

MULTI-STATE CO-OPERATIVE SOCIETIES:-



REGISTRATION,

MANAGEMENT

& CONTROL



PRESENTED BY

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OBJECTIVES OF THE MSCS ACT, 2002

The Multi- State Co-operative Societies Act, 2002 (“MSCS Act, 2002”) was enacted with the following objectives:

- 1. To facilitate the voluntary formation of Multi- State Co-operative Societies in the country ;**
- 2. To expand the area of operation of societies in more than one state to serve the interest of members;**
- 3. To ensure that societies carry on their activities on the principles of self-help and mutual aid and to promote social and economic upliftment/welfare of the members;**
- 4. To provide for democratic functioning of societies, giving rights and opportunities to members to take part in the affairs of the society; and**
- 5. To provide functional autonomy and management rights to the members.**

APPLICABILITY OF THE MSCS ACT, 2002

- 1. MSCS Act, 2002 shall apply to all multi state cooperative societies having their objectives not confined to ONE STATE and were incorporated under:
 - i. Cooperative Societies Act, 1912; or**
 - ii. Any other law relating to cooperative societies in force in any State or in pursuance of the Multi-unit Cooperative Societies Act, 1942 ; or**
 - iii. Multi-State Cooperative Societies Act, 1984 and the registration of which has not been cancelled before such commencement.****
- 2. All other multi state co-operative societies registered under MSCS Act, 2002 .**

Note: A society merely having in its bye laws to carry out its activities in more than one state is not sufficient, but it must show working in more than one state in the interest of members.

DEFINITION OF MUTLI STATE CO-OPERATIVE SOCIETY [Sec 3(p)]:

1. Multi State co-operative society means a society:
 - i. Registered or deemed to be registered under MSCS Act, 2002 and includes a national co-operative society and a Federal cooperative.
 - ii. Having its main objectives to work in the interest and welfare of its members in more than one state.
2. It is not necessary that a society should have branches in more than one state, it may have branches confined to one state and it shall not loose the character of multi state co-operative society, so long its serves the interest of members in more than one state.

For Ex: If a multi state society has permission to operate in U.P & Bihar but branches are located in state of U.P only and few of the branches are located in district Gorakhpur and these branches serve the interest of members from state of Uttar Pradesh and Bihar, it will be deemed as multi state society and enjoy all benefits provided therein in the MSCS Act, 2002.

PROCEDURE FOR REGISTRATION OF MULTI STATE CO-OPERATIVE SOCIETIES:-

A. A MULTI STATE CO-OPERATIVE SOCIETY IS REQUIRED(Sec 5):-

- 1. To provide in its main objectives to serve the interest of its members;**
- 2. To provide in Bye-Laws about social and economic welfare of its members through the principles of self -help and mutual aid in accordance with co-operative principles.**

B. APPLICATION FOR REGISTRATION(Sec 6 Read with Rule 3):-

- 1. A duly completed Application in Form-I shall be submitted with Central Registrar, Ministry of Agriculture (Department of Agriculture and Co- Operation) Government of India, Krishi Bhawan, New Delhi.**
- 2. The application shall be signed by:**
 - (i) In case all members being individual, it shall be signed by the 50 members from each state.**

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- (i) In case of co-operative societies are members, it shall be signed by not less than five such co-operative societies not registered in same state.**
- (ii) In case multi-state co-operative societies and co-operative societies are the members, application shall be signed by not less than two such societies not registered in same state.**
- (iv) In case proposed multi state co-operative society is promoted by cooperative societies or multi state co-operative society and individual members, the application shall be signed by :**
 - Minimum fifty individual members; and**
 - Minimum two cooperative societies from different states or one multi state cooperative society.**



C. DOCUMENTS TO BE ANNEXED WITH THE APPLICATION :-

- 1. The following documents shall be submitted along with the application:**
 - i. Four copies of proposed Bye- Laws ;**
 - ii. List of contributories to the share capital including details of the amount contributed by each member;**
 - iii. A certificate from the bank showing credit balance in the account of the proposed multi state co-operative society;**
 - iv. A scheme showing economic viability of the proposed society and further state that registration of society shall be beneficial for social and economic betterment of the members.**
 - v. A resolution providing name and address of the chief promoter for any communication by the Central Registrar.**
 - vi. Copy of resolution in favour of person authorised to make alteration in the Bye Laws of the proposed society.**
- 2. The application may be sent by post or delivered by hand with the office of Central Registrar.**

