

4.

Formation of Co-operative society

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4.1 Introduction :

In Post-independence Era, due to large development in co-operative sector co-operative societies were established in various fields. The co-operative societies were spread in rural as well as urban areas. Initially co-operative societies were formed and limited upto agricultural credit societies and other supplementary services related to this sector. The forms and functions are different for such various types of co-operative societies. It is quite important to learn and understand the registration procedures of the formation of a co-operative society to figure out as to by whom and in which manner the co-operative society is formed.

The people having a common objective of fulfillment of their common needs comes together and form a co-operative society. On account of this, people from across all sections of the society feel the need for formation of a co-operative society. The formation of a co-operative society matters on both legal and technical procedure.

The procedure for registration of co-operative societies is mentioned under Maharashtra Co-operative Societies Act 1960. As per this act, a co-operative societies are registered. In this chapter we are going to study about the formation, registration procedures and functions of promoter.

4.2. Formation of Co-operative Society :

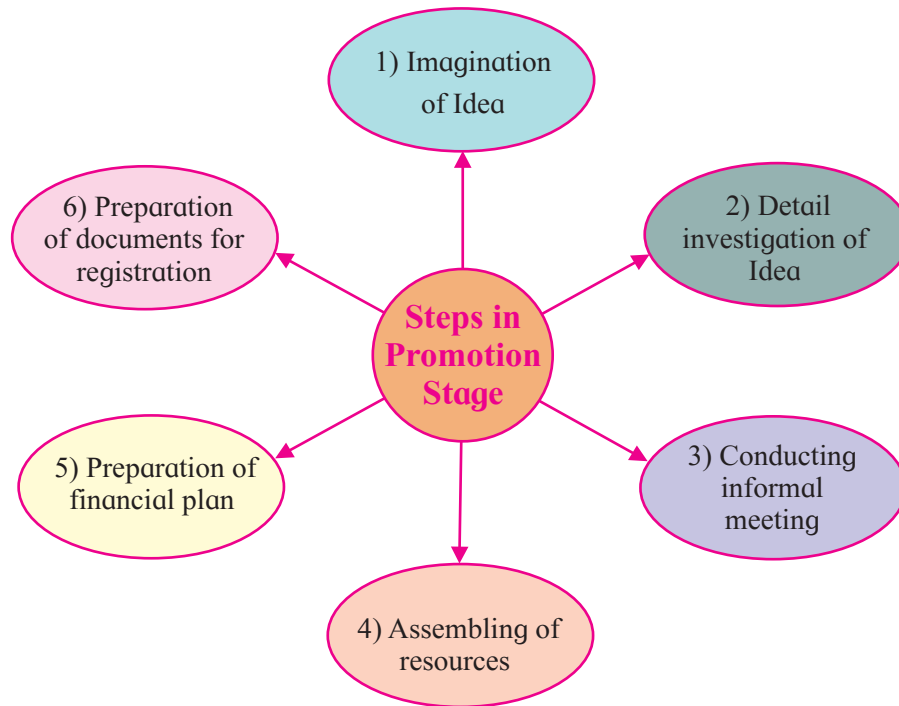
From a legal aspect, it is mandatory for a co-operative society to get registered under Maharashtra Co-operative Societies Act 1960. The formation of co-operative society goes through two stages being Promotion stage and Registration stage.

4.2.1. Promotion Stage :

“Prior to formation of co-operative society, the various steps which it has go through is collectively known as “Promotion Stage”. It requires completion of various formalities

before the society is registered. The Procedure starts from the promotion stage. The stage in which the idea of formation of co-operative society emerges in the mind and practically shaping up the formation of society is known as promotion stage or pre-registration stage. The aim of the co-operative society needs to be fixed and according to this aim, all necessary formalities needs to be completed. All the stages involved in the promotion stage are very important from the societies futuristic point of view.

