

**THE TELANGANA MUTUALLY AIDED CO-OPERATIVE SOCIETIES  
ACT, 1995.**

**(ACT NO. 30 OF 1995)**

**ARRANGEMENT OF SECTIONS**

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# THE TELANGANA MUTUALLY AIDED CO-OPERATIVE SOCIETIES ACT, 1995.<sup>1</sup>

## ACT No.30 OF 1995.

1. This Act may be called the <sup>2</sup>Telangana Mutually Aided Co-operative Societies Act, 1995. **Short title, extent and commencement.**

(2) It extends to the whole of the State of <sup>2</sup>Telangana.

(3) It shall come into force on such date as the Government may by notification in the <sup>2</sup>Telangana Gazette, appoint.

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

<sup>2</sup>[(a) “**Authorised person**” means a person referred to as such in section 38 of this Act;

(aa) “**apex society**” means a society whose area of operation extends to the whole of the State;

(aaa) “**Board**” means the Board of Directors or the governing body of a Co-operative Society, by whatever name called, to which the direction and control of the management of the affairs of a Society is entrusted to;]

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1. The Andhra Pradesh Mutually Aided Co-operative Societies Act, 1995 received the assent of the Governor on the 17<sup>th</sup> May, 1995. The said Act in force in the combined State, as on 02.06.2014, has been adapted to the State of Telangana, under section 101 of the Andhra Pradesh Reorganisation Act, 2014 (Central Act 6 of 2014) vide. the Notification issued in G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

2. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

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

(c) **“co-operative principles”** means the co-operative principles specified in section 3;

<sup>3</sup>[(d) **“Co-operative Society”** means a Mutually Aided Co-operative Society registered under section 4 whose bye-laws prohibit it from raising share capital from Government and also prohibit it from receiving any land (agricultural or non-agricultural) from the Government either free of cost or at concession rates and also concessions, subsidies or any other assistance in any form from either State / Central / Local Government.

Act No.7 of 1964.

A Co-operative Society registered under the provisions of the <sup>4</sup>Telangana Co-operative Societies Act, 1964, if it amends its bye-laws where necessary to reconstitute its capital base and in respect of other relevant aspects to be in accordance with this Act, and returns to the Government its share capital and/or land and / or subsidies received, if any, and either enters into a Memorandum of Understanding with the Government for any outstanding loans due to, or guarantees given by the Government or returns to the Government of such assistance and further gets itself registered under section 4 as a Co-operative Society under this Act, but does not include the Milk / Dairy Co-operative societies.

The Co-operative Societies which are not covered under this definition are deemed to be covered under the Telangana Co-operative Societies Act, 1964. All the

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3. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

4. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

Societies already registered under this Act but not covered under the above definition are deemed to be Societies registered under the <sup>5</sup>Telangana Co-operative Societies Act, 1964. The Registrar shall automatically forthwith regulate the functioning of such societies by applying all the provisions of the Telangana Co-operative Societies Act, 1964 with respect to them.

All the Societies already registered under this Act and are in receipt of land from Government either free of cost / at subsidized price / at market rate shall be deemed to have been registered under the Telangana Co-operative Societies Act, 1964 and the Registrar on his own motion shall immediately take necessary steps for regulating these Societies as per the provisions of the Telangana Co-operative Societies Act, 1964.]

Act No.7 of 1964.

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

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

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

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5. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

(h) **“deficit”** means the net excess of expenditure over income;

(i) **“delegate”** means a member nominated by a Co-operative Society to represent its interests in a federation;

(j) **“director”** means a director of the Board of directors;

(k) **“federation”** means a Mutually Aided Co-operative Society registered under section 4 whose members are Mutually Aided Co-operative Societies;

<sup>6</sup>[(l) **“Co-operative year / Financial Year”** means, the period commencing on the 1st day of April of every year and ending with the 31st day of March of the succeeding year;]

(m) **“general body”** in relation to a Co-operative Society means all the members of the Co-operative Society and includes a representative general body of the Co-operative Society referred to in section 20;

(n) **“general meeting”** means a meeting of the general body of a Co-operative Society;

(o) **“Government”** means the State Government of <sup>6</sup>Telangana;

(p) **“member”** means a member of a Co-operative Society.

<sup>7</sup>[(pp) **“multi-State cooperative society”** means a society with objects not confined to one State and

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6. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

7. Inserted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

registered or deemed to be registered under any law for the time being in force relating to such co-operatives;]

<sup>8</sup>[(q) “**office-bearer**” means an individual elected by the General Body or the Board of the Co-operative Society to any office of such co-operative Society in accordance with its bye-laws including a President / Chairperson, Vice-President/ Vice-chairperson, Secretary or Treasurer of a Co-operative Society;]

<sup>8</sup>[(r) “**Registrar**” means the Central Registrar appointed by the Central Government in relation to the multi-State co-operative societies, the Registrar of Mutually Aided Co-operative Societies appointed under section 4 of this Act and includes any other person as the case may be on whom all or any of the powers of the Registrar under this Act are conferred,-

(1) “**State Act**” means any law made by the Legislature of a State;

(2) “**State level Co-operative society**” means a co-operative society having its area of operation extending to the whole of a State;]

(s) “**surplus**” means the net excess of income over the expenditure.

