

THE ANDHRA PRADESH CO-OPERATIVE SOCIETIES ACT, 1964¹

[Act No. 7 of 1964]

Statement of Objects and Reasons

- (1) The Andhra Pradesh (Andhra Area) Co-operative Societies Act, 1932 and the Andhra Pradesh (Andhra Area) Co-operative Land Mortgage Banks Act, 1934 are in force in the Andhra Area of the State, while the corresponding Acts in force in the Telangana Area of the State and in the territories transferred from the State of Madras to this State are the Andhra Pradesh (Telangana Area) Co-operative Societies Act, 1952, the Madras Co-operative Societies Act, 1932 and the Madras Co-operative Land Mortgage Banks Act, 1934. In order to have a uniform law on the subject throughout the State, it has been decided to enact a single comprehensive law applicable to the entire State, taking into consideration the provisions of the Acts in force in the different areas of this State and the Model Bill formulated by the Central Committee on Co-operative law.
- (2) As Land Mortgage Banks are also being registered under the Co-operative Societies Act and are subject to the provisions of that Act, it is considered that there is no advantage in retaining separately the Co-operative Land Mortgage Banks Act on the Statute Book and that the special provisions required for Co-operative Land Mortgage Banks could as well be embodied in a separate Chapter in proposed legislation itself repealing the said Land Mortgage Banks Act.

An Act to consolidate and amend the law relating to Co-operative Societies in the State of Andhra Pradesh ²[in order to facilitate and strengthen the functioning of Co-operative Societies based on Co-operative principles and Co-operative identity.]

Be it enacted by the Legislature of the State of Andhra Pradesh in Fifteenth year of the Republic of India as follows:—

1. Received the assent of the President on the 24th February, 1964 and published in the Andhra Pradesh Gazette, Part IV-B(Ext.), dated the 25th February, 1964.
2. Added by Act No. 22 of 2001, dt. 25.04.2001.

CHAPTER I Preliminary

1. Short title, extent and commencement:—

- (1) This Act may be called the Andhra Pradesh Co-operative Societies Act, 1964.
- (2) It extends to the whole of the State of Andhra Pradesh.
- (3) It shall come into force on such date¹ as the Government may, by notification in the Andhra Pradesh Gazette, appoint.

2. Definitions:— [Rule(2)] :

In this Act, unless the context otherwise requires,—

- (a) 'Bye-laws' means the registered bye-laws for the time being in force ;
- (b) "Committee" means the governing body of a society by whatever name called, to which the management of the affairs of the society is entrusted;
- ²[(c) "Co-operative year" means, the period commencing on the 1st day of April of any year and ending with the 31st day of March of the succeeding year ;]
- (d) 'Dividend' means a share of the profits of a society divided among its members in proportion to the share capital held by each of them ;
- (e) 'Federal society' means a society to which similar class of societies are affiliated ;
- ³[(f) 'Financing bank' means a society, the main object of which is to assist any affiliated or other society by giving loans or advancing moneys ; and includes any scheduled bank as defined in the Reserve Bank of India Act, 1934 (Central Act 2 of 1934) and such other body corporate or financial institution as may be notified by the Government from time to time, which gives financial or other aid to a society ;]
- (g) 'General body' in relation to the society means all the members of the society ;
- (h) 'General meeting' means a meeting of the general body of a society;

1. With effect from 1-8-1964, vide G.O.Ms.No. 1924, dt. 25-7-1964
2. Subs. by Act No. 22 of 2001. dt. 25.4.2001.
3. Subs. by A.P. Act No. 19 of 1976