- **Steps in Promotion Stage:**



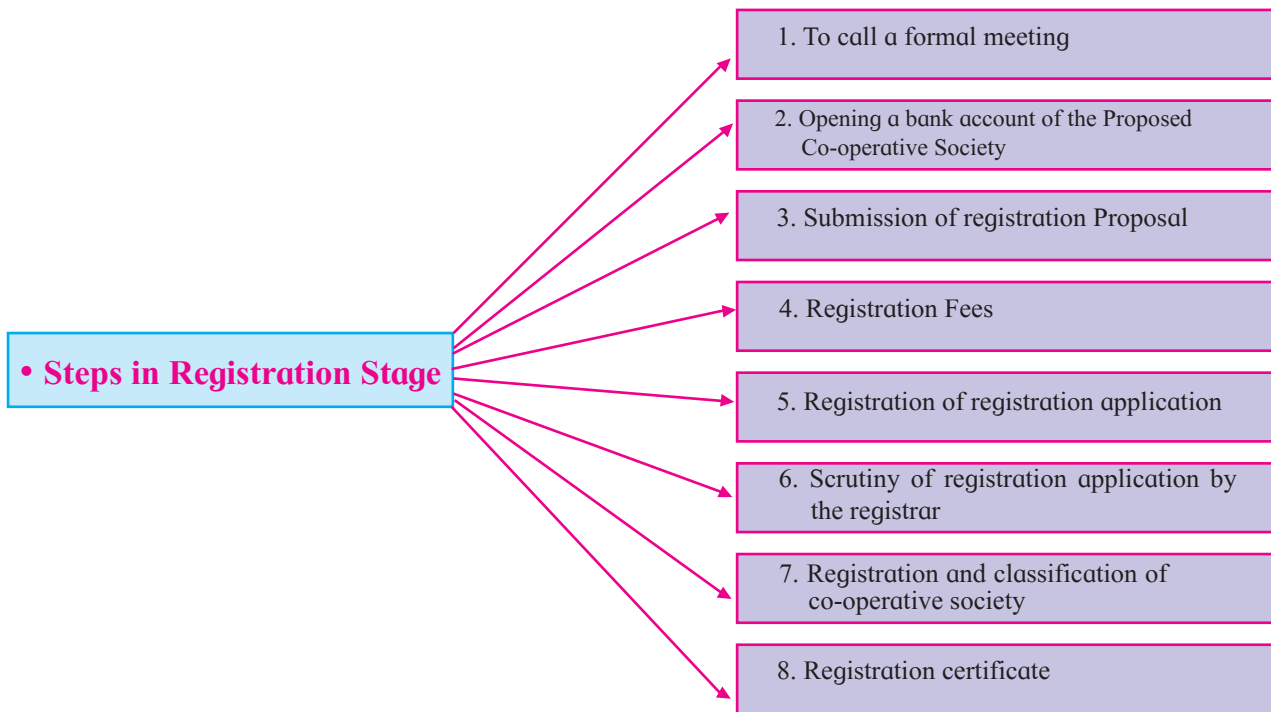
- **Following are the steps in promotion stage:**

- 1. Imagination of Idea :** The idea of formation of co-operative society emerges in the mind of an individual or group of individuals. Such individual or group of individuals are known as “PROMOTER”. The idea of formation of co-operative society comes in the mind of those individuals who possess leadership qualities and they are interested in development of weaker section of the society.
- 2. Detail investigation of idea :** It is essential to investigate the idea of formation of the proposed co-operative society. First of all, it needs to be checked whether the idea is realistic. Through this investigation the ways for raising the required capital and financial capability of the proposed co-operative society is to be determined. The registrar registers the co-operative society which are economically viable and refuse registration for those who are not economically viable.