<sup>9</sup>[2A. The Government, may, from time to time, take necessary steps for making provisions with respect to the incorporation, regulation and winding up of co-operative societies based on the principle of voluntary formation, democratic member control, member economic

**Competent Authority to make provisions.**

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8. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

9. Inserted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.



participation and autonomous functioning as deemed necessary.]

**Co-operative  
Principles and  
bye-laws.**

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

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

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

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

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

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

(ii) by provision of common services; or

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

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

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

4. <sup>10</sup>[(1) Where not less than twenty one individuals of class or category with common bondage and each being a member of a different family or intend to form a Co-operative Society, or two or more Co-operative Societies of a class or category with common bondage and registered under this section wish to form into a federation, or a society registered (under the provisions) of the <sup>11</sup>Telangana Co-operative Societies Act, 1964 intends to convert itself into a co-operative society under this Act, they shall frame bye-laws for this purpose in accordance with section 3 in the first instance:

**Registration.**

Provided that no Co-operative Society shall be registered as a Dairy or milk Co-operative Society and no Dairy or milk Co-operative Society registered under any other law shall be converted into a dairy or milk Co-operative Society under this Act:

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10. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

11. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

Provided further that any Co-operative Society registered under this Act if wishes to get itself converted and incorporated as Company under <sup>12</sup>Companies Act, 1956, shall have to first return the assets of the Government it received either directly or through any other agency and also return the Government land and machinery received, if any, and also any outstanding loans due to, or guarantees or any of such assistance given by the Government. Before applying for such conversion itself, a clearance certificate to this effect from the State Government based on the recommendations of the Registrar on whom powers are conferred as under section 4 of this Act shall be obtained. No Co-operative Society which is a beneficiary of Government in terms of funds or land or any other assistance in any form as on date has not fully repaid/returned to the Government, can get registered under Companies Act:

Provided also that a Co-operative Society registered under this Act and migrated to Companies Act or any other Act (other than the Telangana Co-operative Societies Act, 1964) without returning the Government properties (movable or immovable) and without settling the legacy issues with the Government, such as goodwill are deemed to have returned back to this Act and shall be covered under the definition of Society either under this Act or under the <sup>13</sup>Telangana Co-operative Societies Act, 1964, as the case may be, notwithstanding any resolution passed by the General body of the Society, in contravention of it.]

<sup>14</sup>[(1A) Notwithstanding anything contained under this Act or under the provisions of the <sup>13</sup>Telangana Co-operative Societies Act, 1964, all the Dairy/Milk Co-operative Societies

Act 7 of 1964.

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12. Please see the Companies Act, 2013 (Central Act 18 of 2013).

13. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

14. Inserted by Act No.20 of 2006.

registered or deemed to have been registered or converted under the provisions of this Act, shall be deemed to have been excluded from the provisions of this Act and deemed to have been registered and continued under the provisions of the <sup>15</sup>Telangana Co-operative Societies Act, 1964.]

Act 7 of 1964.

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

(3) Every such application shall be accompanied by,-

(a) the original and one copy of the bye-laws of the proposed Co-operative Society as adopted by the individuals or delegates of Co-operative Societies who wish to form into a co-operative society under this Act or by the general body of a Society registered under the <sup>15</sup>Telangana Co-operative Societies Act, 1964 which wishes to convert itself into a Co-operative Society under this Act;

<sup>16</sup>[(b) a list of names of individuals or co-operatives who wish to form into a Co-operative Society under this Act or of the members of the committee of the society registered under the <sup>15</sup>Telangana Co-operative Societies Act, 1964 which intends to convert itself into a Co-operative Society under this Act with their addresses, occupations and their financial commitments along with address / and Identity proof of self and family members i.e. Aadhaar / Food Security card to the proposed Co-operative Society.]

(c) a true copy of the minutes of the meeting at which the bye-laws were adopted, duly signed by at least a majority of individuals or delegates present at the meeting where the bye-laws were adopted, or by a majority of the

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15. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

16. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

members of the Committee of the Co-operatives concerned where a Society registered under the <sup>17</sup>Telangana Co-operative Societies Act, 1964 intends to convert itself into a Co-operative Society under this Act;

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

<sup>18</sup>[(e) in the case of a Society registered under section 7 of the Telangana Co-operative Societies Act, 1964 and wishing to convert itself into a Co-operative Society under this Act, evidence to show that the Society has returned to the Government, the share capital, loans, land / properties (movable / immovable), subsidies, concessions, interest it received from the Government and No-objection Certificate issued by the Government in this regard before its application for conversion into this Act can be considered.]