- (i) 'Government' means the State Government ;
- ¹[(i-a) 'Gram Panchayat' means, a gram panchayat constituted under Section 4 of the Andhra Pradesh Panchayat Raj Act, 1994 (Act 13 of 1994) ;]
- ²[(j) 'Member' means a member of a society, and includes an associate member ;]
- ¹[(j-i) 'Mandal Parishad' means a Mandal Parishad constituted under Section 148 of the Andhra Pradesh Panchayat Raj Act, 1994 (Act 13 of 1994) ;
- (j-ii) 'Municipal Corporation' means a Municipal Corporation constituted under the relevant law for the time being in force relating to the Municipal Corporations in the State ;
- (j-iii) 'Municipal Council' means a Municipal Council constituted under Section 5 of the Andhra Pradesh Municipalities Act, 1965 (Act VI of 1965) ;
- ³[(j-iv-) 'Near relative' means father, mother, brother, sister, husband, wife, son, son-in-law, daughter, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law, nephew and niece;]
- (k) 'Officer' includes a person elected or appointed by a society to any office of such society according to its bye-laws and a president, vice-president, chairman, vice-chairman, secretary, assistant secretary, treasurer, manager, member of committee, liquidator or any other person elected or appointed under this Act, Rules or the bye-laws to give directions in regard to the business of the society.
- (k-i) ⁴[xxx]
- (l) 'Prescribed' means as prescribed by rules made under this Act;
- (m) 'Rebate' means a share of the profits of a society divided among its members in proportion to the value of business done by each of them with the society ;
- (n) 'Registrar' means the Registrar of Co-operative Societies appointed under Section 3(1) and includes any other person on whom all or any of the powers of the Registrar under this Act are conferred ;
- (o) 'Rules' means the rules made under this Act ;
- (p) 'Society' means a Co-operative society registered or deemed to be

1. Inserted by A.P. Act No. 4 of 1995, w.e.f. 2-1-1995.
2. Subs. by Act No. 6 of 2005, w.e.f. 31-1-2005.
3. Added by Act No. 6 of 2005, w.e.f. 31-1-2005.
4. Omitted by Act 10 of 1991.

registered under this Act ;

- (q) 'Society with limited liability' means a society in which the liability of its members for the debts of the society, in the event of its being wound up, is limited by its bye-laws:-
- (i) to the amount, if any, unpaid on the shares held by each of them ; or
- (ii) to such amount as they may undertake to contribute to the assets of the society ;
- (r) 'Society with unlimited liability' means a 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 society ;
- (s) 'State' means the State of Andhra Pradesh ;
- (t) 'Tribunal' means a Tribunal constituted under Section 75 and having jurisdiction ;
- ¹[(u) 'Zilla Parishad' means a Zilla Parishad constituted under Section 177 of the Andhra Pradesh Panchayat Raj Act, 1994 (Act 13 of 1994).]

CHAPTER II

Registration of Societies

3. Appointment of Registrar and other persons for the purpose of this Act:—

- (1) There shall be appointed a Registrar of Co-operative Societies for the State and as many other persons as the Government think fit for the purposes of this Act.
- (2) Every other person appointed under sub-section (1) shall exercise under the general superintendence of the Registrar, such powers of the Registrar, under this Act as the Government may, from time to time, confer on him.

4. Society which may be registered:— [Rule 2A, Rule 5]

- ²[(l)] A society which has, as its main object, the promotion of the economic interests of its members in accordance with the Co-operative principles ³[as may be prescribed], or a society established with the object of

1. Inserted by A.P. Act No. 4 of 1995, w.e.f. 2-1-1995.
2. Subs. by Act No. 6 of 2005, w.e.f. 31-1-2005.
3. Added by Act No. 6 of 2005, w.e.f. 31-1-2005.
4. Omitted by Act 10 of 1991.

facilitating the operation of such a society, may be registered under this Act.

- ¹[(2) Every Society registered or deemed to be registered under this Act shall function subject to such directions as may be issued by the Registrar, from time to time, in the interests of the Co-operative movement or the public interest or in order to prevent the affairs of the society from being conducted in a manner detrimental to the interests of the members or of the depositors or creditors thereof, and the society shall comply with such directions.]

5. Registration with limited or unlimited liability:—

- (1) A society may be registered with limited or unlimited liability but a liability of a society of which any member is a society shall be limited :

Provided that where a financing bank becomes a member of a society with unlimited liability, the liability of that society may continue to be unlimited.

- (2) The liability of the Government, a financing bank or a federal society having shares in a society, whether with limited or unlimited liability, shall be limited to the share capital subscribed by the Government, such financing bank or federal society, as the case may be.
- (3) The name of every society shall contain the expression 'Co-operative' or its equivalent in any Indian language and in the case of every society with limited liability, the name of the society shall also have as its suffix the expression 'Limited' or its equivalent in any Indian language.

