.

Activity:

- 1) Visit Urban co-operative bank and prepare report on its working.

6.4 Problems of Urban co-operative bank

Problems of Urban Co-operative Bank



| | |
|---------------------------|---|
| 1. Unproductive loan | 2. Lack of training facility |
| 3. Lack of fund | 4. Inefficient management |
| 5. Unbalanced development | 6. Increasing over dues |
| 7. Defective loan policy | 8. Dual control |
| 9. Political interference | 10. Fail to provide Modern banking services |

1. **Unproductive loan:** It is expected the Urban co-operative bank should provide loan for productive purpose. But at present, these banks provide loan for unproductive purpose likes to purchase furniture, television, refrigerator, festival loan, housing loan, etc. And this loan is also not recovered within given period of time.
2. **Lack of training facility:** Bank employees and staff are not trained. Most of the staff does not have sufficient knowledge of banking operation. They are not aware of the new changes in banking sector. But the banks did not arrange workshops, seminars for the training of the staff due to lack of funds which affects the day-to-day working of the bank.
3. **Lack of fund:** The area of Urban co-operative bank is limited upto particular city. Therefore, there are limited number of members in Urban co-operative bank. Due to which the share capital, deposits, membership fees, reserve fund is also very limited which is insufficient for the development of the bank. The District central co-operative bank also do not provide sufficient financial help to Urban co-operative bank. Due to limited capital the bank faces difficulty for its development.
4. **Inefficient management:** The management of Urban co-operative bank is inefficient. They lack in management abilities which effects the smooth and successful working of the society. The management is not professional and trained.
5. **Unbalanced development:** The Urban co-operative banks are developed in the state like Maharashtra, Gujarat, Tamil Nadu and Karnataka and remained undeveloped in remaining states. The progress of these banks from geographical point of view is unbalanced. So, the artisans and other people do not get financial help in those states.
6. **Increasing overdues:** There is large amount of overdues in Urban co-operative bank. The loan is given without taking proper care, loan to unproductive purpose, low control on use and recovery of loan due to which bank comes into financial problem. Due to inefficient management and political pressure there is difficulty in recovery of loan.
7. **Defective loan policy:** The loan policy of Urban co-operative bank is defective. The decision of granting loan is taken by managing committee. Loan demand, scrutiny of loan application, use of loan, ability to repay the loan such important factors are not observed and loan is given to the ineligible person under the influence of management. Provisions of loan security is not followed hence bank has come into economical problem.

8. **Dual control:** Reserve Bank of India and Co-operative department, has joint control over the Urban co-operative bank. Due to dual control there is problem in administration of bank. When the bank has to start new projects like establishment of new branch, investment of funds, recovery of loans, etc. bank finds difficulty in taking decision according to Reserve bank or Co-operative department. The dual control creates problems in their working.
9. **Political interference:** It is observed that a lot of political interference seen in the working of urban co-operative bank. There is political pressure for granting loans, recovery of loans, appointment of employees, etc. Due to which these banks have come into economical problems.
10. **Fail to provide Modern banking services:** Due to lack of capital the Urban co-operative bank has come into financial problems. Due to which they are not in the position to provide modern banking services to its customers like commercial and nationalized bank which results in decrease in number of customers.

Activity:

- 2) Visit an Urban co-operative bank and discuss the problems faced by the bank with the management.

6.5 Remedies on problems of Urban co-operative bank

Urban co-operative bank is the main bank for helping self-employment in urban areas. It provides financial help for various purposes in urban areas. If below given remedies are adopted by Urban co-operative bank their problems will be solve and this bank will be successful:

Remedies on problems of Urban co-operative bank



| | |
|---|------------------------------------|
| 1. Emphasis on productive loan | 2. Training to staff |
| 3. Raising (Increasing) Capital | 4. Efficient management |
| 5. Balanced development | 6. Recovery of loan (dues) |
| 7. Easy loan distribution | 8. Single control |
| 9. Loyal Managing Committee / Board of Directors | 10. Modern banking services |

1. **Emphasis on productive loan:** The Urban co-operative society must provide loan for agriculture related businesses like milk business, fruits and vegetable business, horticulture, etc. The loan should be provided for productive purpose.
2. **Training to staff:** The Urban co-operative bank must provide training to staffs, employees and officers of the bank. They must conduct various training programs, workshops, seminars which will increase the ability of staff and officers.
3. **Raising (Increasing) Capital:** The Urban co-operative bank must encourage deposits from members and non-members. Efforts should be made to increase membership which will ultimately help to increase capital. The State Government must also provide financial help to this bank in initial stage.

4. **Efficient management:** There is need to give training to members of managing committee/ Directors, officers, staff and employees of co-operative society.
5. **Balanced development:** For balance development of Urban co-operative bank branches of urban co-operative bank must be opened in underdeveloped areas. Due to which there will be balanced development of Urban co-operative bank.
6. **Recovery of loan:** The Urban co-operative bank must increase the recovery of loan. while giving loan ability to repay the loan must be taken into consideration. Without taking political pressure loan recovery must be done in legal manner. Special bad debts reserve must be created.
7. **Easy loan distribution:** The Urban co-operative bank must properly verify the loan application form, timely sanction and distribute the loan taking into consideration the ability to repay loan and security loan procedure must be easy and transparent. To have control on use of loan amount. Loan must be distributed carefully to relatives and friends of managing committee.
8. **Single control:** There is dual control of Reserve Bank of India and Co-operative department on Urban co-operative bank. For development and independence to this bank government must make amendment in act and have single control. As per agreement the State government has given control of financial matters to the Reserve Bank of India.
9. **Loyal Managing Committee / Board of Directors:** The managing committee / Board of directors must be loyal. The managing committee must give loan to needy and eligible member and should not act under the political pressure while granting loan, appointing staff, recovery of loan. Co-operative principles and rules of reserve bank must be followed.
10. **Modern banking services:** Urban co-operative bank must accept the changes of the period. This bank must provide modern banking services like ATM, core banking, e-banking, mobile banking, Debit card, Credit card.

The Urban co-operative bank must use modern banking services to increase the trust of members, depositors and general public. The working hours of the bank must be kept as per the need of the customers.

Activity:

- 3) Discuss the remedies on problems of Urban co-operative bank.

6.6 SUMMARY

- Urban co-operative Bank was established to fulfill financial help to craftsmen, small businessmen, salary earners and small producers in urban areas. Urban co-operative bank has expanded their activities and they are providing all services like commercial bank. These banks create habit of saving among urban and semi-urban peoples.
- **Functions of Urban Co-operative Bank**
 1. Accepting Deposits
 2. Granting Loan
 3. To act as an Agent
 4. Discounting bill of exchange
 5. To provide Safe Deposit Locker
 6. Modern banking services

- | | |
|--------------------------------|------------------------------------|
| 7. Helping for self-employment | 8. Quick banking services |
| 9. Financial management | 10. Training to staff and officers |

➤ **Problems of Urban co-operative bank**

- | | |
|---------------------------|---|
| 1. Unproductive loan | 2. Lack of training facility |
| 3. Lack of fund | 4. Inefficient management |
| 5. Unbalanced development | 6. Increasing over dues |
| 7. Defective loan policy | 8. Dual control |
| 9. Political interference | 10. Fail to provide Modern banking services |

➤ **Remedies on problems of Urban co-operative bank**

- | | |
|--|-----------------------------|
| 1. Emphasis on productive loan | 2. Training to staff |
| 3. Raising (Increasing) Capital | 4. Efficient management |
| 5. Balanced development | 6. Recovery of loan (dues) |
| 7. Easy loan distribution | 8. Single control |
| 9. Loyal Managing Committee / Board of Directors | 10. Modern banking services |

6.7 KEY-TERMS

- A.T.M.** – Facility provided by bank to the account holder to withdraw money any time by using the personal identification code.
- Safe deposit lockers** – Locker provided by the bank to keep valuables safely.
- Bank overdraft (O/D)** – The facility given by the bank to current account holder to withdraw excess amount than the balance in his account.
- Bill of Exchange** – The bill drawn by the creditor on debtor and accepted by debtor for credit transaction on certain amount to be paid in future date.

6.8 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the sentences:

- The first Urban co-operative Bank in India was started in the year _____.
(a) 1849 (b) 1879 (c) 1889
- Urban co-operative Bank works in _____ areas.
(a) Urban (b) Rural (c) District
- Banking Regulation Act, 1949 was applied to the Urban Co-operative Bank from the year _____.
(a) 1965 (b) 1966 (c) 1967
- Urban Co-operative Bank are members of _____ bank.
(a) Primary Co-operative Bank (b) District Central Co-operative Bank
(c) Rural Co-operative Bank

5. The name of first Urban Co-operative Bank is '_____'.
 (a) Maharashtra State co-operative Bank
 (b) District Central co-operative Bank (c) Anyonya Sahayakari Mandali

B) Match the following:

| Group 'A' | Group 'B' |
|----------------------------|--|
| a. Banking Regulation Act | 1. Debentures |
| b. Urban Co-operative Bank | 2. 24 hours money deposit and withdrawing facility |
| c. ATM service | 3. To keep Valuables |
| d. Owned Fund | 4. Rural area |
| e. Safe Deposit Lockers | 5. 1949 |
| | 6. Share Capital |
| | 7. 12 hours money deposit and withdrawing facility |
| | 8. 1946 |
| | 9. Less valuables |
| | 10. Urban area |

C) Write a word or a phrase or a term which can substitute each one of the following:

- Name of first Urban co-operative Bank in India.
- The bank which provides loan to salary earners, small businessmen, artisans and craftsmen in urban area.
- The service provided by the Urban co-operative bank to keep valuable things safely.
- The 24 hours service provided by Urban co-operative bank for depositing or withdrawing money to the customers.
- The year from which Banking Regulation Act, 1949 was applicable to Urban co-operative bank.

D) State whether the following statements are True or False:

- Urban co-operative bank provide loan for large scale business.
- Urban co-operative bank works in rural area.
- There is balance development of Urban co-operative banks in Maharashtra.
- Urban co-operative bank acts as a representative of accountholders.
- There is no problem in the development of urban co-operative bank.

E) Complete the following sentences:

- Banking Regulations Act _____ was applied to the Urban co-operative bank from the year 1966.
- The first Urban co-operative bank in India was started in the year _____.
- The name of first Urban co-operative bank in India is _____.

4. Urban co-operative bank provides _____ facility to keep valuables.
5. Urban co-operative bank works in _____ area.

F) Select the correct option:

| | |
|---|------------------------|
| 1. 24 hours facility | <input type="text"/> |
| 2. <input type="text"/> | Banking Regulation Act |
| 3. Establishment of Urban co-operative bank | <input type="text"/> |
| 4. <input type="text"/> | Share capital |
| 5. Safe Deposit Locker | <input type="text"/> |

1949, ATM, To keep Valuables, 1889, Owned capital.

G) Answer in one sentence:

1. What do you mean by Urban co-operative Bank?
2. To whom membership of Urban co-operative bank is given?
3. Which functions are performed by Urban co-operative bank as representative?
4. Who regulates the Urban co-operative bank?
5. What do you mean by Discounting bill of exchange?

H) Correct the underline word and rewrite the following sentences:

1. Urban co-operative bank provides loan in Rural area.
2. In India, the first District co-operative bank was established in the year 1889.
3. Urban co-operative bank provides ATM services to deposit valuable things.
4. Urban co-operative bank works according to Banking Regulation Act 1960.
5. Urban co-operative bank is controlled by Reserve bank of India and Government department.

I) Find the odd one:

1. (a) Current deposit (b) Saving deposit
(c) Overdraft facility (d) Fixed deposit
2. (a) District Central Co-operative Bank (b) State bank
(c) Urban co-operative bank (d) State co-operative bank

J) Arrange in proper order:

1. Loan distribution, Loan sanction, Loan demand.
2. State level, Village level, District Level.

Q.2 Explain the following terms:

1. ATM
2. Safe deposit Locker

3. Overdraft facility
4. Urban co-operative bank

Q.3 Application based/ Self-opinion question:

1. Development of urban area depends on Urban co-operative bank.
2. Due to loan provided by Urban co-operative bank there is encouragement for self-employment.