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

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

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

(c) the name of the proposed Co-operative Society is not the same as that of a Co-operative Society already registered under this section, or the same as that used by a

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17. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

18. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

class of Societies already registered under section 7 of the  
<sup>19</sup>Telangana Co-operative Societies Act, 1964,-

Register the Co-operative Society and also its bye-laws and communicate by registered post a certificate of registration and the original of the registered bye-laws signed and sealed by him, within period of sixty days from the date of submission of application, to the Chief Promoter mentioned in the application.

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

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

<sup>20</sup>[4A. (1) The Registrar on his own motion or at the request of the society passed by a resolution of majority of its members may permit the society registered under section 4 of this Act to be converted into a society registered under the Telangana Cooperative Societies Act.

**Conversion of society registered under this Act to the Telangana Co-operative Societies Act.**

(2) The Registrar may issue orders on his own motion for conversion of a society registered under this Act into a society registered under the Telangana Co-operative Societies Act, if it is found that,-

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19. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

20. Inserted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

(a) the society is in possession of land provided by the Government (either free of cost or at concession rate or at Market rate);

(b) the society is in possession of share capital or grants or concessions provided by the Government.

(3) The Registrar may issue orders for conversion of a society registered under this Act into a society registered under the Telangana Co-operative Societies Act, if the general body passes a resolution for conversion to the Telangana Co-operative Societies Act, by majority of its members:

Provided that the request for conversion shall be submitted to the Registrar within 30 days of passing of the resolution by the General Body.

(4) The society continues to be functioning under this Act till certificate of registration issued by the Registrar to the society under the Telangana Co-operative Societies Act.]

#### **Registration Certificate.**

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

Provided that where a Society was earlier registered under the <sup>21</sup>Telangana Co-operative Societies Act, 1964, such registration shall stand cancelled once a certificate of registration under this section is issued.

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21. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

<sup>22</sup>[5A. Every society issued a certificate of registration under section 8 of this Act shall be renewed for every 5 years. The renewal by Registrar is subject to the satisfaction of the Registrar that,-

**Renewal of  
Registration.**

1. The Society updated its accounts and got them audited as per the provisions of this Act.

2. The society conducted elections as per the provisions of this Act.

3. The society not violated any provisions of Act, Rules, Bye-laws.

4. All members underwent member education programme and certified as such by the Telangana State Co-operative Union:

Provided that if the Society fails to renew the registration under this section, the Registrar may initiate necessary action for compliance. In case of non-compliance, Registrar may cancel the certificate of registration issued under section 8 of this Act and initiate winding proceedings under section 64(2) of this Act.]

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

**Society to be a  
body corporate.**

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22. Inserted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.



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

**Registration with limited or unlimited liability.**

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

**Display of name.**

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

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

(b) in all notices and other official publications;

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

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

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

**Rules and Bye-laws.**

9. <sup>23</sup>[(1) Except on such specific matters for which this Act has provided, the functioning of every Co-operative Society shall be regulated by rules framed by Government and its bye-laws. Subject to the provisions of this Act and rules, the

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23. Substituted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

bye-laws of every Co-operative Society shall have regard to the Co-operative principles in its functioning.]

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

- (i) the name and address of the Co-operative Society;
- (ii) the object of the Co-operative Society explicitly stated as a common central need of the members which the Co-operative Society aims at fulfilling;
- (iii) eligibility, ineligibility and procedure for obtaining and retaining membership;
- (iv) procedure for withdrawal, cessation and termination of membership;
- (v) the services that it intends to give its members;
- (vi) fixation of minimum performance expected annually of each member vis-a-vis use of service financial commitment and participation in meetings, in order to be eligible to exercise the right of membership including the right to vote;
- (vii) the consequences of performing below the minimum level fixed;
- (viii) the consequences of default in payment of any sum due by a member;
- (ix) rights of members;
- (x) the nature and extent of the liability of the member or the debts contracted by the Co-operative Society;

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

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

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

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

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

(xvi) the term of office of the Directors;

(xvii) the manner of removal of Directors;

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

(xix) the powers and duties of the Board;

(xx) the powers and duties of the Chairperson;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Amendment of  
Bye-Laws.**

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

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

Provided further that the representative general body shall alter any provision in the bye-laws relating to its own constitution and powers.

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

(3) Every application forwarded to the Registrar shall be signed by the Chairperson and shall be accompanied by

a copy of the resolution adopting the amendment and the following particulars, namely:-

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

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

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

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

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

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

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

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

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

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

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

**Change of liability,  
transfer of assets  
and liabilities,  
division,  
amalgamation.**

11. (1) A Co-operative Society may, by a resolution of its general body,-

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

**Promotion of subsidiary organisation.**

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

(3) Any subsidiary organization created under subsection (1) shall exist for only as long as the general body of the Co-operative Society deems its existence necessary.

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

**Creation of new organisation with others.**

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

**Mobilisation of funds.**

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

<sup>24</sup>[(2) A Co-operative Society may mobilise funds in the shape of deposits, debentures, loans and other contributions from members and institutions other than Government, to such extent and under such conditions as may be permissible under the bye-laws. The Co-operative Society shall not accept any deposits from any individuals other than members.]