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REGISTRATION OF SOCIETY (Sec 7, Rule 4 & 5):-

- 1. The central Registrar shall dispose of the application within a period of four months from the date of receipt, however if the Central Registrar does not communicate order of refusal within a period of four months, it shall be deemed that application for registration has been accepted and accordingly certificate of registration shall be issued.**
- 2. The Central Registrar shall provide opportunity to the proposed society before passing the order of refusal.**
- 3. The order of refusal to register the proposed society shall be sent by registered post to the authorised person.**
- 4. The Central Registrar, on being satisfied that proposed multi state society has complied with the requirement of MSCS Act, 2002 and rules made there under, may register the proposed society and Bye Laws.**
- 5. On registration, the Central Registrar shall issue a Certificate of Registration duly signed and bearing the seal and date of registration. The certificate of Registration shall be conclusive proof that society has been validly registered.**
- 6. The Central Registrar shall also provide certified copy of Bye Laws, as approved and registered.**

STATUS OF SOCIETY ON REGISTRATION(Sec 9):-

1. On registration, the Multi state co-operative society shall have/ be:
 - i. Body corporate;
 - ii. Perpetual succession;
 - iii. Common seal;
 - iv. Power to acquire, hold and dispose of the properties;
 - v. Power to enter into contract;
 - vi. Power to institute and defend suits and other legal proceedings; and
 - vii. Power do all things necessary for achieving the purpose of its constitution.

2. All transactions entered before registration of the society shall be deemed as if transactions have been entered after registration of the Multi state co-operative society.


BYE-LAWS OF MULTI STATE SOCIETY (Sec 10 r/w Rule 6):-

1. The multi-state cooperative societies shall prepare its bye-laws consistent with the provisions of MSCS Act and the rules made there under and shall, among others, cover following important aspects:

- i. The name, address and area of operations of the society;**
- ii. The objects of the society;**
- iii. The services to be provided to its members;**
- iv. The eligibility and procedure for obtaining membership;**
- v. The transfer and expulsion from membership;**
- vi. The rights and duties of the members;**
- vii. The nature and amount of capital of the society;**
- viii. The manner in which the maximum capital to which a single member can subscribe;**
- ix. The sources for raising the funds for the society;**
- x. The purposes for which the funds may be applied;**



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- xi. Manner of allocation or disbursement of net profits of the multi-state cooperative society;**
 - xii. Procedure for amending the bye-laws;**
 - xiii. Tenure of directors, chairman and other office bearers of the society shall not be exceeding five years;**
 - xiv. Procedure for removal of members of the board and for filling up of vacancies;**
 - xv. Frequency, manner of convening board meetings, its quorum, number of meetings in a year and venue of such meetings;**
 - xvi. Manner of convening general meetings, quorum, procedure for notice and manner of voting at the general meetings;**
 - xvii. Powers and functions of the Chief Executive;**
 - xviii. Appointment , rights and duties of the Auditors’;**
 - xix. Procedure and manner of transfer of shares; and**
 - xx. Principal place and other places of business of multi-state cooperative society.**
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MANAGEMENT OF THE SOCIETY:-

A. FUNCTIONING OF INTERIM BOARD (Rule 14):

The board constituted before registration of the society is known as interim board. The interim board of society shall continue to hold office until the regular board is appointed at the first general meeting of the society.

B. BOARD OF DIRECTORS (Sec 41):

1. Members of society shall elect among themselves as directors of the society and who, on being elected, shall be members of the board.
2. The board shall consist of such number of directors as may be specified in the bye-laws, however the maximum number of directors in no case shall exceed twenty-one.
3. Further that the board may co-opt two directors in addition to twenty-one directors i.e. board of society can have maximum twenty three directors.

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C. DISQUALIFICATION OF THE DIRECTORS- SEC 43:

- 1. A member of multi-state cooperative society shall NOT be eligible for appointment as member of the board, if such member-**
 - i. Has been adjudged as insolvent or of unsound mind by a competent court ;**
 - ii. Participates in profits of any contract or has interest in any business carried on by the society;**
 - iii. Has been convicted for an offence involving moral turpitude or any other offence under MSCS Act, 2002;**
 - iv. Holds any office or place of profit except Chief Executive or full time employee of the society as may be notified by the Central Government;**
 - v. Has been a member of the society for less than twelve months immediately preceding the date of such election or appointment;**
 - vi. Has taken loan or goods on credit or is otherwise indebted to the society and has defaulted in repayment of such loan or debt within the schedule time for repayment or such extended time, which shall not exceed six months or such default continues on the expiry of six months from the date of such default. Member, who cease to hold office, shall not be eligible, for a period of one year for re-election as a member of the board;**