- 3. Conducting informal meeting :** Once the promoter makes up his mind for formation of a co-operative society, he organizes an informal meeting with the people living in the locality to convince them about the idea of formation of co-operative society. During the course of this meeting, the need and advantages of a co-operative society is explained. The name of the proposed co-operative society, its objectives, working area, nature of business etc. is also fixed during this meeting.
- 4. Assembling of resources :** For converting the idea of formation of a co-operative society into reality, the promoter needs to gather necessary resources. The land required for formation of co-operative society, furniture, stationery, various application forms, and minimum 10 persons from different families etc. is to be collected by the promoter. Apart from this, for registration of the society an application needs to be done in form 'A'. Also, all necessary expenses for assembling the resources is borne by the promoters only.
- 5. Preparation of financial plan :** The co-operative society needs capital to achieve its predetermined goals. The co-operative society needs to fulfil its capital requirement depending upon its size and nature of the society. For this, the ways of collecting the capital is decided. The Capital is collected by issuing shares, deposits, borrowings from co-operative banks and other financial institutions etc. The Financial Plan is prepared by the promoter and this information is given to the members of the society.
- 6. Preparation of documents for registration :** For the registration of co-operative society Form 'A' duly filled in and signed by minimum ten members is prepared. Similarly, the list of members, bye-laws of the society, minutes of meeting of the informal meeting, no objection certificate (NOC) of the land/building owner, details of the name and the signatures of the members who attended the meeting etc. also needs to be prepared. In this manner the promotion stage is completed and the registration stage in the formation of the co-operative society is commenced.

4.2.2 Registration Stage :

After completion of promotion stage, begins the registration stage. For achieving legal status registration of co-operative society is compulsory and all the steps in this stage are to be completed which are formal in nature. The society can be registered only after completion of this formalities. For this, registration stage is important. The steps involved in this stage are as follows :



1. **To call a formal meeting :** After completion of pre-registration formalities, the promoter calls for a formal meeting of the members. In this meeting the objectives of proposed co-operative society its scope, limitations on the number of members, working area, capital raising, bye-laws, name of the proposed society, election rules, details of the main promoter etc. is decided. Also, a copy of the minutes of meeting is to be submitted along with the registration application.
2. **Opening a bank account of the proposed co-operative society :** Once the proposal for formation of co-operative society is approved in the formal meeting, a bank account of the society is opened in The District Central co-operative bank with the permission of district deputy registrar. The amount of share capital collected from the members is deposited in this bank account of the society. The promoter has to obtain the bank balance certificate from the bank for the amount deposited in the bank. Such certificate is required to be enclosed along with the registration application.
3. **Submission of registration Proposal :** As per the legal provisions of Maharashtra co-operative societies act, the promoter submits an application for proposed society in Form 'A' to the District Deputy Registrar in four copies for registration. There are various documents to be submitted along with the application form. This includes list of members, Talathi certificate, Four copies of Bye-laws of the co-operative society, Bank balance certificate, No objection certificate of land, Minutes of formal meeting, Project report, Name and Address of the proposed society, its Objectives, Area of operation of co-operative society, Nature of business etc.
4. **Registration Fees :** As per Maharashtra co-operative societies rules 1961, fees for registration of a co-operative society is required to be deposited in the Government treasury. After depositing the fees an original copy of the payment receipt (challan) is required to be submitted along with the registration application form. The registration fees prescribed in the range of Rs.50 to Rs.25000. According to the type of co-operative society, the registration fees is charged.

5. **Registration of the registration application :** On the receipt of the registration proposal, the registrar makes an entry of details of Co-operative society in the office register in 'Form B'. The serial number is provided to the application. An acknowledgment of the receipt of application is given to the chief promoter.
6. **Scrutiny of registration application by the registrar :** After receiving the proposal of registration, the verification of the registration application as well as the documents enclosed is carried out by the Registrar. If he finds any errors in the application, the same is informed to the promoter for necessary corrections. In case of any doubts raised during the course of the verification process, an explanation regarding the same is taken from the chief promoter of the society.
7. **Registration and classification of co-operative society :** If the registration application form and attached documents are complete in all respects, the registration of that particular society is declared by the Registrar in the Government gazette and classification of the society is done into class or sub-class as may be appropriate. Once the application for registration is received, the decision with regard to the registration of the same need to be taken by the Registrar within a time limit of two months. If the registrar decides to reject the registration of the society, he is required to communicate the same in a written form to the chief promoter specifying the proper reason for rejection.
8. **Registration Certificate :** The registrar issues a certificate of registration and allots a registration number to the society once it is registered. The registration certificate is an evidence for registration of co-operative society. Once this registration certificate is received, the society gets a legal status (Entity) and it comes in to existence. The details such as the registered societies name, address, registration number, registration date, year, class, etc are mentioned on the certificate. The certificate bears the signature and stamp of the Registrar. Also, once the society is registered, no changes in its name or clauses of bye-laws is permitted without the permission of Registrar.