**Investment of funds outside the business.**

<sup>25</sup>[15. A Co-operative Society may invest or deposit its funds in any non-speculative manner outside its business in post offices, Nationalised Banks, Scheduled Commercial Bank only.]

**Disposal of surplus.**

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

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

**Management of deficit.**

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

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24. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

25. Substituted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

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

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

19. (1) Subject to the bye-laws, any person who is desirous of utilising the services of the Co-operative Society may express his willingness to accept the responsibilities of membership and fulfil such other conditions as may be specified in the bye-laws of the Co-operative Society and thereupon he may be admitted as a member, subject, however, to the condition that the Co-operative Society is in a position to extend its services to the applicant and that the Applicant is not already a member of a Co-operative Society registered under this Act, or the <sup>26</sup>Telangana Co-operative Societies Act, 1964, providing the same or similar services. **Eligibility for membership.**

<sup>27</sup>[(2) Admission of members and removal from membership shall be made, in accordance with the procedure specified in the bye-laws only by the General Body:

Provided that no member shall be expelled under this section unless,

(a) member caused loss of finances to the society;

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26. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

27. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

(b) member is involved in impersonation, forgery or any other criminal activity against the society;

(c) given an opportunity of making his/her representation to the Managing Committee, before removal of membership:

Provided further that a copy of resolution expelling the member shall be communicated to the member within 30 days under intimation to the Registrar.]

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

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

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

<sup>28</sup>[(4) A member shall be disqualified from voting if he / she fails to attend two consecutive Annual General Body meetings without leave of absence and if he/she fails to utilize minimum level of services or/and participate in the business of the society at a minimum level as may be prescribed in the Bye-laws:

Provided that a reasonable opportunity shall be provided to the member before disqualifying him from membership.]

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28. Added by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

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

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

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

(a) amendments to bye-laws;

(b) election and removal of Directors;

(c) consideration of,-

(1) the long term perspective plan and budget;

(2) the normal operational plan and budget;

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

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

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

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

(d) approval of appointment and removal of auditors;

- (e) disposal of surplus;
- (f) management of deficit;
- (g) creation of specific reserves and other funds;
- (h) review of actual utilisation of reserves and other funds;
- (i) review of the Chief executive's report of the attendance at meeting by Directors and review of the business done with the Co-operative Society by the Directors;
- (j) appointment, reconstitution and disbanding on the Representative General body;
- (k) remuneration payable to any Director or internal auditor in connection with his duties in that capacity or his attendance at related meetings;
- (l) membership of the Co-operative Society in federation;
- (m) collaboration with other organisation and its review;
- (n) promotion of subsidiary organisations and review;
- (o) dissolution of the Co-operative Society; and
- (p) all other functions expected of the general body under the other provisions of this Act.

21. <sup>29</sup>[(1) There shall be a Board of Directors for every co-operative society with such number and composition as prescribed or as specified in the bye-laws but which shall not exceed 21. The Board of Directors are elected by the General Body of the Society in accordance with the provisions under section 23 of this Act. The Board of Directors is entrusted with the management of affairs of co-operative society in accordance with provisions of the Act, rules and bye-laws of the society:

**Board of  
Directors.**

Provided that there shall be reservation of one seat for Scheduled Castes or Scheduled Tribes and two seats for Women on Board of the Co-operative Society consisting of individual as members and having members from such class or category of persons:

In addition to the number specified above, the Board of the Society may co-opt, not more than two persons, as the functional directors of the Board, out of which one shall have experience in the field of banking or management or finance and the other shall have specialization in any other field relating to the objects and activities undertaken by the Co-operative Society:

Provided that the functional directors as prescribed in the bye-laws shall not have the right to vote in any election of the Co-operative Society in their capacity and are not eligible to be elected as office bearers of the Board. Co-operative Society shall also be the members of the Board and such members shall be excluded for the purpose of counting the total number of the Directors as specified above.]

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29. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.



<sup>30</sup>[(2) The term of office of elected members of the Board and its Office-bearers shall be five years from the date of election and the term of office-bearers shall be co-terminus with the term of Board:

Provided that the Board may fill casual vacancy by nomination out of the same class of members in respect of which the short fall / casual vacancy has arisen, if the term of office of the Board is less than half of its original term:

Provided further no member who has lost in the current election shall be eligible for filling the casual vacancy that has arisen during the current term of the Board.]

<sup>31</sup>[(3) [XXX]]

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

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

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

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

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30. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

31. Omitted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

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

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

(c) is penalised under this Act.

<sup>32</sup>[(6) In addition to such criteria as may be specified in the bye-laws, the Directors of the Board attract disqualification for a period of three years for being chosen as Directors and shall be ineligible to continue as Directors of any Co-operative Society, if during their term as Directors of a Co-operative society,-

(a) they did not submit proposals to State Co-operative Election Authority for conduct of elections within the time specified in the bye-laws and before the expiry of the term:

Provided that the order, disqualifying the Directors of the Board shall be issued by the Registrar.]