Q.4 Write short notes:

1. Functions of Urban co-operative bank.
2. Problems of Urban co-operative bank.
3. Remedies on problems of Urban Co-operative bank.

Q.5 Give Reasons:

1. Urban co-operative bank plays an important role in development of urban area.
2. Urban co-operative bank works as a representative of accountholders.
3. There are various problems in working of Urban co-operative bank.
4. The outstanding dues of Urban co-operative bank are increasing.
5. The Urban co-operative bank provides modern banking services to their accountholder.

Q.6 Answer in short:

1. Explain the functions of Urban co-operative bank.
2. Explain the problems of Urban co-operative bank.
3. Explain the remedies on problem of Urban co-operative bank.

Q.7 Long answers:

1. Explain the remedies on problems of Urban co-operative bank in detail.
2. Define Urban co-operative bank and explain its functions.
3. Explain the meaning and problems of Urban co-operative bank.



7. District Central Co-operative Bank

7.1 Introduction

7.2 Meaning and Definition

7.3 Functions

7.4 Problems

7.5 Remedies

7.6 Summary

7.7 Key Terms

7.8 Exercise

7.1 Introduction

In India co-operative movement was started with the first Indian Co-operative Act of 1904. Previously farmers were under the burden of loan. He was under the debt of moneylender. The moneylender were exploiting farmers. So, there was provision to establish the credit co-operative society in the co-operative act, 1904.

It was expected that co-operatives would be able to attract the deposits from the members and non-members but the expectation did not fulfill. Credit co-operative societies were not successful in increasing the capital and supply of loan to the farmers.

Taking into consideration the defects of first act 1904, the second co-operative act was made more comprehensive. By passing second act 1912, provision were made to establish co-operative society in all sectors. District Central Co-operative Bank came into existence due to provision of second co-operative act, 1912.

The government has appointed committee under the chairmanship of Sir E. D. Maclagan in the year 1914 to review the progress of the co-operative Movement in India. This committee submitted the report to the government. The committee made valuable suggestions for the improvement of the co-operative movement.

Maclagan committee recommended for the establishment of District Central Co-operative Bank. District Co-operative Bank act as a link between the State Co-operative Bank and Primary Credit Co-operative Societies at village level. Working area of this bank is restricted upto the district. District Central Co-operative Bank is a member of State Co-operative Bank. In Maharashtra the First District Central Co-operative Bank was established in Akola.

7.2 Meaning and Definition

➤ **Meaning:**

The bank which acts as a link between State Co-operative Bank and Primary Credit Co-operative Society is known as District District Central Co-operative Bank. The union formed by the all Primary credit co-operative society in the district is known as Central co-operative bank.

➤ **Definition:**

“District Central Co-operative Bank is the bank which is established at district level, which provides finance to all the co-operative societies in the district and conduct the activities and provide banking services according to the provisions of the co-operative act and banking act.

“ -Maharashtra co-operative societies act 1960 (sec. 6)

“A District Central Co-operative Bank means, a bank collecting co-operative fund from district and using for financing to primary credit co-operative and co-operatives. This bank is not Primary urban co-operative Bank”.

-Shri. J. P. Niyogi

7.3 Functions of District Central Co-operative Bank

District Central Co-operative Bank provides finance to Primary credit co-operative societies and other co-operative societies and collect deposits for the same. District Central Co-operative Bank acts as a link between the primary credit co-operative society and State Co-operative Bank and performs following functions:

Functions of District Central Co-operative Bank

| | |
|--|--|
| 1. Accepting Deposits | 2. Lending loan |
| 3. Bank of co-operative societies in the district | 4. Bank of state government |
| 5. Expansion of new branches | 6. Leading the District co-operative movement |
| 7. Loan on security | 8. To control, supervise and guide |
| 9. To maintain balance in credit supply of the district | 10. Consumer Services |

- 1. Accepting deposits:** The branches of District Central Co-operative bank are spread at village level so various deposits are collected from the people which inculcates habit of saving among the people. Various types of deposits are accepted like current deposit, saving deposit, fixed deposit and recurring deposit etc.
- 2. Lending loan:** The District Central Co-operative Bank provide loan to the member primary credit co-operative societies in the district. Seasonal loan is provided to the agriculture credit co-operative society in the district. Crop loan is provided for a period of 1 to 15 months which is known as short term loan. The medium-term loan for a period of 1 year to 5 years is provided for construction of well, purchase of agricultural equipment, etc. Such loan is provided by NABARD. Due to lack of finance this co-operative bank cannot provide loan of 5 to 25 years. As working area is limited up to district the deposits and share capital are less. District central co-operative bank provides short term loan and medium-term loan.
- 3. Bank of co-operative societies in the district:** District Central Co-operative Bank act as a banker of all co-operative societies in the district. As bank of co-operative societies in the state functions for keeping the deposits of co-operative safe, transfer of money, accepting cheque, clearing cheque, providing overdraft facility. Such services are provided and to keep reserve funds safely. Such functions are conducted by district central co-operative bank.
- 4. Bank of state government:** At the district level this Bank works as a Banker of state government. Educational institution, Zilla Parishad, Panchayat Samiti, Gram Panchayat, co-operative societies etc societies have account in this bank. All the financial transactions of co-operative sector are conducted through this bank. Various policies of the government for rural development is done by Zilla Parishad. So, it acts as a bank of State Co-operative Bank at district level.
- 5. Expansion of new branches:** The head office of the District Central Co-operative Bank is situated at the district headquarters. It is important to have a branch of District Central Co-operative Bank for proper coordination among the co-operative societies in the district. In the same way it is important to provide banking services at village level. So, it important to open new branches in the district.

6. **Leading the District co-operative movement:** District Central Co-operative bank functions to contact with all the co-operative societies within the district. For that, guidance is provided for the formation of co-operative society in the district. This Bank distribute the loan received from State Co-operative bank to Primary credit co-operative societies in the district. To provide guidance and control on co-operative movement in the district, to accelerate the working, enhancement and to maintain the balance in the development such functions are performed.
7. **Loan on security:** The District Central Co-operative Bank provide loan to the public by accepting gold and silver ornaments as security. This bank provide loan to the marketing co-operative society on the stock of goods with them. This bank also provide loan to spinning mills, co-operative sugar factory, etc. against the security of produce with them.
8. **To control, supervise and guide:** This bank keep control over the working, supervise their transaction and to keep control over the use of loan and provide guidance to the member society for achieving their objective, etc. functions are performed by the District Central Co-operative Bank.
9. **To maintain balance in credit supply of the district:** All the primary credit co-operative has an account and deposit in this bank. This bank collects the deposit from the financial stable co-operative society and lend the loan to financially weak co-operative society which maintains balance in credit supply.
10. **Consumer Services:** Common people keep deposits in this bank. This Bank provide loan to the customers, transfer of money, locker facility, clearance of cheque, payment of electricity bill and insurance premium. Services are provided like credit card, smart card, debit card, green card, ATM card, RTGS, NEFT, IMPS such functions are provided by the bank.

After studying about the financial condition District Central Co-operative Bank submit the report to the State government. Due to which the State government can plan the policies for the farmers and financially weak people and declared those policies. The working of those policy is done by this bank. The development of the district depends upon the District Central Co-operative Bank.

Activity:

- 1) Visit the branch of District central co-operative bank and prepare a report on its day-to-day working.

7.4 Problems of District Central Co-operative Bank

When any particular co-operative society works on large scale it has to face certain problems. District Central Co-operative Bank works on district level, so they face following problems:

| Problems of District Central Co-operative Bank | |
|--|---------------------------------------|
| 1. Limited Capital | 2. Defective loan distribution system |
| 3. Delay in sanction of loan | 4. Increasing Overdues |
| 5. Inefficient management | 6. Insufficient deposits |
| 7. Higher rate of interest on loan | 8. Political interference |
| 9. Improper supervision and control | 10. Unbalanced development |

1. **Limited capital:** In district Central Co-operative Bank deposits are not collected on large scale. Due to increase in the members and number of primary credit co-operative societies and other co-operative societies, the bank cannot fulfill the demand of loan. Due to Limited capital, loan cannot be provided as per the demand.
2. **Defective loan distribution system:** Due to lack of planning while granting the loan the financial stability, capability to repay the loan, project report, progress of the society, etc. such information is not checked properly. After the submission of prescribed application form the loan is immediately sanctioned which results in overdues of loan.
3. **Delay in sanction of loan:** For sanctioning the loan management committee takes lot of time. The loan system is complicated. Due to delay in sanction of loan, the loan is not given when it is actually required. Due to which farmers take the loan from the money lenders. After receiving the application of loans by the District Central Co-operative Bank, long period is taken for scrutiny and sanction of loan by Managing committee.
4. **Increasing Overdues:** Due to lack of planning, defective loan distribution system, sanction of personal loan, etc. there is increasing overdues in the District Central Co-operative Bank. Political interference is seen while recovery of loan. Due to which overdues are increased. In the same way, the member society do not repay the loan installment in time. Which results in serious problem of overdues.
5. **Inefficient management:** The management of District Central Co-operative Bank is inefficient. Inefficient persons are appointed in the Managing committee, the staff is untrained, there is partiality in appointment of staff and employees, lack of knowledge and experience of office bearers, political pressure on employees, employees do not have the knowledge of co-operative principles and working so there is inefficient management.
6. **Insufficient deposits:** District central co-operative bank do not keep attractive deposits. Attractive rate of interest is not given. Efforts are not taken for collecting personal deposits. So, capital fund is not increased.
7. **Higher rate of interest on loan:** The rate of interest on loan charge by these co-operative banks are higher as compared to commercial bank. In the same way while acquiring the loan certain amount is deducted and kept as deposit for investment purpose. Due to which members and non-members do not demand for loan from this bank.
8. **Political interference:** There is political interference in co-operative movement through various ways which has created an adverse effect. For approval and recovery of loan there is political pressure. Co-operative movement is affected because of the entry of politics, groupism, personal interest, power politics which affect the growth of District Central Co-operative banking.
9. **Improper supervision and control:** The District Central Co-operative Bank do not have sufficient staff to supervise and control over the primary credit co-operative society, its working and control on utilization of loan. Due to which there is improper supervision and control.
10. **Unbalanced development:** The District Central Co-operative Bank do not keep a balance while granting loan to primary credit co-operative societies in the district. Due to political interference some societies in the district get more loan while other societies get inadequate loan. So, balanced development is not achieved in the district.

To check the technical side of the projects, expert officers are not available in District Central co-operative bank. Due to untrained staff they are not able to use modern computer technology. So, the working of the bank becomes inefficient.

Activity:

- 2) Inefficient management is the main problem for the progress of District Central Co-operative Bank. Discuss.

7.5 Remedies on problems of District central co-operative bank

District Central Co-operative Bank acts as a money channel in the agricultural and rural industries of the district. In the same way, this bank provide loan and keeps control on the primary credit co-operative societies and other co-operative societies in the district. While doing these functions if following remedies are applied then this bank will be successful in its work:

Remedies on Problems of District Central Co-operative Bank

| | |
|--------------------------------------|---------------------------------|
| 1. Increase in capital | 2. Ease in sanction of loan |
| 3. Sanctioning of loan without delay | 4. Recovery of overdues |
| 5. Efficient management | 6. To increase the deposit |
| 7. Less interest on loan | 8. Away from political pressure |
| 9. Effective supervision and control | 10. Balanced development |

- 1. Increase in capital:** District Central Co-operative Bank should take efforts to increase the capital. Shares and debentures should be issued. Members registration campaign should be taken to increase share capital.
- 2. Ease in sanction of loan:** While sanctioning the loan the District central co-operative bank should not provide loan under political interference, influence, general approval to loans, etc. The loan must be granted according to need of loan, repayment capacity of loan, fulfillment of documents, proper security, etc. after studying this factors loan should be approved.
- 3. Sanctioning of loan without delay:** District co-operative bank should sanction the loan without any delay. The period for sanction of loan should be fixed. The loan approved by the bank should be given immediately.
- 4. Recovery of overdues:** While recovering the overdues political pressure should not be considered and speed should be increased to recover the loan from society and people. Recovery of loan should be done by legal ways without considering the political pressure.
- 5. Efficient management:** Training must be given to all the directors, office bearers, staff, employees to increase their efficiency which will result in efficient management. For effective management scientific and professional training must be given to the managing committee.
- 6. To increase the deposit:** It is necessary to increase the deposits of the bank, for that deposit should be collected from producer, businessmen, social and educational institutions, etc. Similarly, to increase deposit various attractive deposit schemes must be introduced.
- 7. Less interest on loan:** District central co-operative bank should charge less rate of interest on loan as compared to commercial bank. Unnecessary deductions must not be made from loan amount.
- 8. Away from political pressure:** Political pressure should not be allowed in the day-to-day functioning of the bank. Bank should not be influenced by political pressure but loan should be granted to needy and capable societies. While granting the loan banking principles, RBI and co-operative department instructions must be followed.
- 9. Effective supervision and control:** Bank should increase the number of investigating officers to keep an effective supervision and control on working and use of loan of primary credit co-operative societies in the district.