❑ **Necessary documents required for registration of co-operative society.**

For registration of a co-operative society, the chief promoter prepares the following documents.

1. **List of members :** The person interested to become member of co-operative society has to make an application. They are required to pay the membership fees and amount towards their share capital. The list of such members is prepared and four copies of this membership list along with the registration application form need to be submitted. This list comprises of the details of members like full name, age, address, occupation, amount of share capital and entrance fees etc.
2. **Talathi certificate :** For the formation of proposed Co-operative society ten members from different families are required. A Talathi certificate certifying that the members are not from the same family needs to be obtained and is required to be enclosed along with the registration application.
3. **Bye-laws of society :** The functions of a co-operative society are carried out as per the provisions of Maharashtra Co-operative Societies Act 1960 and Rule 1961. Bye-laws are the set of rules for internal working and management of co-operative societies. The

bye-laws are prepared by chief promoter of co-operative society and it is treated as constitution of the society. Minimum four copies of the bye-laws are to be submitted along with registration application form. No changes in the bye-laws are permitted without the permission of Registrar.

4. **Bank balance certificate :** The proposed co-operative society's bank account is opened in the name of chief promoter in the district central co-operative bank. The amount collected towards share capital and membership fees is deposited in this account. The bank balance certificate needs to be obtained from district central co-operative bank. This certificate needs to be enclosed along with the registration application.
5. **No objection certificate from the land owner :** The office address of the proposed co-operative society needs to be mentioned in the registration application form. No Objection Certificate needs to be obtained from the owner of the land. This certificate is also enclosed along with the registration application.
6. **Minutes of the formal meeting :** A copy of the minutes of the formal meeting held before registration of the society is to be enclosed with the registration application.
7. **Project report :** In this report financial plan of the society is given. Project report refers to the future progress plan of the society. This report contains the details of expenses to be incurred for production, buying and selling arrangements, projected profits, financial capability etc which is considered by the registrar for approving the registration of the society.



Activity :-

- 1) Visit the registrar office in your locality and collect the information regarding registration of co-operative society.

4.3 Promoter of co-operative society :

The promoter plays a very important role in the formation of co-operative society. The promoter imagines the idea of formation of a society in his mind and puts in all efforts required for converting the same idea into a reality.

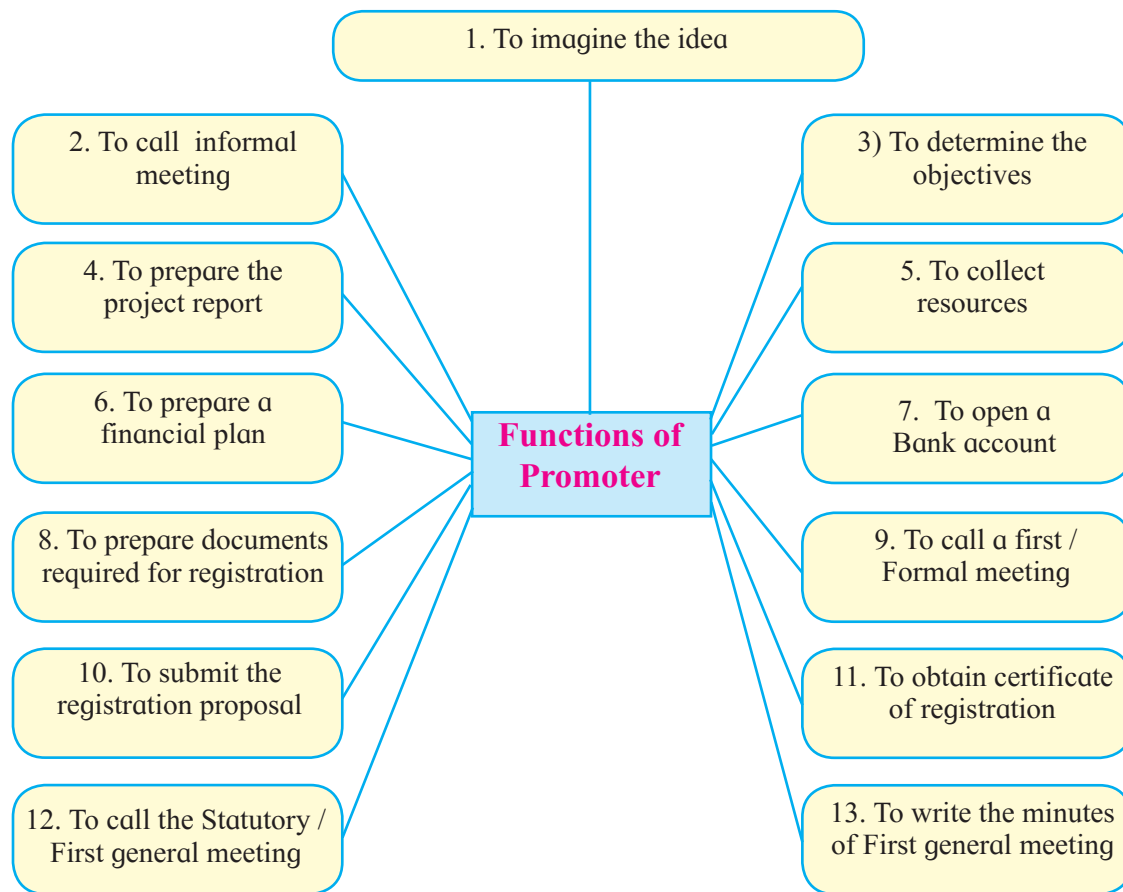
□ Meaning :