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

(a) shall have been a voting member of the Co-operative Society for at least two years immediately preceding the year of election;

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32. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

(b) shall have attended the two general body meetings of the Co-operative Society held immediately preceding the elections.

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

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

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

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

**Powers and  
functions of the  
Board of  
Directors.**

22. <sup>33</sup>[(1) The Board shall, subject to the provisions of the Act, rules, bye-laws and resolutions of the General Body, exercise the following powers and discharge the following functions, namely:-

(a) admit the members;

(b) allot shares to the members and transfer of shares;

(c) recommend to General Body for removal of the members;

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33. Substituted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

(d) recommend removal of any of the committee members disqualified under the provisions of this Act and reinstatement of a Committee member who ceased to be such member of the committee;

(e) placing the reports before the General Body;

(f) raise funds in the form of loans or deposits and invest them;

(g) provide services or facilities including sanction of loans and advances to the members on a specific recommendation of the Chief Executive Officer on the basis of the date of admission of such members;

(h) sanction expenditure which is necessary for the business of the society subject to the provisions of annual budget;

(i) conduct elections in the manner specified in the bye-laws to the office of the members of the committee before the expiry of the term;

(j) conduct general meetings as prescribed in the Act;

(k) cause the audit of the accounts of the society within the time prescribed and place the audit report before the General Body;

(l) decide on matters concerning day to day management of the society;

(m) fix the staffing pattern, qualifications, pay scales and other allowances to the employees of the society, subject to the availability of the administrative and contingent fund and approval of the General body and Registrar;

(n) place the reports of inquiry conducted under section 29 or special audit report conducted under section 28 before the General Body within the time prescribed;

(o) rectify the defects noted in the reports of audit conducted under section 27 or inquiry conducted under section 29;

(p) suspension of any officer or servant of the society;

(q) initiate action for prosecution of any person who may have incurred criminal liability under the provisions of this Act or any other law for the time being in force;

(r) prepare the list of defaulters and publish the same as prescribed and place before the General Body;

(s) review all outstanding loans and ensure covert of legal action on all overdue loans and advances;

(t) give information on the affairs of the society to the Supervisory Council, the Registrar, financing bank and the federal society to which the society is affiliated;

(u) place the report on the loans sanctioned to and the business done by the members of the committee or their near relatives with the society, defaulters thereof and action to recover them before the General Body;

(v) place annual report, annual financial statement, annual plan and budget before the General Body;

(w) ensure cooperative education of the members, officers and the servants of the society and ensure payment of Co-operative Education Fund under section 22(A);

(x) prepare and place before the General Body, information or reports or statements relating to:-

(i) Disposal of properties;

(ii) Deficits in cash or stocks;

(iii) Proposals for appropriation of net profits including creation of reserves and other funds;

(iv) Write off bad debts;

(v) Removal of membership;

(vi) Contribution to Co-operative Education Fund and administrative and contingent fund;

(vii) Expulsion of member who has acted adversely to the interests of the society;

(viii) Affiliation of the society to the financial bank or other societies;

(ix) Elections of deluges to the financing bank or other societies;

(x) Appointment of Supervisory Council and internal auditors and consideration of their reports and follow up action.]

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

(a) preside at meetings of the Board and the general body;

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

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

**Application of the  
Telangana Co-  
operative  
Societies Act,  
1964.**

<sup>34</sup>[22A. The provisions of Telangana Co-operative Societies Act under sections 44-A and 45 and rule 36-A shall mutatis mutandis apply to all Co-operative Societies registered under this Act.]

**Elections.**

<sup>35</sup>[23. (1) Notwithstanding anything contained in this Act, rules and bye-laws of the society, the State Co-operative Election Authority constituted under the provisions of the Telangana Co-operative Societies Act, shall be vested with the authority for superintendence, direction and control of the preparation of electoral rolls and conduct of all elections to the Board of Directors:

Provided that rule 22 of Telangana Co-operative Societies Rules, shall mutatis mutandis apply to the extent it is not inconsistent with this Act for all types of Co-operative Societies registered under this Act:

Provided further that, the State Co-operative Election Authority referred to under sub-section (1) above may issue guidelines otherwise laying down the procedure for conduct of elections from time to time.

(2) The Registrar of Co-operative Societies shall deploy the supporting staff to the State Co-operative Election

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34. Inserted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

35. Substituted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

Authority as may be prescribed, to assist the Authority in conduct of elections.

(3) Provided further that the election of a Board shall be conducted before the expiry of the term of the Board so as to ensure that the newly elected members of the Board assume office immediately on the expiry of the term of the outgoing Board.

(4) Registrar shall appoint an Ad-hoc Board immediately after registration of a society under this Act which shall function till the first elected board assumes office or for a period not exceeding 3 months whichever is earlier.]