- 10. Balanced development:** For balance development of co-operative societies in the district, the District central co-operative bank should supply proper loan in all the areas of the district.

District central co-operative bank should adopt modern technology for expansion of branches in banking sector. So modern services should be provided. Due to which banking services will be provided in rural sector and balanced development of co-operative sector will be done in the district.

Activity:

- 3)** Visit the District Central Co-operative Bank in your locality and know the problems in working of this bank and suggest remedies on it.

7.6 SUMMARY

- In India there is three-tier structure of credit supply. In this structure the District Central Co-operative Bank is at central place. So, it is known as District central co-operative bank. District co-operative bank is located in each district of the state.
- Primary credit co-operative societies in the district come together and form a Central society. Such central society is known as co-operative bank or Banking union. District Central Co-operative Bank is the bank which provides loan and supervise and control primary credit co-operative societies in the district.
- District central co-operative bank means which is not an urban co-operative bank but collects deposits for providing the loan to other co-operative banks.
- **Functions of District central co-operative bank:**
 1. Accepting deposits
 2. Lending loan
 3. Bank of co-operative societies in the district
 4. Bank of state government
 5. Expansion of new branches
 6. Leading the District co-operative movement
 7. Loan on security
 8. To control, supervise and guide
 9. To maintain balance in credit supply of the district
 10. Consumer Services
- **Problems of District central co-operative Bank:**
 1. Limited capital
 2. Defective loan distribution system
 3. Delay in sanction of loan
 4. Increasing Overdues
 5. Inefficient management
 6. Insufficient deposits

7. Higher rate of interest on loan
8. Political interference
9. Improper supervision and control
10. Unbalanced development

• **Remedies over the problems of District central co-operative Bank:**

1. Increase in capital
2. Ease in sanction of loan
3. Sanctioning of loan without delay
4. Recovery of overdues
5. Efficient management
6. To increase the deposit
7. Less interest on loan
8. Away from political pressure
9. Effective supervision and control
10. Balanced development

7.7 KEY-TERMS

1. **Short term loan:** Loan for a period of 3 to 15 months.
2. **Medium term loan:** Loan for a period of 1 to 5 years.
3. **Long term loan:** Loan for a period of 5 to 25 years.
4. **NABARD:** National Agriculture and Rural Development Bank.
5. **NEFT:** National Electronic Fund Transfer System.
6. **RTGS:** Real Time Gross Settlement

7.8 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the sentences.

1. The working of District central co-operative bank is restricted up to _____.
a) State b) District c) Taluka
2. In India _____ tier structure of credit co-operative is in existence.
a) Three b) Four c) Two
3. District central co-operative bank act as a link between the state co-operative bank and _____.
a) Primary credit co-operative society b) Credit co-operatives c) Rural bank
4. District central co-operative bank works as a bank of _____.
a) State co-operative bank b) District co-operative bank c) Urban co-operative bank

5. District central co-operative bank are the members of _____ bank.
 a) Urban co-operative b) State co-operative c) Rural co-operative

B) Match the following:

| Group 'A' | Group 'B' |
|---------------------------------------|---------------------------|
| a. Maclagan committee report | 1. Inefficient management |
| b. Trained staff | 2. Dividend |
| c. District central co-operative bank | 3. Three-tier |
| d. Deposits | 4. 1915 |
| e. Structure of credit co-operative | 5. State level |
| | 6. Four-tier |
| | 7. District level |
| | 8. Interest |
| | 9. 1951 |
| | 10. Efficient management |

C) Write a word or a phrase or a term which can substitute each one of the Following:

- Co-operative bank working a district level.
- Link between the state co-operative bank and credit co-operative society
- Bank acting as a bank of all co-operative societies in the district.
- Loan provided for a period of one to five years by District central co-operative bank.
- The unrecoverable loan installments of District Central Co-operative Bank.

D) State whether the following statement are True or False:

- District central co-operative bank act as a money channel for district level.
- Overdoes are increasing in District central co-operative bank
- District central co-operative bank keeps a control and supervision on the working of primary credit co-operatives.
- The first District central co-operative bank is established in Amravati.
- District central co-operative bank works at state level.

E) Complete the following sentence:

- District central co-operative bank is formed on the recommendation of _____ committee.
- The working area of the District central co-operative bank is limited up to _____.
- The _____ bank is known as the bank of all co-operative societies in district.
- District central co-operative bank provide _____ term loan.
- District central co-operative bank works at _____ level.

F) Select the correct option:

| | |
|---|-------------------------------------|
| 1. Working area of District Central Co-operative Bank | <input type="text"/> |
| 2. <input type="text"/> | Establishment of Maclagan committee |
| 3. Structure of credit co-operative society | <input type="text"/> |
| 4. <input type="text"/> | Loan for 3 to 15 months |
| 5. National Agricultural and Rural Development Bank | <input type="text"/> |

1914, District level, NABARD, Three-tier, Short-term loan.

G) Answer in one sentence:

1. What is District central co-operative bank?
2. Which services are provided by the District central co-operative bank to the customers?
3. On whom District central co-operative bank keeps the supervision and control?
4. District central co-operative bank provide which term loan?
5. Under Who's recommendation District central co-operative bank came in to existence?

H) Correct the underlined word and rewrite the sentences:

1. The first District central co-operative bank is established in Ahmednagar in Maharashtra.
2. District central co-operative bank came into existence by the Saraya committee.
3. District central co-operative bank provides Long term loans.
4. State Co-operative Bank keeps a control over the primary credit co-operatives.
5. Primary credit co-operatives get the loan from rural and national development bank.

I) Find the odd one:

1. (a) District central co-operative Bank (b) Urban co-operative bank
(c) State co-operative Bank (d) Reserve Bank
2. (a) Accepting deposits (b) Sanction of loan
(c) Increasing overdues (d) A.T.M facility

J) Arrange in proper order:

1. (a) Providing Loan (b) Recovery of loan (c) Application for loan

Q.2 Explain the following terms:

1. District central co-operative bank
2. NABARD
3. Short term loan

Q.3 Application based / Self-opinion questions:

1. The development of co-operative movement of district depends on District central co-operative bank.
2. Raising overdues is the serious problem of district central co-operative bank.

Q.4 Distinguish between:

1. Urban Co-operative Bank and District Central Co-operative Bank.

Q.5 Write short notes:

1. Functions of District central co-operative bank.
2. Remedies towards the problems in District central co-operative Bank.
3. Problems of District central co-operative Bank.

Q.6 Give Reasons:

1. The development of Co-operative movement in district depends on District Central Co-operative Bank.
2. District central co-operative Bank provides short-term and medium-term loan.
3. Increasing overdues is the serious problem of District central co-operative Bank.
4. District Central Co-operative Bank leads co-operative movement in the district.
5. Inefficient management is observed in District central co-operative Bank.

Q.7 Answer in Short:

1. Explain the functions of District central co-operative Bank.
2. Write the remedies towards the problems of the District central co-operative Bank.
3. Explain the problems of District central co-operative Bank.

Q.8. Long answers:

1. Explain the problems of District Central Co-operative Bank.
2. What do you mean by District central co-operative Bank? and explain its function.
3. Explain remedies towards the problems of District central co-operative Bank.



8. Maharashtra State Co-operative Bank

8.1 Introduction

8.2 Meaning and Definition

8.3 Functions

8.4 Problems

8.5 Remedies

8.6 Summary

8.7 Key Terms

8.8 Exercise

8.1 Introduction

India is an agricultural country. The business of agriculture is seasonal in nature. Agriculture sector needs finance for particular period. The structure of Credit Co-operative is of three-tier in Maharashtra. Primary Credit Co-operative Society works at village level, District Central Co-operative Bank works at district level and State Co-operative bank (Apex bank) acts as the federation of all District Central Co-operative Bank and works at State Level.

Maharashtra State Co-operative Bank is the apex bank in Maharashtra state. In this three-tier structure, State Co-operative Bank works at the top most level and hence it is known as the Apex Bank. In 1914 the Maclagan committee had recommended the need of establishment of State co-operative bank. State Co-operative Bank were established to fulfil the loan requirements of primary credit co-operative societies through central co-operative banks and to supervise, control and coordinate their work.

State co-operative bank is the union of all District central co-operative Banks in the state. The State co-operative bank was established on 11th October, 1911 at Mumbai province. For every state there is one apex bank. The head office of Maharashtra State co-operative bank is at Mumbai. State co-operative bank provides loan indirectly to the farmers through District central Co-operative Bank and Primary credit co-operatives.

8.2 Meaning and Definition

• *Meaning:*

The top most co-operative bank of the State which brings about overall and well-balanced development on the agricultural front by extending credit to farmers on the basis of co-operation is known as State co-operative bank. Its primary objective is to facilitate well-balanced development of the States co-operative movement. The bank which acts as the important link between States co-operative movement, Reserve Bank and NABARD is known as State Co-operative Bank.

The top most institution of the State which provides credit to States co-operative societies is known as State Co-operative Bank.

➤ *Definition:*

- “State Co-operative Bank is known as the apex bank of the State which provides credit supply for developing the State co-operative movement. The top most institution which is entrusted with the task of collection of capital and allocating the funds to different sectors as per requirement so as to eradicate backwardness, promote development and bring about

well-balanced development on the co-operative sector of the entire State is known as State Co-operative Bank”.

Shri J. P. Niyogi

- “Apex Bank refers to that institution whose range of operations is spread over entire State of Maharashtra and its main objective is to protect the main objectives of those institutions who are its members, take care of their amenities and providing them the required services. This institution is also categorized by the Registrar”. **Maharashtra Co-operative Societies Act, 1960.**

8.3 Functions of State Co-operative Bank

State Co-operative Bank functions as the apex bank of all the co-operative banks in the State. Being the bank of all District Central Co-operative Banks, State Co-operative Bank performs following functions:

Functions of State Co-operative Bank

| | |
|--|---|
| 1. Acceptance of deposits | 2. Granting loans to co-operative societies |
| 3. Supervision on use of loans | 4. Co-ordinate the working of co-operative institutions |
| 5. Connect the co-operative sector with money market | 6. Provides banking services |
| 7. Providing loans to rural industries | 8. Maintaining balance in credit supply |
| 9. Expansion of branches | 10. Provides leadership for co-operative movement |

- 1. Acceptance of deposits:** State Co-operative Bank accepts deposits from its members among District central co-operative banks, individual members as well as co-operative societies. The bank also accepts deposits from Zilla Parishad, educational institutions, municipal council, etc. The State co-operative banks accept deposit on large scale and fulfils the requirement of working capital of District Central co-operative banks.
- 2. Granting loans to co-operative societies:** The State co-operative banks are required to provide loans on a large scale to District Central co-operative banks and other co-operative societies in the state. State co-operative bank also provide loan to processing co-operatives, marketing co-operatives, housing co-operatives, industrial co-operatives, etc. The loans is also provided indirectly to the farmers through primary co-operative credit societies.
- 3. Supervision on use of loans:** The state co-operative bank keeps supervision on use of loan provided to the District central co-operative bank, processing co-operative societies and Co-operative industrial societies in the state. After providing loans to co-operative institutions, to avoid misuse of loan and to have a control on the problem of heavy overdues, the State Co-operative Bank gives instructions to them. And if the need arises, then the apex bank undertakes inspection of the member co-operative societies through experts.
- 4. Co-ordinates the working of co-operative institutions:** In the State, there are various types of co-operative institutions like Credit co-operative societies, co-operative banks, consumers co-operative societies, etc. For the development of co-operative movement, there should be coordination among these societies. State co-operative banks has to prepare guiding principles

for co-operative institutions and to see that it is observed from them. Also, it has to prepare policy framework for co-operative institutions and has to ensure that it is followed by them.