Definition of a promoter is not given in the co-operative act but his duties and responsibilities are specified in it. On this basis the meaning of a promoter is as under.

“A ‘Promoter’ can be a person or a group of persons who imagines the idea of forming a society and converts the idea into reality followed by registration of society and puts in all necessary efforts for smooth functioning of the society.”

Promoter takes initiative in the formation of co-operative society and accepts the responsibilities of gathering together all the members as well as required resources. For this he must have qualities like leadership, consistency, initiative, capability, creativity etc. As well as he should be ready to bear the financial expenses required for formation of society.

4.3.1 Functions of Promoter



- 1. To imagine the idea :** The promoter performs the important function of imagining the idea of forming a co-operative society in his mind for fulfillment of the common specific needs of a society or a group of people.
- 2. To call informal meeting :** The idea of formation of co-operative society which had came in his mind and to convert this idea into reality, the promoter calls an informal meeting of all the prospective members residing in village or nearby areas. This meeting is known as informal meeting or pre-registration meeting. During this meeting, the promoter explains the idea and the importance of forming the co-operative society.
- 3. To determine the objectives :** During the informal meeting if the importance of the formation of co-operative society is convinced then the list of the objectives of the co-operative society is prepared. According to the type of co-operative society the main objectives of the co-operative societies are decided. For e.g. If a consumer co-operative society is formed, its main objective will be to provide essential goods and services at reasonable prices to its members.
- 4. To prepare the project report :** After taking into consideration the business transactions, turnover, income and expenses of proposed society the promoters have to get project report prepared from the expert.

5. **To collect resources :** The promoter needs to collect the necessary resources required for the formation of a co-operative society. For e.g. raising capital, making arrangements for society's office, furniture, stationery, writing materials, manpower etc. needs to be collected.
6. **To prepare a financial plan :** The promoter has to prepare the financial plan on the basis of project report of the proposed co-operative society and decide the sources of raising required capital.
7. **To open a bank account :** With the permission of the District Deputy Registrar, he opens a bank account for the proposed co-operative society with the district central co-operative bank. The amount collected as share capital from the prospective members is deposited in this account and bank balance certificate is obtained from the bank.
8. **To prepare documents required for registration :** The promoter needs to prepare all necessary documents for registration of the proposed co-operative society. For e.g. Bye-laws of the society, rules for election, list of members with their names and address, list of promoters, Talathi certificate, population certificate of working area, minutes of informal meeting, No Objection Certificate (NOC) of land owner, bank balance certificate and project report etc. documents are required to be prepared by the promoter.
9. **To call first/ Formal meeting :** The promoter of the proposed co-operative society calls a formal meeting of the prospective members as per the provisions of the co-operative societies Act. In this meeting the resolution for the formation of the co-operative society is passed and a copy of this is submitted along with the registration application form.
10. **To submit the registration proposal :** The promoter has to submit registration application in the prescribed Form 'A' along with all necessary documents to the registration authority (Registrar) and he has to deposit the registration fees in the Government treasury for registration of co-operative society.
11. **To obtain certificate of registration :** After submitting the registration application to the Registrar, the Registrar verifies the application and all documents and if the application is complete in all respects, the registrar registers such society and issues a certificate of registration to the chief promoter.
12. **To call the statutory / first general meeting :** After receiving the certificate of registration, the promoter calls for the first general meeting/statutory meeting within 3 months of receipt of the registration certificate. It is mandatory to conduct the first general meeting as per the provisions of the co-operative act. In this meeting various resolutions are passed like election of advoc managing committee, approval of preliminary expenses, transfer of bank account from promoter's name to the society's name etc. This meeting is held once in the life time of the society.
13. **To write the minutes of First general meeting :** After conclusion of the meeting, the minutes of the meeting needs to be written within one month by the promoter. Minutes means the written record of the business transacted during the meeting.