6. ²[xxx]Registration of a society:— [Rule 3, Rule 3A]

- (1) ³An application for the registration of a society] shall be made to the Registrar in such form and with such particulars as may, from time to time, be specified by the Registrar.
- (2) Every such application shall conform to the following requirements namely:—

- ⁴[(a) the application shall be accompanied by:—
- (i) the original and one copy of the proposed bye laws of the society as adopted by the applicants ;

- (ii) a true copy of the minutes of the meeting at which the bye laws were adopted duly signed by the applicants;
- (iii) a sworn statement from each applicant that he is a member of a different family and particulars furnished in the application form prescribed are true to the best of his knowledge and belief;
- (b) where all the applicants are individuals, the number of applicants shall not be less than ten, each being a member of a different family, and every one of them shall possess eligibility to become a member as required under sub-section (1) of Section 19 :

Explanation:— For the purposes of this clause, the expression “member of a family” means a wife, husband, father, mother, grand-father, grand-mother, step-father, step-mother, son, daughter, step-son, step-daughter, grand-son, grand-daughter, brother, sister, half-brother, half-sister and wife of brother or half-brother;

- (c) Where the objects of the society include the raising of funds to be lent to its members and where all the applicants are individuals, the applicants shall reside or own immovable property in the same town, village or group of villages or belong to the same class or pursue the same occupation:

Provided that in the case of a society with unlimited liability, the members thereof shall reside in the same town, village or group of villages ;

- ¹[(cc) Where the objects of the Society include production and sales activity by supplying raw material to members for production of finished products and where all applicants are individuals, such applicants shall reside in the area of operations proposed for the society and belong to the same class or pursue the same occupation ; and it shall also be competent for the Government to specify by order such other class of societies, the applicants of which shall reside in the area of operations as aforesaid and belong to the same class or pursue the same occupation;]

- (d) the application shall be signed : —
- (i) if the applicants are individuals by every one of such applicants, and

1. Inserted by Act No. 21 of 1985, w.e.f. 22-4-1985.
 2. The words “Application for provisional” omitted by Act No.22 of 2001, dt. 25.4.2001.
 3. Subs. by Ibid.
 4. Subs by Act No. 22 of 2001, dt. 25.4.2001.

1. Inserted by A.P. Act No. 28 of 1988, w.e.f. 9-5-1988.

- (ii) if the applicant is a society, by a member duly authorised in this behalf by such society.
- (3) Where any question arises under clause (c) of sub-section (2) as to the residence, ownership, group of villages, class or occupation, such question shall be decided by the Registrar, whose decision thereon shall, subject to the provisions of Section 76, be final.
- ¹[(4) Where the Registrar is satisfied,—
- (a) that the application conforms to the requirements laid down by this Act and the rules made thereunder;
 - (b) that the objects of the Society seeking registration are in accordance with section 4;
 - (c) that such Society is likely to be economically sound and that its registration may not have an adverse effect on the development of the Co-operative movement;
 - (d) that the proposed bye-laws are not contrary to the provisions of this Act and the rules made thereunder; and
 - (e) that the applicants are aware of the objects of the society as specified in Section 4 of the Act and contents of the proposed bye-laws, he may register the Society and its bye-laws within such time as may be prescribed.
- (5) Where the Registrar is not so satisfied, he shall communicate by registered post the order of refusal together with the reasons thereof to the applicants within such time as may be prescribed.]
7. ²[**Omitted by Act No. 22 of 2001, dated 24.04.2001**]
8. **Registration certificate:**— Where a society is registered the Registrar shall issue a certificate of registration signed and sealed by him which shall be conclusive evidence that the society mentioned therein, is a society duly registered under this Act, unless it is proved that the registration of the society has been cancelled.
9. **Society to be a body corporate:**— The registration of a society shall render it a body corporate by the name under which it is registered having perpetual succession and a common seal. The society is entitled to acquire, hold and dispose of property, to enter into contracts on its behalf, to institute and defend suits and other legal proceedings and to do all other things necessary for the purpose for which it was constituted.

1. Added by Act No. 22 of 2001, dt. 25.4.2001.
2. Omitted by Act No. 22 of 2001, dt. 25.4.2001.

¹9-A. Restriction and creation of any charge:— Where the Government extends State aid as specified under section 43 of the Act, such society shall not dispose of or create any charge over its property without the prior approval of the Registrar and the consent of the federal society or financing bank concerned as the case may be.