5. **Connect the co-operative sector with money market:** Primary credit co-operative societies are working in villages and hence they don't come in contact with the money market. State co-operative bank invests the reserve and surplus funds of District central co-operative banks and other primary credit societies in the money market. The institutions involved in various types of short term and mid-term financial transactions is collectively known as the Money market. The co-operative sector and money market come in contact with each other only through State Co-operative Bank. State Co-operative Bank buys debentures and invests in government schemes. During the times of scarcity of funds, it procures short term loans from the money market and distributes the same to District Central co-operative banks. The State Co-operative bank encashes bills generated through agricultural transactions in the money market. The State co-operative bank establishes contact of credit co-operative society with money market.
6. **Providing banking services:** Co-operative banks are spread all over the state. The State co-operative banks through its network of branches provides various types of banking services to its customers and co-operative societies. The services include clearing the cheque and bills of exchange of co-operative banks, transfer of funds from one branch to the other branch, drawing drafts etc. The State co-operative bank also provides services such as ATM, Net banking, Tele banking, RTGS and NEFT.
7. **Providing loans to rural industries:** The State co-operative banks undertake the task of providing loans for industrialization in rural areas. The development of agriculture leads to rural development. State co-operative banks provide loans to co-operative sugar factories, co-operative spinning mills, agricultural produce processing units, handloom industries and such other co-operative industries. With the objective of bringing about co-operative development of cottage industries and small scale industries in rural areas, State co-operative banks play a major role by buying their share capital to assist them to operate in the initial stages. State co-operative banks perform the task of maintaining balance in the overall development of rural areas.
8. **Maintaining balance in credit supply:** The financial position of all District Central Co-operative Banks in the State is not the same. The amount of share capital and deposits also differ. In certain District Central Co-operative Bank, the demand for loan is low as compared to their share capital and deposits. Whereas in other District Central Co-operative Banks, the demand for loans is higher for agriculture especially during the harvesting season. The funds of those District Central Co-operative Banks who are in surplus are diverted to those District Central Co-operative Banks which are in deficit of funds. Similarly, State co-operative banks also divert the flow of funds to those industries where the demand is higher so as to maintain balance in supply of loans.
9. **Expansion of branches:** The head office of Maharashtra State Co-operative Bank is in Mumbai. The Regional offices and branches of the bank have been opened in various parts of the State. Banking services are being provided through these branches of the bank. The bank performs the function of distribution and recovery of the loans.
10. **Provides leadership for co-operative movement:** Reserve Bank of India functions as the bank of Government of India similarly State Co-operative Bank functions as the bank of the State Government. The implementation of financial policy of Government, provides suitable

directions for the development of co-operative sector in the State and provides suggestions to the State Government for preparing policies relating to development of the State.

The State co-operative bank provides suggestion to the Government with regard to which policies needs to be implemented in which regions of the State. The co-operative development of the State depends upon the development of State co-operative bank.

State co-operative bank being the bank of State government functions to coordinates for consolidation of all co-operative banks. State co-operative bank inspects the banking transactions of District Central Co-operative banks and exercise control on them, guides them and in the three-tier structure of co-operative credit societies functions as an apex bank. The development of the co-operative movement in the state depends on the State co-operative Bank.

8.4 Problems of State Co-operative Bank

The working of State co-operative bank is in whole state. The scope of State co-operative bank is the entire state which creates the problems in working of the bank. Following are the problems of State co-operative bank:

Problems of State Co-operative Bank

| | |
|-------------------------------------|---------------------------------------|
| 1. Inadequate Capital | 2. Inadequate deposit |
| 3. Defective loan supply system | 4. Increasing Overdues |
| 5. Improper supervision and control | 6. Improper investment |
| 7. Lack of planning | 8. Ignorance towards medium-term loan |
| 9. Defective functioning | 10. Inefficient management |

- Inadequate Capital:** Share capital, deposit, reserve fund collected by the State co-operative bank is inadequate. To meet the requirement of loan in the state, the collected capital is inadequate. Loan is taken regularly from NABARD and State government. In comparison of number of member societies and demand of loan, the capital is inadequate.
- Inadequate deposit:** State co-operative bank has not succeeded in collecting large amount of deposit. According to turn over, the deposits collected by the bank is less. Deposits collected by the general public is minimal.
- Defective loan supply system:** While providing the loan to District central co-operative bank and other co-operative societies their financial stability and capability to repay the loan is not considered and due to political pressure loan is given to certain District central co-operative bank, economical weaker co-operative society. Many a time loan is provided without following the rules and regulations of RBI.
- Increasing Overdues:** The overdues of the State co-operative banks are increasing regularly. Defective loan supply system, ignorance towards proper utilization of loan, less efforts towards recovery of loan, problems in recovery of loan due to political interference due to such reasons overdues are increased. Due to ignorance in recovery of loan, State co-operative bank have come into economical problem.
- Improper supervision and control:** State co-operative bank failed in supervising and controlling the co-operative society. Due to lack of trained staff in state co-operative bank they

cannot supervise and control the working of district central co-operative bank. The number of inspectors are less so inspection is not done properly. Proper attention is not given to whether the mistakes shown in the inspection are rectified or not.

6. **Improper investment:** State co-operative bank do not carefully plan their investment policies. State co-operative banks faces political pressure while investing in the share capital on large scale. Due to which large amount of share capital is blocked. Due to improper investment of funds banks comes in financial problem.
7. **Lack of planning:** State co-operative banks are not planning properly while investing or granting the loans. Due to lack of supply of loan and recovery of loan for a longer period it has badly affected on the development of state.
8. **Ignorance towards medium-term loan:** Loan is provided by NABARD to State co-operative banks. However, most of the time, the bank does not borrow the medium-term loan. Due to which members do not get medium term loan. The bank does not study the loan requirements of the State co-operative bank. Therefore, the debt planning does not succeed.
9. **Defective functioning:** State co-operative bank do not control towards usage of loan as well as recovery of loan on district central co-operative bank. Decisions on supply of loan is taken by the managing committee. Every director tries to provide more and more loan to the co-operative societies in his area. Due to which there is no balanced development in the co-operative sector.
10. **Inefficient management:** The management of state co-operative bank is inefficient. Officers do not have sufficient knowledge of co-operative principles and they are inexperienced and there is political pressure on the staff due which the management is inefficient. It is expected that state co-operative bank should not provide personal loan. But State co-operative bank are providing personal loan.

8.5 Remedies on problems of State Co-operative Bank

State co-operative bank acts as an important economical channel in the co-operative sector. The working area of the state co-operative bank is the entire state so they face various problems in the working. Following are the remedies on problems of state co-operative bank:

Remedies on problems of State Co-operative Bank

| | |
|---|--|
| 1. Emphasis on capital raising | 2. Increasing deposits |
| 3. Proper allocation of loan | 4. Emphasis on recovery of loan |
| 5. Effective supervision and control | 6. Proper investment |
| 7. Work Planning | 8. Improvement in functioning |
| 9. Efficient management | 10. Balanced development |

1. **Emphasis on capital raising:** State co-operative bank should take efforts in increasing the capital. Shares and debentures should be issued. Deposits should be accepted. To increase the share capital member registration campaign should be taken. If the government will give grant for salary of staff capital will be increased.

2. **Increasing deposits:** State co-operative bank must prepare attractive deposit schemes for persons and societies. Depositor should be given immediate and quick services to increase the deposits. Attractive rate of interest should be given on deposits.
3. **Proper allocation of loan:** State co-operative bank should not come under political influence while granting the loan. Study regarding granting the loan, need of loan, capability to repay the loan, scrutiny of the documents, proper mortgage, etc. while granting the loan. Loan should not be approved in general.
4. **Emphasis on recovery of loan:** While recovery of loan political pressure should not be considered and strict policies must be framed. The district central co-operative bank and other co-operative societies who are in overdues should not get concessions. Legal action must be taken on societies having overdues.
5. **Effective supervision and control:** To keep effective supervision and control, the State co-operative bank should appoint more number of expert trained officers. After auditing all the defects are rectified or not should be checked.
6. **Proper investment:** State co-operative bank should carefully frame the policies of investment. While investing the share capital, reserve fund, deposits of the bank, the financial position, need of development, productivity, etc. should be considered properly.
7. **Work Planning:** State co-operative bank should look at the loan requirements and development of co-operative sector of the District central co-operative bank and other major co-operative societies in the state. Co-operative societies in the district should formulate a credit plan and plan for debt distribution.
8. **Improvement in functioning:** State co-operative bank should plan for credit and should approve the loan after checking economic stability of society, project report, the path to progress the society, etc. The actual loan recovery must be recorded in the records.
9. **Efficient management:** State co-operative bank should appoint efficient expert trained staff, employees and officers for effective working of the society. Training programmes should be arranged for the employees and officers. When required employees should be appointed having the knowledge of computers.
10. **Balanced development:** For the balanced development of co-operative society there must be equal distribution of loan to all district central co-operative bank. Loan cases should be resolved immediately. Time limit should be fixed for sanctioning loan and sanctioned loan should be disbursed immediately. Due to this there will be balanced development of the co-operative sector in the state.

For the development of co-operative sector, the apex bank has a big contribution. The remedies to the problems of the bank's procedure is needed to enhance the future of co-operation. If the apex bank expands its branches and enhance the efficiency of the staff and officers State co-operative bank will be successful in its working.

Comparative Study of Urban co-operative bank, District central co-operative bank and State co-operative bank

| Sr. No. | Points | Urban Co-operative bank | District Central co-operative bank | State Co-operative bank |
|---------|----------------------------------|---|--|--|
| 1. | Meaning | The primary credit co-operative banks established in urban and semi urban areas are known as Urban co-operative bank. | The bank which provides loan and keeps control on primary credit co-operatives and other co-operative societies in the district is known as District central co-operative bank. | The bank which provides loan and keeps a control on the working of district central co-operative banks in the state is known as State co-operative bank |
| 2. | Objective | The objective of this bank is to provide to loan to the salary earners, small businessmen, artisans, small industrialist, etc. | The objective of this bank is to provide loan to the primary credit co-operatives in the district. | The objective of this bank is to provide loan to district central co-operative banks and processing co-operatives societies in the state. |
| 3. | Membership | Salary earners, small businessmen, middle class, artisans, etc. are the members of this bank. | The membership of the bank is given to primary credit co-operative societies and other co-operative societies in the district. | District central co-operative bank, processing co-operative societies and other state level of co-operative societies in the state are the members of this bank. |
| 4. | Working area | The working area of the urban co-operative bank is limited up to the particular city. | The working area of the district co-operative bank is limited up to the district. | The working area of the state co-operative bank is limited up to the state. |
| 5. | Place in credit structure | Urban co-operative bank works at primary level. | District central co-operative bank works at district level. | State co-operative bank works at state level. |
| 6. | Main function | To accept deposits from public, to provide loan, to provide safe deposit locker facility, to act as a representative, to provide modern banking services are the main functions of this bank. | To accept deposit from the co-operative societies and people, to provide loan, to supervise and control on the working of credit co-operative societies, to act as a leader in district co-operative movement, etc. are the main functions of this bank. | To provide loan to district co-operative banks in the state, maintain balance in the credit supply, keep control on the working of central co-operative bank, leadership of state co-operative movement, to act as a bank of co-operative banks in the state, etc. are the functions of this bank. |

8.6 SUMMARY

- The Structure of credit co-operative is three-tier. Primary credit co-operative societies at village level, District central co-operative banks at district level, State co-operative bank at state level. State co-operative bank is an apex bank at state level. After formation of Maclagan committee in the year 1914, this committee in their report submitted in 1915 expressed the importance of state co-operative bank in the state. This bank is at supreme level so it is known as apex bank.
- State co-operative bank means a bank which provides loan to district central co-operative bank and to supervise and control on it.