In this manner promoter is important person in formation of co-operative society. The success of formation of co-operative society depends upon the role of the promoter.



Activity :-

2. Visit any co-operative society and collect the information from the promoter regarding problems in formation of the co-operative society.

□ **Distinguish Between :**

Promotion Stage and Registration Stage

Sr. No.	Points	Promotion stage	Registration stage
1.	Meaning	Before registration co-operative society has to undergo various steps for formation which are collectively known as “Promotion Stage”	The various steps which needs to be undertaken for registration of co-operative society are collectively known as “Registration Stage”.
2.	Legal provisions	The legal provisions of promotion stage are not specified in Co-operative Act.	The legal provision of registration stage are specified in Co-operative Act.
3.	Nature	All the steps in promotion stage are informal in nature.	All the steps in registration stage are formal in nature.
4.	Stages	<p>The promotion stage:</p> <ol style="list-style-type: none"> 1) Imagination of idea. 2) Investigation of idea. 3) Conducting informal meeting. 4) Assembling of required resources. 5) Preparation of financial plan 6) Preparation of documents for registration 	<p>The registration stage:</p> <ol style="list-style-type: none"> 1) Conducting formal meeting. 2) Opening bank account of the proposed society 3) Submission of registration proposal. 4) To pay registration fees 5) Registration of registration application 6) Verification of registration application 7) Registration and classification 8) Registration certificate

5.	Period	There is no specific period for promotion stage.	After receiving application the Registrar has to accept or reject the application for registration of society within two months.
6.	Legal status	During the promotion stage, the co-operative society does not have a legal status.	After completion of registration stage, the society gets a legal status.

4.4 Summary

The registration of co-operative society is a legal and technical procedure. The procedures of registration of the co-operative society is mentioned in Maharashtra Co-operative Societies Act 1960.

- **The stages in formation of co-operative society.**

- **Promotion stage :**

- 1) Imagination of Idea
- 2) Detail investigation of idea
- 3) Conducting informal meeting
- 4) Assembling of the resources
- 5) Preparation of financial plan
- 6) Preparation of documents for registration

- **Registration Stage:**

- 1) To call a Formal meeting
- 2) Opening the bank account of the proposed co-operative society-
- 3) Submission of registration Proposal
- 4) Registration fees
- 5) Registration of the registration application
- 6) Scrutiny of registration application by Registrar
- 7) Registration and classification of co-operative society
- 8) Registration certificate

- **Documents required for registration of co-operative society**

- 1) List of members
- 2) Talathi certificate
- 3) Bye-laws of society
- 4) Bank balance certificate
- 5) No Objection Certificate from the land owner

- 6) Minutes of the formal meeting
- 7) Project report

❑ **Promoter :**

“A ‘Promoter is a person or a group of persons who imagines the idea of forming a society and converts the idea into reality followed by registration of society and puts in all necessary efforts for smooth functioning of the society.’”