9-B. De-Registration of a society:— (1) The Registrar shall, at any time, of his own motion and after giving the society an opportunity of making its representation, if any, by order, de-register a society which is in existence for a period not exceeding four years from the date of its registration,-

- (i) where the membership of the society falls short of the minimum number prescribed for registration of such society; or
 - (ii) where the society has not commenced working within the prescribed period or has ceased to work; or
 - (iii) where in the opinion of the Registrar, the society is conducting its affairs in contravention of the co-operative principles or in violation of the provisions of the Act, rules and bye-laws made thereunder or in a manner detrimental to the interest of its members or the promotion of the object for which it has been registered; or
 - (iv) where the society has been registered by fraud or misrepresentation of facts.
- (2) A society, de-registered under sub-section (1), shall cease to conduct its business forthwith from the date of such order.

9-C. Appointment and Powers of the Official Assignee:— [Rule 51A]

- (1) Where a society is de-registered under Section 9-B, the Registrar shall, appoint an official assignee for winding up of the affairs of the society and fix his remuneration in the manner prescribed.
- (2) On the appointment of an official assignee, the property, assets, effects and actionable claims or liabilities of the society as on the date of appointment shall vest in or devolve on the official assignee. He shall take such steps as he may deem necessary or expedient to prevent loss or deterioration of, or damage to, such property, assets, effects and actionable claims.
- (3) Subject to the control of the Registrar, the official assignee shall have the power,—
 - (a) to institute and defend suits and other legal proceedings on behalf of the society by the name of his office;

1. Sections 9A, 9B and 9C inserted by Act No.22 of 2001, dt. 25.4.2001.

- (b) to realise the assets of the society, by sale or otherwise;
 - (c) to determine, from time to time, the contribution to be made or remaining to be made and the debts due by the members or past members or by the estates or nominees, heirs or legal representatives of deceased members or by any officers or former officers to the society;
 - (d) to investigate all claims against the society, and subject to the provisions of this Act, to decide questions of priority arising between claimants;
 - (e) to pay claims against the society including interest upto the date of winding up according to their respective priorities, if any, in full or rateably, as the assets of the society may permit, the surplus, if any, remaining after payment of the claims, being applied in payment of interest from the date of such order of winding up at a rate fixed by him but not exceeding the contractual rate in any case;
 - (f) to determine by what persons and in what proportion the costs of liquidation are to be borne;
 - (g) to determine whether any person is a member, past member or nominee of deceased member;
 - (h) to give such directions in regard to the collection and distribution of the assets of the society as may appear to him to be necessary for winding up the affairs of the society;
 - (i) with the previous approval of the prescribed authority, to make any compromise or arrangement with creditors or persons claiming to be creditors or having or alleging to have any claim present or future, whereby the society may be rendered liable; and
 - (j) with the previous approval of the prescribed authority, to compromise all calls or liabilities to any calls and debts and liabilities capable of resulting in debts and all claims present or future, certain or contingent, subsisting or alleged to subsist between the society and a contributory or alleged contributory or other debtor or person apprehending liability to the society and all questions in any way relating to or affecting the assets or the winding up of the society on such terms as may be agreed and take any security for the discharge of any such call, liability, debt or claim and give a complete discharge in respect thereof.
- (4) Any sum ordered under this section to be recovered as a contribution to the assets of a society or as costs of liquidation may be recovered, on a requisition being made in this behalf by the Registrar to the Collector in the same manner as arrears of land revenue.
- (5) Same as provided in sub-section (4), orders made under this section

shall, on application, be enforced by any Civil Court having local jurisdiction in the same manner as a decree of such Court.