<sup>36</sup>[23-A. Notwithstanding anything contained in any law for the time being in force, the Board may be kept under suspension or superseded for a maximum period of six months.

**Supersession of the Board.**

(1) Supersession or suspension of Board and arranging for interim management of the society shall be done on the following grounds:-

(a) Of its persistent default; or

(b) Of negligence in the performance of its duties; or

(c) The board has committed any act prejudicial to the interests of the co-operative society or its members; or

(d) There is stalemate in the constitution or functions of the Board; or

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36. Sections 23-A, 23-B and 23-C inserted with marginal headings by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.



(e) The State Co-operative Election Authority as provided, under this Act has failed to conduct elections in accordance with the provisions of the Act;

(f) Society failed to comply with the instructions issued by the Registrar under section 31 of this Act;

(g) The Society failed to comply with the instructions issued by the Registrar under section 34 of this Act.

(2) The Registrar may after giving the Board reasonable opportunity, by order, supersede or suspend the Board from a specified date and appoint the official Administrator(s) to manage the affairs of the society for a period not exceeding six months. In case of Co-operative Societies carrying on the business of banking, the provisions of the Banking Regulation Act, 1949 shall also apply.

(3) In case of a Co-operative Society, other than a multi-state Co-operative Society, carrying on the business of banking, the period of supersession/ suspension shall be for a maximum period of one year.

#### **Appointment of Administrator.**

23-B. (1) In case of supersession/ suspension of a Board, the Registrar may appoint the official Administrator(s) to manage the affairs of such Co-operative Society. Such Administrator(s) shall arrange for conduct of elections by the State Co-operative Election Authority within the period specified in section 23-A and hand over the management to the elected Board.

The State Co-operative Election Authority may at any time, and shall before the expiration of the period of appointment of Administrator(s) so appointed, arrange for conduct of elections to the society. The Administrator(s) so

appointed shall cease to manage the affairs of the society on the day the new elected committee assumes office.

23-C. (a) The Administrator(s) so appointed by the Registrar shall be subject to the general control of the Registrar and subject to directions as issued from time to time, and have power to exercise all or any of the functions of the Board or of any officer of the Society. Provided that no crucial policy decisions can be taken by the Administrator(s).

**The conditions of service of the Administrator(s).**

(b) The Registrar may fix the remuneration payable to the Administrator(s). The amount of remuneration so fixed and such other expenditure incidental to the management of the society during the period of the supersession/suspension as may be approved by the Registrar shall be payable from the funds of the Society.

(c) The Administrator(s) shall arrange for conduct of elections before the expiry of the term specified under section 23-A and handover the management to the elected Board.]

24. <sup>37</sup>[(1) The bye-laws of the Co-operative Society shall specify the frequency and the manner in which Board and General Body meetings shall be held:

**Meetings.**

Provided that the Board shall meet at least once in every three months and the gap between two consecutive meetings of Annual General Body meeting shall not exceed six months in every financial year.]

(2) The Board shall convene a general meeting within thirty days of receipt of a requisition for convening a meeting

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37. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

signed by at least one tenth of members of the Co-operative Society or as provided in the bye-laws and any such requisition shall contain the proposed agenda and the reasons why the meeting is felt necessary.

(3) Where the Board fails to convene the annual or requisitioned general meeting with in due time, it shall be competent for the Registrar to convene the requisitioned or annual general meeting, as the case may be.

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

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

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

**Staff.**

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

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

**Accounts and Records.**

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

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

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

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

(d) the minutes book;

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

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

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

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

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

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

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

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

(3) Copies of the Act, bye-laws, minutes book pertaining to the General Body meetings, reports and compliance thereon audit, special audit and inquiry, voters

list and such account as relate to a member shall be made available to any members during business hours at a fee to be decided by the Board. In the case of a Co-operative Society with unlimited liability, in addition, a member may also have access to all books of accounts during business hours at fee decided by the Board.

**Audit and  
Accounts.**

<sup>38</sup>[27. All the provisions under section 50 of Telangana Co-operative Societies Act and Rules thereon shall mutatis mutandis apply to all Co-operative societies under this Act for the purpose of the maintenance of accounts and audit.]

**Special Audit.**

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

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

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

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

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

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38. Substituted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

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

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

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

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

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

(a) the applicant-creditor;

(b) the Co-operative Society concerned; and

(c) the Co-operative Tribunal where necessary.

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

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

violation of any of the provisions of this Act by the Co-operative Society.

<sup>39</sup>[(3) The inquiry shall be completed within a period of four months from the date of receipt of orders:

Provided that the Registrar may extend the period of inquiry further period of one month while recording the reasons thereof in writing.]