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- viii. Against whom any amount due under a decree, decision or order and pending for recovery under this Act;
 - ix. Is retained or employed as a legal practitioner on behalf of or against the society, or on behalf of or against any other multi-state cooperative society which is a member of the society.
 - x. Is disqualified for being a member under section 29;
 - xi. Has been expelled as a member under section 30;
 - xii. Absents himself from three consecutive meetings of the board or general body meetings and such absence has not been condoned by the board or members at the general meetings;
2. A person shall not be eligible for being elected as member of board of a multi-state cooperative society for a period of five years if the board of such multi-state cooperative society fails-
- i. To conduct elections of the board; or
 - ii. To call the annual general meeting of the society; or
 - iii. To prepare the financial statement and present the same in the annual general meeting.



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D. MAXIMUM TERMS OF PRESIDENT OR VICE PRESIDENT(Sec 44):

1. A member of board can hold the position of President or Vice - President for maximum TWO TERMS.
2. A member who has held one full term as a President or Vice -President shall be eligible for re-election for the second term.

E. ELECTION OF THE BOARD MEMBERS(Section 45 r/w with Rule 19 & 20):

1. The existing board of directors shall be responsible for conducting elections for appointment of new members of the board of multi-state co-operative society.
2. Election of board members shall be held at the general meetings of the society.
3. The election of board members shall be held by secret ballot in the manner as may be prescribed.
4. Elected members of board shall be eligible for the re-election as per Bye Laws of the society.

5. The election for board members shall be conducted by Returning Officer appointed by the board. The returning officer shall neither be an employee nor member of the society.
6. The election of the office bearers of the board shall be conducted as per the programme given in the election schedule.
7. If society failed to conduct election for the board members, the Central Registrar shall hold the election within ninety days from the date election became due.

F. TERM OF OFFICE OF DIRECTORS [Sec 45 (5)]:

The term of office of elected members of the board shall be of **5 years from the date of election** unless otherwise stated in Bye Laws. The elected board members shall continue to hold office until new board is appointed and take over the charge of the society.



G. HOLDING OF POSTS OF PRESIDENT AND VICE –PRESIDENT IN SOCIETIES (Sec 46)]:

A member of board shall not be eligible to hold office of President or Vice President of more than TWO multi state co-operative societies.

H. REMOVAL OF MEMBER OF BOARD (SEC-47)

1. A board member, who is involved in any activities contrary to the interest of the multi state co-operative society may be removed from the board:
 - i. On the basis of report of the Central Registrar; or
 - ii. Upon a resolution passed at the general body by a majority of not less than two-third of the members present and voting at the meeting.
2. However the member concerned shall not be removed unless he has been given a reasonable opportunity to represent in the matter.

I. POWERS AND FUNCTIONS OF THE BOARD (SEC-49):

- 1. The board shall have all such powers as may be necessary or expedient for the purpose of carrying out its functions provided under MSCS Act, 2002 and in the interest of society and welfare of the members.**
- 2. The board, inter alia, shall have the following major powers:**
 - i. To admit members of the society;**
 - ii. To devise strategy for achieving the organisational objectives;**
 - iii. To appoint and remove Chief Executive and other employees of the society and decide the terms and conditions of employment;**
 - iv. To place the annual report, annual financial statement, annual plan and budget for the approval of the general meeting;**
 - v. To consider audit and compliance report and place the same before the general meeting;**
 - vi. To acquire, hold and dispose of the immovable property;**
 - vii. To raise funds from members and to sanction loans to the members; and**
 - viii. To take such other measures or to do such other acts as may be prescribed or required under MSCS Act or the bye-laws or as may be delegated by the general body.**


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J. MEETINGS OF THE BOARD OF DIRECTORS (SEC-50):

1. The Chief Executive shall be responsible for convening the meetings of the board at the instance of the president of the multi-state co-operative society.
2. The total number of meetings of the board in a year and the venue of meetings shall be as specified in the bye-laws, **however one meeting of board shall be held in every quarter.**
3. Board may invite maximum two persons at the board meetings and who need not be members of the board.

K. CHAIRMAN OF THE BOARD MEETING-[Sec 50 (3)]:

The Chairman of the board shall preside over all meetings of the board and in case the Chairman, for any reason, is unable to attend a board meeting, the members present at the board shall elect among themselves as Chairman of that meeting and Chairman, so elected shall preside over the meeting.