- **Functions of State co-operative bank**

- | | |
|--|--|
| 1) Acceptance of deposits | 2) Granting loans to co-operative societies |
| 3) Supervision on use of loans | 4) Co-ordinate the working of co-operative societies |
| 5) Connect co-operative sector with money market | 6) Provides banking services |
| 7) Provides loans to rural industries | 8) Maintaining balance in credit supply |
| 9) Expansion of branches | 10) Provides leadership for co-operative movement. |

- **Problems of State Co-operative bank**

1. Inadequate Capital
2. Inadequate deposit
3. Defective loan supply system
4. Increasing Overdues
5. Improper supervision and control
6. Improper investment
7. Lack of planning
8. Ignorance towards medium-term loan
9. Defective functioning
10. Inefficient management

- **Remedies to Problems in State Co-operative bank**

- | | |
|--------------------------------------|---------------------------------|
| 1. Emphasis on capital raising | 2. Increasing deposits |
| 3. Proper allocation of loan | 4. Emphasis on recovery of loan |
| 5. Effective supervision and control | 6. Proper investment |
| 7. Work Planning | 8. Improvement in functioning |
| 9. Efficient management | 10. Balanced development |

8.7 KEY-TERMS

1. **Apex Bank-** Top most bank in the co-operative banking structure.
2. **Personal loan-** Loans given to persons against individual security.
3. **Money market-** The transaction in short term loan between bank and other financial institutions.

8.8 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the sentences:

1. State co-operative banks work at _____ level.
a) Taluka b) District c) State
2. State co-operative bank keeps a control on _____.
a) Primary credit co-operatives b) Urban co-operative bank
c) District co-operative bank
3. The head office of Maharashtra State Co-operative Bank is at _____.
a) Pune b) Mumbai c) Nashik
4. NABARD provides loan to district central co-operative bank through _____ bank.
a) State co-operative b) Rural development c) Urban co-operatives
5. State co-operative banks take the loan from _____.
a) International Bank b) NABARD c) Commercial bank

B) Match the following:

| Group 'A' | Group 'B' |
|--|---------------------------------------|
| a) Apex Bank | 1. District central co-operative bank |
| b) Main problem of State co-operative bank | 2. Pune |
| c) Head office of State co-operative bank | 3. 1914 |
| d) Establishment of Maclagan committee | 4. State level |
| e) Members of State co-operative bank | 5. Mumbai |
| | 6. District level |
| | 7. 1951 |
| | 8. Huge capital |
| | 9. Increasing overdues |
| | 10. Urban co-operative bank |

C) Write a word or a phrase or a term which can substitute each one of the following:

1. Apex bank in credit co-operative structure.
2. Member bank of State co-operative bank.
3. The bank providing loan to the State co-operative bank.

4. Bank providing loan to District central co-operative bank
5. The bank controlling and regularizing District central co-operative bank.

D) State whether the following statement is True or False:

1. The working area of the State co-operative bank is the entire country.
2. State co-operative banks directly provide loan to the farmers.
3. State co-operative bank is an apex bank.
4. Development of co-operative movement in the state is the responsibility of apex bank.
5. Every state has a one State co-operative bank.

E) Complete the following sentence:

1. State co-operative bank provide loan to _____ bank.
2. The State co-operative bank works at _____ level.
3. The development of co-operative movement in the state is depended on _____ bank.
4. State co-operative bank keeps control on _____ bank.
5. In Maharashtra, the structure of credit co-operative society is _____ tier.

F) Select the correct option:

| | |
|---------------------------------------|----------------------------------|
| 1. <input type="text"/> | State Level |
| 2. Members of State co-operative Bank | <input type="text"/> |
| 3. <input type="text"/> | MacLagan Committee |
| 4. Problem of State co-operative bank | <input type="text"/> |
| 5. <input type="text"/> | Structure of credit co-operative |

1914, Three-tier, increasing overdues, state co-operative bank, District central co-operative bank

G) Answer in one sentence:

1. What do you mean by State co-operative bank?
2. What do you mean by balancing credit supply?
3. What is money market?
4. Which type of deposit is accepted by State co-operative bank?
5. What do you mean by defective system of loan distribution?

H) Correct the underlined word and rewrite the sentences:

1. The head office of State co-operative bank is at Pune.
2. State co-operative bank keeps control on Urban co-operative bank.
3. State co-operative bank works at District level.
4. Loan is provided by Urban co-operative bank to district central co-operative bank.
5. District co-operative bank is the apex bank in the state.

Q.2 Explain the following terms:

- | | |
|--------------|------------------|
| 1. Apex bank | 2. Money market |
| 3. Overdues | 4. Personal loan |

Q.3 Application based / Self-opinion question:

1. The development of Co-operative movement in the state depends on Maharashtra state co-operative bank.
2. Due to state co-operative bank there is balance of credit supply in the state.

Q.4 Distinguish between:

1. District central co-operative bank and State co-operative bank
2. Urban co-operative bank and District central co-operative bank.
3. State co-operative bank and Urban co-operative bank.

Q.5 Write short notes:

1. Functions of State co-operative bank.
2. Problems of State co-operative bank.
3. Remedies on problems of State co-operative bank.

Q.6 Give Reasons:

1. State co-operative bank is the apex bank in the structure of credit co-operative.
2. The development of co-operative movement in the state depends on the State co-operative bank.
3. State co-operative bank keeps the control on functioning of District central co-operative bank.
4. State co-operative bank acts as a link between the co-operative sector and money market.
5. Overdues is the serious problem in State co-operative bank.

Q.7 Answer in Short:

1. State the functions of State co-operative bank.
2. State the problems of State co-operative bank.
3. State the remedies on problems of State co-operative bank.

Q.8 Long answers:

1. Explain the remedies on problems of State co-operative bank.
2. State the definition of State co-operative bank and explain its problems.
3. Write the meaning of State co-operative bank and explain its functions.



9. Co-operative Education and Training

| | | | |
|-------|---|-------|--|
| 9.1 | Introduction | 9.7 | Institutes providing co-operative education and training |
| 9.2 | History of Co-operative education and training in India | 9.7.1 | Vaikunth Mehta National Institute of Co-operative Management |
| 9.3 | Meaning and Definition | 9.7.2 | Padmashree Dr. Vitthalrao Vikhe Patil Institute of Co-operative Management |
| 9.4 | Objective of Co-operative Education and Training | 9.7.3 | Dr. Dhanjayrao Gadgil Co-operative Management Institute |
| 9.5 | Need and Importance of co-operative education and training | 9.8 | Summary |
| 9.6 | Organizational structure of co-operative education and training | 9.9 | Key Terms |
| 9.6.1 | National co-operative federation | 9.10 | Exercise |
| 9.6.2 | Maharashtra State co-operative union | | |

9.1 Introduction:

In India after 1991, government have started to implement new economic policy. Due to which privatization, liberalization and globalization emerged largely. Due to this reason challenge is created for the development and progress in co-operative sector. Lack of business vision, lack of resources, lack of efficient and trained staff, lack of capital are various problems. To overcome such problems the need of co-operative education and training was realized. Due to co-operative education and training high skill and work efficiency is obtained.

Co-operative is a life system. It is important for each one to know the Co-operative principles, values, management, powers and responsibilities of authorities and their relationship with each other. It is equally necessary that they are regularly in practice.

9.2 History of Co-operative education and training in India:

In India in the year 1915 the Maclagan committee report stated the need for co-operative education and training in India. In 1916, 'co-operative secretary training council' plan was suggested by late Namjoshi for the implementation of co-operative education and training in India. Also, recommendations are given to provide training on co-operative act, rules, circulars of work.

In the year 1917, late S. C. Talmaki presented an essay on co-operative education and training at the regional co-operative conference. Soon after in 1918, 'Mumbai Central Co-operative Institution' was established. Today this institute is known as 'Maharashtra State Co-operative Federation'. Mahatma Gandhi, the father of the Nation also presented an essay titled 'Moral basis of co-operative' in the regional co-operative assembly. In a report submitted by Royal Agriculture commission in 1918 it was said that there was a serious need to provide education to owners of society, member, director and government employee in co-operative society. If the members are informed about the Co-operative principles, methods, objectives then it will lead to expand scope of co-operative society. In 1946, the co-operative planning Committee stated the need for co-operative education and training. In 1935, the committee formed under the leadership of Malcome Darling stated the lack of co-operative education and training it resulted in failure of co-operative movement.

In 1951 The All India rural credit survey committee was appointed under the chairmanship of Mr. A. D. Gorwalla which also recommended the need of co-operative education and training in report which was submitted in 1954. In 1995 a committee was appointed by the International Co-operative organization with the objective of reframing the co-operative principles and formulate co-operative values.

9.3 Meaning and Definition of Co-operative education and training:

Co-operation is a natural human tendency. Also, a good support towards social structure and to make the Co-operative movement strong and for the development of co-operative societies. The class of members should be made active and alert. Due to which Co-operative education and training plays an important role.

➤ **Meaning of co-operative education:**

Imparting knowledge about Co-operative principles, objective, procedures, business knowledge, bye-laws, etc. to the members, directors, volunteers and employees of co-operative organization and thereby enhancing their faith in the Co-operative approach and movement means Co-operative education.

➤ **Definition:**

Dr. Krishna swami - “Co-operative education is to impart the knowledge of co-operative principles, objectives and procedures to all persons related to co-operation. It also includes enhancing the qualities of Co-operative spirit and ability to work together.”

➤ **Meaning of co-operative training:**

The process of acquiring skill to conduct some activity and fulfill responsibility such process is known as training.

➤ **Definition:**

“In order to enable the institute employee to implement plans, perform administrative task and writing accounts, detail knowledge of co-operative aspect and practical’s is given. This kind of practical education provided is known as Training”.

“The efforts taken to increase the capability, knowledge and skill of employees and office-bearers and to make them realize the responsibilities and moral values is known as co-operative training.

9.4 Objectives of co-operative education and training:

It is important that the person associated with co-operation know the objectives, procedures, etc. of co-operation. It is needed that they work collectively with selfless approach. Therefore, the objectives of co-operative education and training are explained as follows:

Objective of co-operative education and training

| | |
|--|--|
| 1. To explain the concept of co-operation | 2. To attract people towards co-operative movement |
| 3. To make members responsible and aware | 4. Develop a competent leadership for co-operative society |
| 5. To create an organized approach | 6. To provide knowledge of co-operative principles, procedures and dealing |
| 7. To develop business skill | 8. To control corruption |
| 9. To fulfill the need of trained manpower | 10. To develop the co-operative society healthy and balanced |

1. **To explain the concept of co-operation:** Since Co-operative sector is not known to many people there is a need to inform and explain about it. Co-operative education and training aim at informing the public about the benefits of co-operation.
2. **To attract people towards co-operative movement:** Importance of co-operation is explained to people by informing them about the benefits of co-operation. Co-operative education and training aims at attracting more and more people towards co-operative movement and follow co-operative principles. This will result in eradicating unfair approach and will help to safeguard their own interest and others interest.
3. **To make members responsible and aware:** If the members of a co-operative society are aware, responsible and efficient, they can perform their work efficiently. To make these members aware and efficient is the objective of co-operative education
4. **Develop a competent leadership for co-operative society:** Co-operative society needs responsible, efficient and competent leadership. Co-operative education enables to enhance vision, honesty, team spirit, courage and skills for performing task. Therefore, if such leadership is developed from the members then it can lead to the progress of co-operative societies.
5. **To create an organized approach:** To incorporate unity and uniformity among the members of co-operative society there must be trust on co-operation. To achieve equality and solidarity, ideological and mental thought must be created.
6. **To provide knowledge of co-operative principles, procedures and dealing:** In co-operative societies, co-operative education and training aims at informing the members, directors, employees associated with the co-operative society about the ways of dealing, importance of ethics and protecting public interest.
7. **To develop business skill:** Co-operative society are commercial organization. Accordingly developing business skills is one of the objective of co-operative education and training. For that co-operative principles, dealings, working apart from that rights, responsibilities, duties, leadership, decision ability, planning, controlling, coordination, etc. So, to achieve business skill co-operative education and training is important.
8. **To control corruption:** Co-operative education and training aims at instilling the qualities of honesty, morality, practical nature among the members, directors, authorities enables a co-operative society. Because of these qualities the approach of helping others progress along with self-progress get developed which results in controlling corruption.
9. **To fulfill the need of trained manpower:** Employees are needed to manage the administration under take several other responsibilities of co-operative society. Co-operative education and training aim at creating such kind of efficient and effective manpower. If the administrative and managing staff is trained then the working of the co-operative society can be conducted efficiently.
10. **To develop the co-operative society healthy and balanced:** The development of co-operative sector in different states, regions, districts and industrial, business areas is unbalanced. Therefore, instability is arised in the Co-operative movement. Similarly, due to misconduct there is obstacle in the development of co-operative society. To avoid this there must be healthy and balanced development in co-operative society.