❑ **Functions of promoter :**

- 1) To imagine the idea
- 2) To call an informal meeting
- 3) To determine the objectives
- 4) To prepare the project report
- 5) To collect the resources
- 6) To prepare a financial plan
- 7) To open a bank account
- 8) To prepare documents required for registration
- 9) To call first/Formal meeting
- 10) To submit the registration proposal
- 11) To obtain certificate of registration
- 12) To call the statutory / first general meeting
- 13) To write the minutes of First general meeting

4.5 Key Terms

- 1) **Bye-laws :** The set of rules for day-to-day working of co-operative societies.
- 2) **Informal meeting :** The meeting which is conducted in the promotion stage.
- 3) **Form ‘A’ :** Application Form for registration of the co-operative society.
- 4) **Minutes :** The written records of the proceedings of the meeting.
- 5) **Registrar (Registration officer) :** An authority appointed by the State Government for the registration and control of co-operative society.
- 6) **Form ‘B’ :** The form for registering the application for registration of the co-operative society.

4.6 Exercise

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

1. Registration of co-operative society is _____.
 (a) Compulsory (b) Optional (c) Not necessary
2. Minimum _____ copies of the bye-laws are attached along with registration application.
 (a) Three (b) Four (c) Two
3. The person who imagines the idea of forming a co-operative society is called _____.
 (a) Registrar (b) Partner (c) Promoter
4. The registration application of the society must be in _____ form.
 (a) 'C' (b) 'A' (c) 'B'
5. The evidence of registration of co-operative society is _____.
 (a) Registration certificate (b) Notice (c) Minutes
6. The registrar enters the details of the registration application in Form _____ in his office.
 (a) 'B' (b) 'C' (c) 'A'

B) Match the following :

Group 'A'	Group 'B'
a) Evidence of registration	1. 1960
b) Promotion stage	2. Form 'B'
c) Maharashtra co-operative societies Act	3. Registration certificate
d) Registration application	4. 1904
e) The officer for registration of co-operative society	5. Stage before registration
	6. Talathi certificate
	7. Stage after registration
	8. Form 'A'
	9. Registrar.
	10. Member

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

1. The person who takes initiative in formation of co-operative society.
2. Application Form for registration of co-operative society.

3. The authority for registration of the co-operative society.
4. The written records of the proceedings of the meeting.
5. Evidence of registration of co-operative society.
6. The form in which the registration applications is registered.

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

1. Promoter do not take initiative in the formation of the co-operative society.
2. Bye-laws are necessary for registration of co-operative society.
3. First general meeting is conducted before registration.
4. Promotion stage do not have importance in formation of co-operative Society.
5. Registration certificate is an evidence of registration of co-operative society.
6. The person who registers the co-operative society is called as Registrar.

E) Complete the following sentences:

1. Registration of Co-operative Society is _____.
2. The person who takes initiative in formation of Co-operative society is known as _____.
3. Minimum _____ copies of bye-laws are enclosed with registration application of Co-operative society.
4. The application for registration of co-operative society is in _____ form.

F) Select the correct option:

1. Registration Certificate	<input type="text"/>
2. <input type="text"/>	Promoter
3. No objection Certificate	<input type="text"/>
4. <input type="text"/>	Constitution of Co-operative Society
5. Form 'A'	<input type="text"/>

Initiative in formation of Co-operative society, Land Owners Certificate, Evidence of Registration, Application form, Vice-president, Bye-laws.

Q.3. Application based/ Self-opinion question:

1. “For the formation of co-operative societies various formalities need to be fulfilled”. Express your opinion
2. For registration of co-operative society the promoter has to collect various documents. Express your opinion.

Q.4. Distinguish between:

1. Promotion Stage and Registration stage

Q.5. Write short notes:

1. Promotion stage.
2. Registration stage.
3. Functions of promoter.

Q.6. Give Reasons:

1. First general meeting is conducted after registration of co-operative society.
2. Registration certificate is the evidence of registration of the society.
3. Promoter forms the co-operative society.

Q.7. Answer in Short:

1. Explain the functions of promoter.
2. Explain registration stage of co-operative society.

Q.8. Long answers:

1. Define promotion stage? Explain the steps in promotion stage.
2. Define promoter and explain his functions.
3. What is registration stage? Explain Steps in registration stage.