<sup>40</sup>[(4) [XXX]]

<sup>39</sup>[(5) The Registrar shall, within a period of thirty days from the date of the completion of the inquiry communicate the report of the inquiry or the reasons for the non-completion of the inquiry, as the case may be,-

(a) to the co-operative society concerned;

(b) to the applicant federation, if any;

(c) to the applicant creditor, if any;

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

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

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

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

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39. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

40. Omitted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

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

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

**Power to summon and examine persons and documents.**

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

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

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

(b) require in writing,-

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



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

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

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

<sup>41</sup>[(3)The person conducting special audit or inquiry may fix a reasonable period of not less than seven days for the purpose of compliance of the provisions of sub-section (2), and such compliance shall be mandatory on the persons required to provide information under sub-section (2):

Provided that, in case of non compliance, the Registrar may order for seizure of records, documents etc., required for the purpose.]

#### **Service of summons.**

<sup>42</sup>[30-A. (1) Every summon issued under the Act shall be in writing, shall be authenticated by the seal, if any, of the officer by whom it is issued and shall be signed by such officer or by any person authorized by him in writing in that behalf. It shall require the person summoned to appear before the said officer at stated time and place, and shall

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41. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

42. Inserted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

specify whether his attendance, is required for the purpose of giving evidence, or to produce a document, or for both purposes, and any particular document, the production of which is required, shall be described in the summons with reasonable accuracy.

(2) Any person may be summoned to produce a document, without being summoned to give evidence, and any person, summoned merely to produce a document shall be deemed to have complied with the summons if he causes such document to be produced, instead of attending personally to produce the same.

(3) The service of summons under the Act, on any person may be effected in any of the following ways:-

(a) by giving or tendering it to such person; or

(b) if such person is not found, by leaving it at his last known place of abode or business or by giving or tendering it to some adult member of his family; or

(c) if the address of such person is known to the Registrar or other authorized person by sending it to him by registered post; or

(d) if none of the means aforesaid is available by affixing it in some conspicuous part of his last known place of abode or business.

(4) Where the serving officer delivers or tenders copy of the summons to the defendant personally or to an agent or other person on his behalf, he shall require the signature of the person to whom the copy is so delivered or tendered to an acknowledgement of the person to whom the copy is so delivered or tendered to an acknowledgment of service endorsed on the original summons.

(5) The serving officer shall in all cases in which the summons have been served, endorse or annex or cause to be endorsed or annexed, on or to the original summons a return stating the time when and the manner in which the summons was served and the name and address of the person if any identifying the person served and witnessing the delivery or tender of the summons.

(a) When the party to be summoned is a public officer or is a railway servant or local authority, the officer issuing the summons may, if it appears that the summons may be most conveniently so served send it by registered post prepaid for acknowledgment for service on the party to be summoned to the head of the office in which he is employed together with a copy of the summons to be received and endorsed on the original summons.]

**Action on Special Audit or Inquiry Report.**

<sup>43</sup>[31. On communication of a special audit report under section 28 or an inquiry report under section 29, the Registrar should examine the report and if satisfied on the findings of the report without prejudice to any civil or criminal proceedings to which the Board of Directors may be liable:-

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

If the society fails to convene General Body within one month it is deemed that the General Body has accepted the findings of the Special Audit or Inquiry Report.

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43. Substituted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

(b) Notwithstanding the action taken by the General Body under this section, the Registrar may initiate necessary action on the findings of Special Audit Report / Inquiry Report.]

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

**Constitution of Tribunals.**

(2) The Provisions of section 75 of the <sup>44</sup>Telangana Co-operative Societies Act, 1964 shall, mutatis mutandis apply for the constitution of co-operative tribunals under this section.

**Act 7 of 1964.**

33. A member, Director or Chairperson of the Co-operative Society may and the Registrar shall file a copy of the report of the Auditor or the Special Auditor or the Inquiry Officer, before the Tribunal with an application for necessary action against the person on account of whose conduct the Co-operative Society has, incurred loss. The Tribunal may on the basis of such report disallow every item of expenditure incurred contrary to law and order recovery of the same from the person incurring or authorising the incurring of such expenditure, or held responsible in the said report for any deficiency, loss or unprofitable outlay occasioned by his, negligence or misconduct or of any such amount which ought to have been accounted but is not brought into account by that person and shall, in every such case, specify the amount liable to be paid by such person to the Co-operative Society.

**Power of the Tribunal to order recovery.**

**Explanation:** It shall not be open to any person whose negligence or misconduct has caused or contributed to any

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44. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

such deficiency or loss to contend that notwithstanding his negligence or misconduct the deficiency or loss would not have occurred, but for the negligence or misconduct of some other person.

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

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

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

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

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

<sup>45</sup>[34. (1) Every Co-operative society within six months of the close of every financial year, shall file returns with the Registrar including the following matters, namely:- **Filing of returns.**

- (a) Annual report of its activities;
- (b) Annual audited statement of accounts with auditor's reports;
- (c) List of members as at the close of the year;
- (d) Plan for surplus disposal or plan for meeting the deficit as the case may be as provided under sections 16 and 17 of this Act;
- (e) List of names of Directors, their addresses and their terms of office;
- (f) Compliance reports relating to audit, Special Audit and Inquiry, if any;
- (g) List of amendments to the bye-laws of the co-operative society, if any;
- (h) Declaration regarding date of holding of its general body meeting and conduct of elections when due; and

Any other information required by the Registrar in pursuance of any of the provisions of the State Act.]