9.5 Need of Co-operative education and training:

To achieve the objectives of co-operative education. The need for co-operative education and training is given below.

Need of Co-operative education and training



| | |
|--|---|
| 1. Leadership of co-operative movement | 2. Development of co-operative society |
| 3. Efficient management | 4. To create educated members |
| 5. Strengthen the faith on co-operation | 6. Efficient organization |
| 7. To make the Co-operative sector independent | 8. Control corruption and unfair practices |
| 9. Spread of co-operative principles | 10. Effective and active participation of members |

- 1) **Leadership of co-operative movement** -The future of co-operative societies depends on its leaders. These leaders should believe in the co-operative society, its principles and values. The leader should have excellent organizational skills and work for the progress of the society. Co-operative education and training is needed to create such leaders.
- 2) **Development of co-operative society**- Co-operative education and training is needed because it helps to inform every component of co-operative society regarding the problems of co-operative societies, their solutions, challenges to advance technology and procedures. Hence co-operative education and training is needed.
- 3) **Efficient Management**-Co-operative education and training enables the employees, authorities and directors of co-operative society to get the knowledge and skill of the working of co-operative society in an effective and efficient manner. Therefore, the co-operative society can function properly. So, for efficient management co-operative education and training is needed.
- 4) **To create educated members**-The growth of co-operative sector has primarily is in rural areas. In rural areas the members are not very educated. Therefore, they may not have the knowledge of co-operative principles, values and procedure. The benefits of co-operation are also known to them. It is necessary to generate awareness of responsibilities, authorities amongst the members of co-operative society. Therefore, co-operative education and training is needed to increase their co-ordination and generate the spirit of progress and create educated members.
- 5) **Strengthen the faith on co-operation**- The Co-operative procedures, objectives, values and transactions need to be effectively communicated to the general public. It is necessary to create strong faith on co-operation. So Co-operative education and training is needed.
- 6) **Efficient organization**- Co-operative society has various components as members, directors, Managing Director, chairman, committee member, manager, authorities and employees. All should know societies procedure, rules, authority, responsibility, business transaction, accounts, correspondence laws and their provisions. This information is provided through Co-operative education and training. So co-operative education and training is required for efficient organization.
- 7) **To make the Co-operative sector independent**- Even if the co-operative society is a social organization it has to perform business functions. while making income, expenditure, provision, government grants and assistance is expected. But in order to make the society financially strong and independent they have to develop the means of earning sufficient income. In the changing economic environment, it is necessary for the co-operative societies to sustain their existence. Therefore, there is a need of co-operative education and training to all employees, authorities, directors, officers etc.
- 8) **Control corruption and unfair practices**- To bring about transparency in the functioning of co-operative societies and to control corruption and unfair trade practices, there is a need for strong belief in co-operative principles and values of the co-operative society. Employees,

authorities, officers, members should know importance and benefits of co-operative society. Co-operative education and training are needed for this reason.

- 9) **Spread of co-operative principles-** Principles of co-operation understanding, belief, honesty, tolerance are very important in every person's life. Therefore, it is important to propagate these principles and co-operative education and training is needed.
- 10) **Effective and active participation of members-** Managing committee looks after the working of co-operative society on behalf of the members. But many members are not aware about their responsibilities. The members must attend annual General body Meeting, special general body meeting and must take active part in the working and decision taking of co-operative society. Due to this member effective and active participation will increase. For this Co-operative education and training is needed.

9.6 Organizational structure of Co-operative education and training:

Co-operative education and training have three tier structure.

Central level - National co-operative federation-Higher level education and training

State level - Maharashtra State Co-operative union -Middle level education and training

District level-District co-operative board- Lower level co-operative education and training

9.6.1 National Co-operative Federation:

National Co-operative federation is the highest level unit in our country. This institution leads Co-operative education and training at National level. In the year 1929 “All India Co-operative union institute” was formed. In 1951 the institute was renamed as “National co-operative union”. This office of this institution is in Delhi. This institute get the support from IFFCO, KRIBHCO, NAFED.

➤ Functions:

Functions of National Co-operative federation is as under –

- 1) To find out the remedies on problems in co-operation and to prepare research projects on it.
- 2) To prepare the programme for Co-operative education and training
- 3) To prepare audio visual material for the publicity of co-operative movement.
- 4) To make publicity of co-operative movement through various means of publication like magazines, journals, brochures.
- 5) To publish official data and information of co-operative movement at national and international level.
- 6) Representing the co-operative movement at national and international conferences.
- 7) Conducting seminars, discussion session and conference.
- 8) To advice central government to take necessary decisions of co-operative movement The scope of this organization is large.

Activity:

- 1) Discuss with your teacher about the functions of National co-operative federation.

9.6.2 Maharashtra State Co-operative union

Maharashtra state co-operative union is the leading organization in providing education and training to all the co-operative society. In the year 1904 British government passed the first co-operative act to keep a control on co-operative society due to which number of co-operative societies increased. In Maharashtra agriculture credit co-operative society were established after knowing the interest and development due to co-operative. Due to which importance of publicity is realized. For this purpose, in the year 1917 co-operative council was formed in Pune. In this council father of the nation Mahatma Gandhi along with experts of co-operative, social worker of the country came together. In this council Mahatma Gandhiji focused to provide training on co-operative principles, functioning, co-operative act etc. For that state level training societies must be established. Accordingly, Sir Vitthal Das Thackersay, N. M. Joshi, Prof G. K. Devdhar, Vaikunth Mehta etc. Such prominent experts after thinking established central co-operative Institute in Pune on 13 July 1918.

Such societies expanded on a great extent. Branches were started in various provinces like Pune, Mumbai, Dhavle, Baruch, Colaba, Ratnagiri, Thane, Alibaug and Sindh. This society were named as 'Bombay provincial co-operative Institute' in the year 1926. Later in the year 1952 it was structured as divisional co-operative board, district co-operative board. Maharashtra state was established on 1 May 1960. It was named as 'Maharashtra state co-operative union' from 12 April 1961. From July 1969 this society was named as Maharashtra state co-operative union. This society plays a leading role to provide education and training on the state level to all the components of the society. State co-operative federation plays an important role in promotion of co-operative movement.

Various programs like conference, seminars, co-operative council are organized on the state level for marketing by state co-operative federation. Co-operative week is organized every year from 14 November to 20 November. For promotion of co-operative movement, a magazine is published known as "Sahakar Maharashtra" and quarterly magazine is published in English known as "The Co-operative".

Maharashtra state co-operative federation has developed a mechanism on the state level for co-operative education and training.

a) Divisional co-operative boards -

Through divisional boards state co-operative federation provide training to various levels on divisional level. Through divisional boards control is kept on district co-operative board.

b) District co-operative board -

This board works on district level. In our state all district co-operative boards are in existence. The district co-operative council organizes co-operative training camps, Women get-togethers, essay writing competition on co-operation, volunteer camps, and refresher programs for secretary etc.

c) Co-operative training Centres -

Various training centres are started in the state by Maharashtra state co-operative union. The course includes the study of subjects like co-operative management and administration, co-operative laws, Panchayat Raj and social development, maintaining books of accounts, banking, auditing etc.

9.7 Management institutes providing co-operative education and training

9.7.1 Vaikunth Mehta National institute of co-operative management (VAMNICOM) -

Considering the need of management training in 1964 a committee was established under the chairmanship of Prof. Dr. Dhanjayrao Gadgil for studying the need of co-operative training. This committee has mentioned the need of establishing management institution due to increasing scope of co-operative societies and for its efficient management. Accordingly, National co-operative training centres were established in the year 1967 at Pune to provide education, training and research on national level. Vaikunth Mehta dedicated his life for the co-operative sector, so to glorify his contribution his name was given to this institute which is known as "Vaikunth Mehta National Institute of co-operative management", pune.

This Institute conducts various programs like training programme, senior officer training programme, co-operative management training, research and guidance, publishing important reports, advance computer centres and to run the equipped library etc. Such work is done by the society along with that quarterly magazine is published in the name of 'Co-operative Perspective' and to review the activities of co-operative sector a magazine was started as 'Co-operator'.

➤ Training Programmes :

Various training programmes are arranged by this institution throughout the year. In this training various subjects like management, economics, rural economic, agricultural, auditing, co-operative laws, computerization, marketing, banking, administration, human resource. Following are the various training programmes conducted by this institute.

- 1) Post graduate Diploma in Co-operative Business Management-26 weeks
- 2) Post graduate Diploma in Agricultural Business Management-52 weeks
- 3) Post graduate Diploma for Management Executives
- 4) Post graduate course (computer training) 3 months
- 5) Management Programme for Sugar co-operative
- 6) Management Programme for bank officers
- 7) Organizing international Conference
- 8) Co-operative Society- Training relating to Income tax and GST
- 9) To provide I. T training
- 10) Leadership Development Training Programme

9.7.2 Padmashree Dr. Vitthalrao Vikhe Patil Institute of Co-operative Management-

Padmashree Dr. Vitthalrao Vikhe Patil Institute of co-operative management is the first co-operative training Institute in the country. This Institute was established in the year 1947 at Pune. Initially the Institute was named as 'Co-operative Training college' Later the name was changed to 'Sahakar Maharshi Padmashree Dr. Vitthalrao Vikhe Patil'. For establishment of this Institution guidance was provided by the experts like Late. Vaikunth Mehta, late Dr. Dhanjayrao Gadgil. This Institution get financial support from central agricultural ministry. To keep a control the managing committee is joined with the co-operative training Institute and guidance is given by the state government and Maharashtra state co-operative union. Padmashree Dr. Vitthalrao Vikhe Patil Institute of co-operative management provides training to various officers, managers in the co-operative society. The training is provided continuously throughout the year to enhance the productivity and quality. Accordingly, co-operative society works on projects for evaluation and

research at state and national level. In the same way they function for the guidance of various training programs arranged by the Institute. Following programs are conducted by this institution:

- 1) Higher diploma in Co-operative management-26 weeks
- 2) Diploma in urban Co-operative banking -12 weeks
- 3) Diploma course in co-operative audit-12 weeks
- 4) Leadership Development Programme for co-operative Banks, chairman and Directors
- 5) Programme for women officer in co-operative bank
- 6) Leadership development programs for office bearers of Dairy co-operatives for 3 days
- 7) Self-help group awareness Camp
- 8) Training Programmes for directors
- 9) Training Programme and leadership development programme for the managing committee members of housing co-operative society
- 10) Training programme for the members of managing committee of consumer co-operative store.

9.7.3 Dr. Dhanjayrao Gadgil Institute of Co-operative Management:

Dr. Dhanjayrao Gadgil co-operative management institute was established in the year 1972 at Nagpur. The main objective of this institute is to provide training to high level officers to lower level officers and other employees, to provide information about changes in co-operation, to increase the skill, to provide good quality training to the divisional officer of state government and to increase their efficiency.