CONSTITUTION, POWERS AND FUNCTIONS OF GENERAL BODY (Sec 38):

- 1. The general body of the society shall consist of all the members of the society.**
- 2. The main powers and ultimate authority of the society vest with general body except where bye laws provides for constitution of smaller body comprising members and such smaller body shall carry out its functions as prescribed or specified in bye laws of the society.**
- 3. At general meetings or board meetings of multi state co-operative society, a co-operative society or a multi state co-operative society shall be represented by its Chairman or Chief Executive or any authorised member of the board and if no board exist, such member society shall be represented by the administrator.**

Note: The various courts have different views and held that any co-operative society should function on the principle of majority and views of majority should prevail in the functioning of the society. According decided that general body may choose any person to represent it in the board and general body meetings of the multi state co-operative society.

- 4. If bye laws provides for representation thorough nominee, such nominee shall represent at multi state co-operative society.**

GENERAL MEETINGS OF THE SOCIETY:

A. FIRST GENERAL MEETING OF THE SOCIETY(Rule 14):

The first general meeting of the society shall be convened within a period of 6 months from the date of registration of the society for election of regular board members.

B. CONVENING OF SUBSEQUENT GENERAL MEETINGS OF THE SOCIETY (Sec 39 r/w rule 13):

Every society shall convene and hold its Annual General Meeting (“AGM”) of the members within a period of 6 months from the date of close of cooperative year i.e. on or before 30th September.

B. PLACE FOR HOLDING GENERAL MEETINGS OF THE SOCIETY(Rule 8):

All AGMs shall be convened at the principal place  i.e. registered office of the society.

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D. NOTICE PERIOD FOR CONVENING AGM AND SPECIAL GENERAL MEETING (“SGM”) OF THE SOCIETY (Sec 39 r/w rule 15):

1. AGM may be convened by serving minimum 14 clear days notice to the members;
2. SGM may be convened by serving minimum 7 days notice to the members.
3. The Notice of AGM shall be annexed with copy of balance sheet, P&L A/c with Auditors' Report as on 31st March of preceding year and Board Report. The notice shall also be accompanied by the details of amendment of Bye laws and election of board members, if any.

E. QUORUM FOR THE GENERAL MEETINGS (Rule 16):

1. Quorum for general meetings shall be 1/5 of total number of members or **as provided in Bye- Laws of the society.**
2. No business shall be transacted unless quorum is present at the time of commencement of business of the meeting.
3. If within half an hour of schedule time for commencement of meeting, the quorum is not present, the meeting shall stand adjourned and the adjourned meeting shall be convened on same day or such date and time as decided by the chairman of the meeting, however it shall be held within 7 days from the date of adjourned meeting and no quorum shall be necessary for the adjourned quorum.

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F. VOTING AT GENERAL MEETINGS (RULE 17):

1. All resolution(s) put to vote at the general meetings shall be decided by majority votes of the members present at the meeting unless otherwise provided in the MSCS Act, 2002, rules or Bye Laws.
2. In the event of equality of votes, the chairman shall have second (casting) vote.

G. VOTES OF MEMBERS & MANNER OF EXERCISING (Sec 31 & 32):

1. Every member of a multi-state co-operative society shall have one vote;
2. where any of the authorities, multi-state co-operative society or a co-operative society is a member of a multi-state co-operative society and person nominated by such authority or society, shall have one vote;
3. Employees, who are also member, shall not be entitled to vote at the meetings transacting relating to election of the member of the board and framing of Bye Laws of the society or any amendments thereto;

4. A multi-state co-operative society may provide in its bye-laws for an equitable system of voting with regard to the membership and the extent of business carried on, by such co-operative societies or multi-state co-operative societies;
5. Every member of a multi-state cooperative society shall exercise his vote in person;
6. The voting through proxy is not allowed, however cooperative society, multi state co-operative society or any other permitted entity, being member of any other multi state co-operative society, may appoint its representative to vote on its behalf in the affairs of such multi-state cooperative society.

H. MINUTES OF GENERAL MEETINGS (Rule 18):

Minutes of general meeting shall be prepared and signed by the Chairperson and the Chief Executive of the society. The Minutes once signed, shall be evidence of the proceedings provided therein.

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CHIEF EXECUTIVE OFFICER (SEC-51):

1. Every multi-state co-operative society shall appoint Chief Executive.
2. The Chief Executive shall be a full-time employee of the society.
3. The Chief Executive shall be a member of the board and of the Executive Committees and such other committees or sub-committees, as may be constituted.