- (6) The official assignee shall continue to exercise his powers until the affairs of the society are completely wound up when he shall make a report to the Registrar and deposit the records of the society in such place as the Registrar may direct.
 - (7) The winding up proceedings under this section shall be closed within a period of one year from the date of the order of de-registration of a society, and the said period may, at the discretion of the Registrar, be extended from time to time, so however, that the total period does not exceed two years in the aggregate, and after the expiry of the said period, it shall be deemed that the winding up proceedings have been terminated and the Registrar shall pass an order terminating the winding up proceedings. On the termination of the winding up proceedings, the official assignee shall make a report to the Registrar.
 - (8) Where the affairs of a society have been completely wound up, after considering the report of the official assignee under sub-section (6) or sub-section (7), the Registrar shall by order in writing cancel the registration of the society. The society shall cease to exist as a corporate body from the date of such order.
- 10. Change of name of society:—** (1) A society may, by an amendment of its bye-laws, change its name.
- (2) The change of name of a society shall not affect any rights or obligations of the society, or render defective any legal proceedings by or against it ; and any legal proceedings which might have been continued or commenced by or against the society by its former name may be continued or commenced by its new name.
- 11. Change of liability:— [Rule 7,8]** Subject to the provisions of this Act and the rules, the society may, by a resolution, decide to amend its bye-laws to change the form or extent of its liability.
- 12. Transfer of assets and liabilities, division, amalgamation and conversion of a society:— [Rule 7,8]**
- (1) A society may, ¹[xxx] by a resolution decide to—
- (a) transfer its assets and liabilities in whole or in part to any other society which agrees to such transfer by a resolution ; or
 - (b) divide itself into two or more societies ; or

1. The words “with the previous approval of the Registrar, and” omitted by Act No.22 of 2001, dt. 25.4.2001.

(c) convert itself into a society of a class different from one to which it belongs.

(2) Any two or more societies may, ¹[xxx] by a resolution, decide to amalgamate themselves and form a new society.

²[Provided that where a society under sub-section (1) is a member of two or more societies under sub-section (2) are members of a federal society or in receipt of assistance from a financing bank, such society or societies shall obtain prior consent of the federal society or financing bank for any resolution under sub-section (1) or sub-section (2) as the case may be ;]

³[(3) Every resolution of a society under sub-section (1) or sub-section (2) shall be passed at the general meeting by ⁴[a majority of not less than two-thirds of members present and voting, and such resolution shall contain all particulars of the transfer, division, amalgamation or conversion as the case may be.

⁵[12-A. Special provisions in respect of certain Societies:—

(1) Notwithstanding anything contained in this Act or the rules made thereunder or the bye-laws of the societies concerned or in any other law for the time being in force, where, in the opinion of the Registrar, a society,—

- (a) in which majority of the shares are held, or
- (b) to which loan exceeding fifty percent of the total loan borrowed is advanced, or
- (c) in which liabilities by way of guarantee for borrowing including working capital borrowing exceeding fifty percent of the total borrowings are undertaken, by the Government or one or more Government Companies or one or more corporations owned or controlled by the Government, or a society in which majority of shares are held by one or more of the aforesaid persons or any combination thereof,—
 - (i) has become a sick co-operative society and there is no possibility to rehabilitate it; or
 - (ii) being in processing, manufacturing or other industrial sector, has its unit or units lying incomplete or idle or under utilised for want of funds or for

any other reason, or ceased to undertake its operations, or cannot undertake its operations in a viable manner; or

(iii) being in marketing, trading, commercial or any other sector has ceased to undertake its operations, or cannot undertake its operations in a viable manner;

and it is necessary in public interest to transfer its assets or assets and liabilities, in whole or in part, to any other person, he may make an order to that effect.

(2) (i) The Registrar shall, before forming the opinion and making the order under sub-section (1) give an opportunity to the society by calling upon it by notice in writing in such manner as may be prescribed to state its objections or make its representations, if any, and consider the objections or representations, if any, so stated or made.

(ii) It shall be the responsibility of the society to place the notice received from the Registrar before the general body convened for the purpose and communicate its objections or representations, if any, to the Registrar within a period of four weeks from the date of receipt of the notice from him:

Provided that the Registrar may receive the objections or representations, if any, from the society after the said period of four weeks but not later than five weeks from the date aforesaid, if he is satisfied that the society was prevented by sufficient cause from stating its objections or making its representations, if any, in time.