National council for Co-operative Training (NCCT) Institute keeps control and Central agricultural ministry and Maharashtra State Co-operative department provide finance to this institution. To give encouragement to Co-operative movement, to develop, to produce high quality man power, to increase decision making power of managing committee, enhancement of official knowledge, these are the objectives of this institution .To arrange seminar, discussions on co-operative society at state level, Co-operative management, marketing , knowledge of computers by which official management and knowledge of employees is enhanced. Such work is done by this institution . Following programs are organized by the institution.

- 1) Management development program- 3 to 15 days
- 2) Higher diploma in Co-operative management- 26 to 36 weeks
- 3) Diploma in urban Co-operative banking management
- 4) Master in Business Administration -2 years
- 5) Workshops
- 6) Research Projects
- 7) Advice and guidance to state government, co-operative department.

Activity:

- 2) Discuss with your teacher how the skill is achieved among the members and employees due to co-operative education and training.

9.8 SUMMARY

- In 1915 Maclagan Committee has mention the importance of co-operative Education and Training.
- In 1951 Shri. A. D. Goriwala Committee has also recommended co-operative Education and Training.
- **Co-operative education Meaning and definition**
 - Meaning: To give knowledge about co-operative principles, objectives, working to the members
 - Definition: To create ability of trust and unity of work on co-operation
- **Co-operative training Meaning and definition**
 - Meaning: To process to achieve skill for performing certain work.
 - Definition:
- **Objectives of co-operative training and education**
 - 1) To explain the concept of co-operation.
 - 2) To attract people towards co-operative movement.
 - 3) To make members responsible and aware.
 - 4) Develop a Competent leadership for co-operative society.
 - 5) To create an organized approach.
 - 6) To provide knowledge of co-operative principles, procedures and dealings
 - 7) To develop business skill
 - 8) To control corruption.
 - 9) To fulfill the need of trained manpower
 - 10) To develop the co-operative society healthy and balanced.
- **Need of Co-operative education and training:**
 - 1) Leadership of co-operative movement
 - 2) Development of co-operative society
 - 3) Efficient management
 - 4) To create educated members
 - 5) Strength the faith on co-operation
 - 6) Effective organization
 - 7) To make the co-operative sector independent
 - 8) Control corruption and unfair practices
 - 9) Spread of co-operative principles
 - 10) Effective and active participation of members
- **Structure of co-operative society**

National Co-operative Federation of India
Maharashtra State Co-operative Union:

 - A. Divisional co-operative board
 - B. District Co-operative board
 - C. Co-operative training Centres

- **Co-operative education and Training Centres**

Vaikunth Mehta National Institute of Co-operative Management

Padmashree Dr. Vitthalrao Vikhe Patil Institute of Co-operative Management

Dr. Dhanjayrao Gadgil Co-operative Management institute

9.9 KEY-TERMS

1. **Co-operative education:** Co-operative education means to provide knowledge about co-operative principles, sources and objective.
2. **Co-operative training:** Co-operative training means in-depth and practical training of implementation of plans, official work, Accounts writing, etc.

9.10 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the Sentences:

1. Through co-operative education and training development of _____ leadership is expected.
a) Skilled b) Unskilled c) Selfish
2. Vaikunth Mehta National co-operative management institute is located at _____
a) New Delhi b) Pune c) Nagpur
3. Co-operative education and training have _____ structure.
a) One tier b) Two-tier c) Three-tier
4. In India _____ is the apex institution for co-operative education and training.
a) National Co-operative Federation b) State Co-operative Union
c) District Co-operative Board

B) Match the following:

| Group 'A' | Group 'B' |
|--|---------------------|
| a. Co-operative planning committee | 1. Pune |
| b. National Co-operative Federation | 2. Mumbai |
| c. District Co-operative Board | 3. Amravati |
| d. Vaikunth Mehta National Co-operative Management Institute | 4. Nagpur |
| e. Dr. Dhanjayrao Gadgil Co-operative Management Institute | 5. 1946 |
| | 6. State level |
| | 7. 1954 |
| | 8. Central level |
| | 9. Divisional level |
| | 10. District level |

C) Write a word or a phrase or a term which can substitute each one of the Following:

1. The institute which acts as a leader of co-operative education and training at national level.
2. The institute which acts as a leader of co-operative education and training at state level.
3. The way of educating and creating awareness among the factors relating to co-operative society.

D) State whether the following statements are True or False:

1. There is no need of co-operative education and training in India.
2. Awareness among the members is created due to co-operative education and training.
3. The efficiency of the employees is increased due to co-operative education and training.
4. There is no need of co-operative education and training to the members.
5. The objective of co-operative education and training is to control corruption and unfair trade practices.
6. The structure of co-operative education and training is of two-tier.
7. Leadership skill is developed due to co-operative education and training.
8. Vaikunth Mehta Co-operative Management Institute works at state level.

E) Select the correct option:

| | |
|---|---|
| 1. Maharashtra State co-operative union | <input type="text"/> |
| 2. <input type="text"/> | Dr. Dhanjayrao Gadgil Co-operative management institute |
| 3. Co-operative magazine | <input type="text"/> |
| 4. <input type="text"/> | New Economic Policy |
| 5. District Co-operative Board | <input type="text"/> |

1991, Nagpur, State level, VAMNICOM, District level.

F) Answer in one sentence:

1. What do you mean by co-operative training?
2. What do you mean by co-operative education?
3. What is the main aim of establishing Dr. Dhananjayrao Gadgil Co-operative Management Institute.
4. What is the aim of establishing Vaikunth Mehta National Co-operative Management Institute.

G) Correct the underline word and rewrite the sentences:

1. The structure of co-operative education and training is of Two-tier.
2. District co-operative board functions at National level.
3. Padmashree Dr. Vitthalrao Vikhe Patil Co-operative Management Institute is located at Nagpur.

4. The service of co-operative education and training is provided by Maharashtra State Co-operative Union at National level.
5. Dr. Dhanjayrao Gadgil Management Institute is located at Pune.

Q.2 Explain the following key terms:

1. Co-operative education
2. Co-operative training
3. Maharashtra State Co-operative Union

Q.3 Application based / Self-opinion questions:

1. Members of co-operative society needs co-operative education.
2. Due to co-operative education and training skill and competency among the employees is achieved.

Q.4 Write short notes:

1. Maharashtra State Co-operative Union
2. Vaikunth Mehta National Co-operative Management Institute
3. Need of co-operative education and training.

Q.5 Answer in short:

1. Explain need of co-operative education and training.
2. Explain information of Vaikunth Mehta National Co-operative Management Institute.
3. Explain objectives of co-operative education and training.

Q.6 Long answers:

1. What do you mean co-operative education and training and explain its objectives?
2. Explain need of co-operative education and training.



10. Challenges Before Co-operative Sector

10.1 Introduction

10.2 Challenges before Co-operative sector

10.3 Remedies for challenges of co-operative sector

10.4 Key Terms

10.5 Summary

10.6 Exercise

10.1 Introduction

Liberalization, privatization and globalization have gained great importance in economic system. Government should not interfere in economic system. Economic system must run according to the market mechanism. Market mechanism and price mechanism will solve all economic problem through this view point many countries accepted globalization. Globalization came into existence by connecting economy of one with other countries in the world. Due to industrial revolution in transport and communication, development in information and technology, there is change in the living of people of each and every country. The needs of citizens are changing and due to changing needs and increasing population to fulfill the need every country have to conduct economic transaction with other nation. There was impact of global economy on economic system. The impact of global economy was also on co-operative sector.

Due to economic system there was competition between developed and undeveloped countries. This competition had some good and some bad effects. The developed countries were benefitted due to this competition and there was adverse effect on undeveloped countries. In future the co-operative movement has to develop on their own efforts and they have to compete with private sectors. For this, the co-operative society has to increase their efficiency and competitiveness to accept the challenges of globalization. Due to which co-operative sector faced many problems, challenges.

10.2 Challenges before Co-operative Sector

Due to development in transport, communication and revolution in information and technology. There was need of connecting economic system with other nation. In July 1991 then finance minister Dr. Manmohan Singh declared the New Economic policy. Liberalization, Privatization and Globalization was accepted. Due to which minimizing the interference of government in economic system, increasing private participation in government sectors, opening economy for supply of goods, services, capital, technologies, labour to other nations due to which there was competition. The benefit for which was to the producer, consumer, labour, investor. But due to this there was competition in two groups. The developed countries were benefitted and an under developed countries had adverse effect. Due to this, following challenges were in front of co-operative sector:

Challenges Before Co-operative Sector



| | |
|---------------------------------------|---------------------------------------|
| 1. Raising capital | 2. Increasing production cost |
| 3. Expanding market | 4. Lack of government aid and grant |
| 5. Qualitative development | 6. Inefficient management |
| 7. Lack of organize efforts | 8. Consumers satisfaction |
| 9. Participation in rural development | 10. Increasing political interference |
| 11. Recovery of loan | 12. Modernization |

1. **Raising capital:** Co-operative societies are established by weaker section of the society. Hence, members cannot provide large amount of capital to the society. Due to inefficiency and corruption the trust on co-operative society is reduced. Due to which it is difficult to collect capital. The aim of Joint stock company is to earn profit so it is easy for Joint stock company to collect capital. Hence, collecting capital is a big challenge for co-operative sector.
2. **Increasing production cost:** In production process of co-operative society traditional and labour based method is implemented. Due to labour based system, the production is not done with modern technology and capital is done with the use of manpower. The production of co-operative society is also at small scale. Due to which the production cost is more as compared to Joint stock company. To control the increasing production cost is the big challenge of co-operative sector. To stand in the market the co-operative society must change according to their changing environment. They cannot avoid new technology, new production method, research, etc.
3. **Expanding market:** The big business organization and Joint stock company produce goods at large scale. There is variety in production and large amount is spend on advertisement due to which their market is expanding regularly. But the capital of co-operative society is limited they cannot conduct production on large scale. Their production cannot compete with the production of international companies. To compete in global market the co-operative society must adopt the changing conditions in the market and make them able to compete in international market. They must conduct market research for expanding the market. It is difficult for co-operative society to stand in the competitive market.
4. **Lack of government aid and grant:** Previously the co-operative society were getting help from government in different ways like providing capital to co-operative society, taking guarantee for debentures, concession in tax, aid and grant from government, etc. But after globalization, this help was reduced and stop due to which they face financial problems. The co-operative society has to create the ability to conduct its activity without government help.
5. **Qualitative development:** After independence, due to government motivation and support and due to selfless efforts of leaders there was quantitative development in co-operative society. But there was negligence towards qualitative development of co-operative society. Due to global economy there was stiff competition in economic system. And in such condition, there was challenge of qualitative development in co-operative society.
6. **Inefficient management:** The management of big business organization, companies, multinational companies is conducted by professional experts, experience, trained, highly educated persons. But due to limited capital of co-operative society appointment of such persons

is not possible for co-operative society. Due to which the management of co-operative society is inefficient. To make the management of co-operative society efficient is one of the challenge faced by the co-operative society.

7. **Lack of organize efforts:** The big and multinational organizations conduct productions on very large scale so they are economically strong. But co-operative society cannot compete with multinational companies. For this the co-operative society must be made economically strong and have organize efforts. Lack of organize effort is a big challenge for a co-operative society. The amalgamation of economically weak society and restructure of co-operative sector is necessary which is not seen.
8. **Consumers satisfaction:** In competitive market consumer is the king. Due to large scale production the companies provide good quality of product at less price and are successful in attracting the customers. Due to which the co-operative society is losing the customers. Maintaining and increasing the customers is a big challenge before co-operative sector.
9. **Participation in rural development:** Co-operative movement plays an important role in rural areas for social, educational and cultural development. But due to global economy the existences of co-operative movement have come in danger. The co-operative societies efforts lack in social, educational and cultural development in rural areas.
10. **Increasing political interference:** In democratic system there is political interference in each and every sector. Many a times it is observed that co-operative societies are used for political benefits. Due to which the main objective of co-operative society remains aside. Co-operative society must be aloof from party politics and the political interference must be reduced which has an adverse effect on co-operative society.
11. **Recovery of loan:** Due to political interference and lack of business policy the loan is granted to ineligible person and for improper reason. The loan which is given is not used for the given purpose and is used for consumers product or unproductive purpose. There is need to pay serious attention on recovery of loan and make provision for bad debts and doubtful debts. Hence, the co-operative bank, credit co-operative societies which are providing loan has big challenge for recovery of loan.
12. **Modernization:** To compete with big and multinational companies and big business organization the co-operative society must change their production system and use modern information and technologies. Modernization is also a big challenge for co-operative society.