A. POWERS AND FUNCTIONS OF CHIEF EXECUTIVE (Sec 52):-

1. Chief Executive shall function under the general superintendence, direction and control of the board.
2. Chief Executive shall be responsible to discharge the functions and exercise the powers as specified below:—
 - i. To operate the bank accounts;
 - ii. To make arrangements for safe custody of the cash;
 - iii. To sign and execute the documents for and on behalf of the multi-state co-operative society;

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- iv. To make arrangements for the proper maintenance of various books and records of the multi-state co-operative society;**
- v. To convene meetings of the general body of the multi-state co-operative society, the board and the executive committee and other committees or sub-committees and to maintain proper records for such meetings;**
- vi. To make appointments for various posts in the multi-state co-operative society in accordance with the bye-laws;**
- vii. To assist the board in the formulation of policies, planning and in meeting objectives of the society ;**
- viii. To furnish periodical information and statements to the board and to present the draft annual report and financial statement for the approval of the board within 30 days of closure of the financial year;**
- ix. To sue or defend any suit for and on behalf of the society;**
- x. To perform such other duties, and exercising such other powers, as may be specified in the bye-laws or as delegated by the board or general meetings from time to time.**

MEMBERSHIP OF THE SOCIETY :

A. DEFINITION OF THE MEMBERS [SEC-3 (n)]:

“Member” means a person joining at the time of registration of multi-state co-operative society and includes a person admitted to membership after registration in accordance with the provisions of this Act, the rules and the bye-laws of the society;

B. ELIGIBILITY FOR THE MEMBERSHIP (SEC-25):

1. The following are eligible for the membership of the society:

- i. An individual competent to contract;
- ii. Any multi-state co-operative society or any co-operative society;
- iii. Central Government and State Governments;
- iv. National Co-operative Development Corporation;
- v. Any other corporation and Government Company;
- vi. Such class or classes or persons or association of persons as may be permitted by the Central Registrar having regard to the nature and activities of a multi-state co-operative society.

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2. No individual shall be eligible for admission as a member of a national co-operative society or a federal co-operatives.
3. Person eligible for membership of a multi-state society may, on approval of his application, be admitted as a member by such society.
4. Every application for admission as a member of a multi state co-operative society shall be disposed of within a period of 4 months from the date of receipt of the application, and the decision on the application shall be communicated to the applicant within 15 days from the date of such decision. If the application is not disposed of within 4 months, or the decision is not communicated within a period of 15 days of the expiry of period of 4 months, the multi-state co-operative society shall be deemed to have made a decision, on the date of expiry of such period, refusing admission to the applicant.
5. Every member of a multi-state co-operative society is under obligation to promote and protect the interests and objects of such society.

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C. DISQUALIFICATIONS FOR MEMBERS OF SOCIETY (SEC- 29):

1. No person shall be eligible for being a member of a multi-state co-operative society if—
 - i. Business of such member is in conflict or competitive with the business of multi-state co-operative society; or
 - ii. Member used services below the minimum level specified in the bye-laws for two consecutive years; or
 - iii. Member has not attended three consecutive general meetings of the multi-state co-operative society and such absence has not been condoned by the members at the general meeting; or
 - iv. Member has defaulted in payment of any amount due to the multi-state co-operative society under the bye-laws of the society.

D. ASSOCIATE OR NOMINAL MEMBERS (SEC-26):

1. A multi-state co-operative society may, if provided in its bye-laws, admit a person as nominal or associate member.
2. Nominal or associate member shall NOT be entitled to subscribe to the shares of society or have any interest in the management including right to vote, elect as a director of the board or participate in the general body meetings.
3. Further Ministry of Agriculture (Department of Agriculture & Co-operation) vide its order dated 26.3.2014 prohibited acceptance of any deposits from the nominal members.

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E. EXPULSION OF MEMBERS.—(SEC- 30):

1. A member of multi-state co-operative society may be expelled:
 - i. By a resolution passed by a majority of not less than two-thirds of the members present and voting at a general meeting of members held for the purpose, or
 - ii. If acts of such member are detrimental to the proper working and interest of the society.
2. However concerned member shall be provided with reasonable opportunity for making representation in the matter.
3. A member of the multi-state co-operative society who has been expelled from the membership shall not be eligible for re-admission as a member of that society, for a period of one year from the date of such expulsion.



THANKING YOU

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Position of Chairman and President is same under MSCS Act, 2002

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