<sup>46</sup>[(2) In case of non compliance of the society for filing of returns under sub-section (1), the Registrar may issue

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45. Substituted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

46. Inserted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

directions to the Society specifying the action to be taken. The directions issued by the Registrar under this section are binding on the society.]

**Rights and privileges.**

Act 7 of 1964.

35. A Co-operative Society shall have all the rights and privileges available to Co-operative Societies under Chapter-V of the <sup>47</sup>Telangana Co-operative Societies Act, 1964 and the corresponding rules, to the extent that they are not inconsistent with the provisions of this Act.

**Execution of decisions, decrees and orders.**

<sup>48</sup>[36. In regard to execution of decisions, decrees and orders, all the provisions of Chapter-X of the <sup>47</sup>Telangana Co-operative Societies Act, 1964 shall mutatis mutandis apply to Co-operative Societies registered under this Act.]

**Application of Chapter XIII A of the Telangana Co-operative Societies Act, 1964.**

<sup>49</sup>[36-A. The provisions of Chapter XIII A containing sections 115-A and 115-B of the Telangana Co-operative Societies Act, 1964 shall mutatis-mutandis apply to all co-operative Banks.

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

Central Act 10 of 1949.

**Settlement of disputes.**

<sup>48</sup>[37. (1) If any dispute arises touching the constitution, management or business of a Co-operative Society, and matters connected therewith or incidental thereto:-

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47. Adapted by G.O.Ms.No.53, Agriculture and Co-operation (Coop.II) Department, dated 20.05.2016.

48. Substituted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

49. Inserted with marginal heading by Act No.29 of 1998.

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

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

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

(d) between the Co-operative Society and any other Co-operative Society; or

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

(f) between a Co-operative Society and liquidator of another Co-operative Society, or between the liquidators of two or more Co-operative Societies:

Such disputes may be referred to the Registrar for decision. An appeal on the decision of the Registrar vests with the Co-operative Tribunal:

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



**Offence and penalties.**

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

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

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

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

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

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

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

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

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

**Dissolution by members.**

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

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

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

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

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

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

(c) the number of members;

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

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

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

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

(a) the progress of dissolution;

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

(c) any other relevant information that if any require.

**Dissolution by Registrar.**

<sup>50</sup>[40. (1) The Registrar or any person authorised by him may, after giving the Co-operative Society ninety days notice may issue an order dissolving the Co-operative Society, where he has reasonable cause to believe that the Co-operative Society has no right to be or to continue to be recognized as a Co-operative Society.]

<sup>51</sup>[(2), (3) and (4) [XXX]]

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50. Substituted with marginal heading by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

51. Sub-sections (2), (3) and (4) omitted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

41. <sup>52</sup>[(1) Where a Co-operative Society is to be dissolved and no liquidator is appointed by the General Body the Registrar may,- **Appointment of liquidator.**

(a) appoint any person under his control as a liquidator to wind up the affairs of the co-operative society; or]

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

<sup>52</sup>[(2) The appointing authority shall fix the remuneration to the liquidator for his services.]

42. On his appointment, a liquidator shall,-

**Duties of Liquidator.**

(a) immediately give notice of his appointment,-

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

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

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

(c) place in the notice mentioned in clauses (a) and (b) a premises requiring any person,-

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52. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

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

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

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

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

<sup>53</sup>[(e) open and maintain Bank account for the moneys of the Co-operative Society;]

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

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

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

(i) deliver to the Registrar, periodically as the Registrar may require, financial statements of the Co-operative

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53. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

Society in any form that the liquidator considers proper or that the Registrar may require.

43. (1) The liquidator may,-

**Powers of liquidators.**

<sup>54</sup>[(a) [XXX]]

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

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

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

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

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

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

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

<sup>55</sup>[(2) Where a liquidator has reason to believe that any person has in his possession or under his control or has concealed, withheld or misappropriated any property of the

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54. Omitted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

55. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

co-operative society, he may apply to the Co-operative Tribunal for an order requiring that person to appear before the Court at the time and place designated in the order and to be examined.]

<sup>56</sup>[(3) Where the examination mentioned in sub-section (2) discloses that a person has concealed, withheld or misappropriated property of the Co-operative Society, the Co-operative Tribunal may order that person to restore the property or pay compensation to the liquidator on behalf of the Co-operative Society.]

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

**Final accounts.**

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

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

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

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56. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.

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

(b) discharge the liquidator.

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

<sup>57</sup>[(5) The Co-operative Society ceases to exist on the date shown in the certificate of dissolution which shall not be later than three years after the appointment of the liquidator which is extendable for further period of two years by the Registrar with reasons recorded thereof.]

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

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57. Substituted by G.O.Ms.No.28, Agriculture and Co-operation (Coop.II) Department, dated 19.04.2016.