10.3 Remedies for challenges of co-operative sector

To solve economic problems New Economic policy was accepted in 1991. Due to which Indian economy became one of the important factor in World economy. When globalization accelerated the living of citizens of the country and their needs have changed. The co-operative society must increase their capital and improve their economic condition. The following remedies can be used to face the challenges of co-operative sector:

Remedies for Challenges of Co-operative Sector



| | |
|------------------------------------|---|
| 1. Increasing trust and efficiency | 2. Use of modern technology |
| 3. Effective advertisement | 4. Economic independence |
| 5. Training to employees | 6. Appointment of expert and experienced management persons |
| 7. Organizational change | 8. Efforts for consumer satisfaction |
| 9. Efforts for rural development | 10. Modern banking service |
| 11. Recovery of loan | 12. Control on political interference |

1. **Increasing trust and efficiency:** Due to inefficiency and misappropriation, the credit worthiness of co-operative society is reduced. Due to which there is limitation in collecting capital. It is necessary to increase trust of co-operative society in shareholders and society. Due to which membership will increase and capital can be collected on large scale. To fulfill the expectation of shareholders, society and investors it is necessary to increase efficiency of co-operative society. For this it is necessary to appoint eligible and skill manpower. Each transaction should be conducted on the basis of business results. In order to increase creditability, there should be transparency in society's transactions.
2. **Use of modern technology:** Co-operative society use traditional and labour based system for production and business activities. Due to which production cost is increased and goods are of secondary quality. To stand in today's competitive world it is necessary to use modern technology. New and modern technology must be used for production process.
3. **Effective advertisement:** To maintain and expand market for our goods and services various mediums of advertisement must be used. Contacting customers in different languages and increasing number of customers is very important through which society can expand market.
4. **Economic independence:** Due to globalization the help from government in the form of concession, aid, grant, etc. has reduced. The tax concession of co-operative society has also reduced. Hence, co-operative society must not be dependent on government help. They should become economically independent. For this there must be planning of income and expenses. Increasing own capital through various ways and societies must find out different ways to increase income within the scope of co-operative principles.
5. **Training to employees:** To achieve qualitative development of co-operative society the members, employees must be given training regarding business activity in addition to co-operative education and training. Due to which the co-operative principles can be used practically for qualitative development of the society.
6. **Appointment of expert and experienced management persons:** In global economy and competitive market to face the challenges it is necessary to appoint expert, skilled, trained, experienced management persons. And co-operative society must also accept modern management system.
7. **Organizational change:** Co-operative societies are economically weak. Their production capacity is also low but multinational companies are economically strong and their production capacity is also huge. So, one co-operative society cannot compete multinational company. Hence, co-operative society in the state must come together and form their union (group) and

increase their economic ability. One co-operative society cannot solve their problems at local level. Such problem can be solved through such union.

8. **Efforts for consumer satisfaction:** In competitive market consumers satisfaction is necessary. Consumer is treated as king of the market. The changing needs of the consumer must be taken into consideration and standard quality goods and services must be provided at reasonable price. The societies must increase their efficiency. Various schemes should be introduced for the benefit of customers. Co-operative society must conduct market research and change the method of supply of goods. Consumers and society will move towards co-operation.
9. **Efforts for rural development:** Co-operative movement plays important role for economic, social, educational and cultural development of rural area. Due to open economy the existence of co-operative sector has come into danger. But co-operative society must make them capable for competition and solve common economic problem and development of rural area. For economic, social, educational development the co-operative society must plan various activity. For example, tree plantation, blood donation camp, seminar on environmental protection, cultural and sports competition, organizing lectures.
10. **Modern banking service:** Like nationalized bank the credit co-operative society and co-operative bank must use modern banking technologies like core banking, ATM, credit card, etc. such services should be increased. The bank must increase their capital and efficiency to maintain their place in credit supplies.
11. **Recovery of loan:** The credit co-operative society and co-operative bank must provide loan to eligible person and organization. Necessary steps must be taken for recovery of loan. control must be kept to see the loan given is properly used. Loan recovery must be done without partiality and strictly. Due to which loan overdues will be reduced.
12. **Control on political interference:** There is large participation of political leadership in management of co-operative society. The co-operative society must avoid political interference while taking decision of co-operative society. The political leader must keep their political ideology aside and must take efforts for development of co-operative society. The co-operative society must accept principles of business, competition, transparency, efficiency, etc. and take efforts to overcome the challenges of co-operative sector.

Activity:

- 1) Collect the information of challenges face by co-operative society in your area and the solutions thereon.

10.4 KEY-TERMS

1. **New Economic Policy** – The policy which is accepted in 1991 according to the guidance of International Monetary Fund (IMF) and World Bank to come out from economical problems is known as New Economic Policy.
2. **Global Economy** – The economy which comes in existence as outcome of economic policy of all the countries is global economy.
3. **Labour base production** – The use of manpower (labour) base production system in place of modern and capital - based production system.

4. **Multinational Company** – The company which is registered in one particular country or nation but it conducts production and sale business transaction in many countries is known as Multinational Company.

10.5 SUMMARY

- In India the New Economic policy was accepted in 1991 through liberalization, privatization and globalization. Our economic system was connected to world economic system. Due to this open economic system co-operative sector have to face various challenges.
- **Challenges before Co-operative Sector:**
 1. Challenge for raising capital
 2. Increasing production cost
 3. Challenge of expanding market
 4. Lack of government aid and grant
 5. Qualitative development
 6. Inefficient management
 7. Lack of organize efforts
 8. Consumers satisfaction
 9. Participation in rural development
 10. Increasing political interference
 11. Challenge of recovery of loan
 12. Challenge of modernization
- **Remedies for challenges of co-operative sector:**
 1. Increasing trust and efficiency
 2. Use of modern technology
 3. Effective advertisement
 4. Economic independence
 5. Training to employees
 6. Appointment of qualified and professional management
 7. Organizational change
 8. Efforts for consumer satisfaction
 9. Efforts for rural development
 10. Modern banking service
 11. Recovery of loan
 12. Control on political interference

10.6 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the sentences:

1. Establishment of co-operative society is done by _____ resources of people.
(a) Unlimited (b) Limited (c) Proportionate
2. Due to inefficiency _____ is reduced in co-operative society.
(a) Number (b) Likeness (c) Trust
3. In production process _____ and labour base method is used by co-operative society.
(a) Controlled (b) Traditional (c) Modern
4. The management of multinational company is conducted by _____.
(a) Uneducated (b) Expert (c) Unskilled
5. After globalization there is _____ in aid and grant given by the government.
(a) Reduction (b) Increase (c) Competition

B) Match the following:

| Group 'A' | Group 'B' |
|-----------------------------|-------------------------------|
| a. Multinational company | 1. Small scale production |
| b. Problem of loan recovery | 2. King of competitive market |
| c. Consumer | 3. Loan to ineligible persons |
| | 4. Large scale production |
| | 5. Secondary place |
| | 6. Productive loan |

C) Write a word or a phrase or a term which can substitute each one of the following:

1. King of competitive market.
2. The company conducting production, sale and business in many countries.
3. Use of manpower in place of capital resources in production process.
4. The policy adopted in 1991 for economic development of our country to solve economic problems.

D) State whether the following statements are True or False:

1. Excess political interference in co-operative society is beneficial for co-operative movement.
2. Profit has more importance than service in co-operative society.
3. Due to limited capital professional management cannot be appointed in co-operative society.
4. The consumers have secondary importance in competitive market.
5. Due to loan given to ineligible person and for improper purpose overdues are increased in co-operative society.

E) Complete the following sentences:

1. In competitive market _____ is a king.
2. To expand market use of _____ medium is necessary.
3. Instead of depending on government help co-operative society must be economically _____.
4. Due to employees training there will be _____ development of society.
5. The production of multinational companies is on _____ scale.

F) Select the correct option:

| | |
|--|-----------------------------------|
| 1. Challenge of increasing share capital | <input type="text"/> |
| 2. <input type="text"/> | Improvement in management |
| 3. Increasing production cost | <input type="text"/> |
| 4. <input type="text"/> | Increasing political interference |
| 5. Expanding market | <input type="text"/> |

Expert and experienced manager's, Intensive advertisement, Labour base and traditional production, Reduce trust, Use for political benefit.

G) Answer in one sentence:

1. What efforts should be taken by co-operative society to increase share capital?
2. What efforts should be taken by co-operative society to expand market?
3. What efforts should be taken by co-operative society to face the competition in the market?
4. What efforts should be taken by co-operative society for consumer satisfaction?
5. Why there is increase in cost of production of co-operative sector?

H) Correct the underlined word and rewrite the following sentences:

1. Due to inefficiency and corruption the reputation of co-operative society has Increased.
2. To fulfill the expectations of shareholders, investors and society there is need to increase Inefficiency.
3. Due to globalization the government aid and grant to co-operative sector has Increased.
4. Multinational company are economical Weak.
5. Loan given to Ineligible persons for productive purpose increases loan recovery.

I) Find the odd one:

1. (a) Traditional production system (b) Less production cost
(c) Labour base production (d) Increasing production cost
2. (a) Modern technology (b) Increasing production cost
(c) Automisation (d) Less production cost
3. (a) Co-operative society (b) Multinational company
(c) Private company (d) Large scale industries

- | | |
|----------------------|-----------------------------|
| 4. (a) Trained | (b) Professional management |
| (c) Experienced | (d) Untrained |
| 5. (a) Aid and grant | (b) Donation |
| (c) Profit | (d) Economical help |

Q.2 Explain the following terms:

1. New Economic Policy
2. Multinational company
3. Global economy
4. Labour base production

Q.3 Application based/ Self-opinion question:

1. There is adverse effect of globalization on under developed countries.
2. Political interference is increasing in co-operative society.
3. As compared to multinational company production cost of co-operative sector is more.

Q.4 Write short notes:

1. Challenges before co-operative sector.
2. Remedies for challenges before co-operative sector.

Q.5 Give Reasons:

1. Use of modern technology has become essential for co-operative sector.
2. Co-operative sector must give importance for economical independence.
3. Co-operative sector must take steps to control political interference.

Q.6 Answer in short:

1. State the remedies for challenges before co-operative sector.
2. State the challenges before co-operative sector.

Q.7 Long answers:

1. Explain the challenges before co-operative sector in detail.
2. Explain the remedies to solve the challenges before co-operative sector.



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ABBREVIATIONS

| | |
|-----------------|---|
| Email | Electronic Mail |
| FD | Fixed Deposit |
| RD | Recurring Deposit |
| NABARD | National Bank for Agricultural and Rural Development |
| ATM | Automated Teller Machine |
| KYC | Know Your Customer |
| NEFT | National Electronic Fund Transfer |
| RTGS | Real Time Gross Settlement |
| IMPS | Immediate Mobile Payment Service |
| DCCB | District Central Co-operative Bank |
| SCB | State Co-operative Bank |
| NCUI | National Co-operative Union of India |
| MSCU | Maharashtra State Co-operative Union |
| VAMNICOM | Vaikunth Mehta National Institute of Co-operative Management |
| DCM | Diploma in Co-operative Management |
| IFFCO | Indian Farmers Fertiliser Co-operative Marketing Federation |
| KRIBHCO | Krishak Bharti Co-operative Ltd. |
| NAFED | National Agriculture Co-operative Marketing Federation of India |
| MBA | Master in Business Administration |
| PGDBM | Post Graduate Diploma in Business Management |
| NPA | Non – Performing Asset |
| NCCT | National Council for Co-operative Training |



Notes



Co-operative Banks

STATE

CENTRAL

URBAN



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