(3) Where the Registrar has made an order under sub-section (1), he may appoint the Implementation Secretariat or any other committee, consultant or adviser having the requisite expertise or experience to assist and advise him for the purpose of,—

- (i) assessing the value of the assets or the assets and liabilities, in whole or in part, of the society;
- (ii) formulating terms and conditions for transfer of assets or assets and liabilities, in whole or in part, of the society;
- (iii) calling for tenders or offers for the assets or assets and liabilities, in whole or in part, to obtain the best possible offer;
- (iv) evaluating the offers received and identifying the best offer;
- (v) finalising sale agreement and other documents relating to the transfer;
- (vi) receiving the proceeds from the sale;
- (vii) applying the proceeds towards discharge of the liabilities of the society as per the priorities set out in sub-section (9);

1. The words “with the previous approval of the Registrar, and” omitted by Act No.22 of 2001, dt. 25.4.2001.

2. Added by Ibid.

3. Subs. by Ibid.

4. Subs. for “a majority of not less than two-thirds of the total members” by Act No. 6 of 2005, w.e.f. 31.1.2005.

5. Subs. by Act No. 16 of 2003, w.e.f. 2-8-2003.

- (viii) providing such other service or assistance as the Registrar may think it necessary; and
- (ix) advising and assisting generally on matters relating to employees, creditors and other matters connected with the sale.
- (4) Where the best offer for the assets or assets and liabilities, in whole or in part, of the society concerned is identified in the manner prescribed, the Registrar shall, before approving the best offer and the terms and conditions of transfer thereof, consult the Government and the financing bank, if any, to which such society is indebted.
- (5) Where the best offer is approved, the Registrar may make an order directing that the Committee of the society concerned shall stand dissolved from the date specified in the order and that the assets or assets and liabilities, in whole or in part, of the society shall be transferred to the person submitting the best offer on fulfillment of such terms and conditions including payment of the purchase price as may be specified in the order in the manner prescribed.
- (6) (i) The Registrar shall, before making the order under sub-section (5), give an opportunity to the society by calling upon it by notice in writing in such manner as may be prescribed to state its objections or make its representations, if any, and consider the objections or representations, if any, so stated or made.
(ii) It shall be the responsibility of the society to place the notice received from the Registrar before the general body convened for the purpose and communicate its objections or representations, if any, to the Registrar within a period of four weeks from the date of receipt of the notice from him:
Provided that the Registrar may receive the objections or representations, if any, from the society after the said period of four weeks but not later than five weeks from the date aforesaid, if he is satisfied that the society was prevented by sufficient cause from stating its objections or making its representations, if any, in time.
- (7) On the Registrar making an order under sub-section (5) and on such order being notified in the Andhra Pradesh Gazette, the Committee of the society shall stand dissolved and all members of the Committee including the President and the Vice President, if any, shall vacate their respective office from the date specified in the order. The Registrar shall simultaneously appoint a person or persons, wherever necessary, to manage the affairs of such society till it is dissolved.
- (8) The person or persons appointed by the Registrar under sub-section (7) shall transfer the assets or assets and liabilities, in whole or in part, of the

- society concerned to the person submitting the best offer in the manner specified in the order.
- (9) The proceeds realised from the transfer of assets or assets and liabilities, in whole or in part, of the society concerned, shall be applied in discharge of the liabilities of such society in the following order of priority, namely:
 - (i) all expenses incurred for preservation and protection of the assets;
 - (ii) (a) dues payable to workmen and employees;
b) debts payable to secured creditors according to their rights and priorities inter se;
c) dues payable to provident fund or other authorities which are protected under a statute by a charge on the assets;
 - (iii) debts payable to ordinary creditors;
 - (iv) share capital contributed by the members of the society:

Provided that the cases covered under Category (i) shall have precedence over all other Categories, Category (ii) shall have precedence over Categories (iii) and (iv) and Category (iii) shall have precedence over Category (iv):

Provided further that the debts specified in each of the Categories shall rank equally and be paid in full, but in the event of the amount being insufficient to meet such debts, they shall abate in equal proportions and be paid accordingly:

Provided also that the question of discharging any liability with regard to a debt specified in a lower Category shall arise only if a surplus fund is left after meeting all the liabilities specified in the immediately higher Category.
- (10) When the assets and liabilities of the society concerned are transferred, or when the assets of the society are transferred and the realisations therefrom applied towards discharge of its liabilities, on the making of an order by the Registrar, the registration of such society shall stand cancelled and the society shall stand dissolved from the date specified in the order.
- (11) Notwithstanding anything contained in other provisions of this Act or any other law, or any contract or any other instrument for the time being in force, the provisions of the order or orders of the Registrar under this section shall be binding on the society concerned and its members.
- (12) No suit or other legal proceeding shall be instituted or maintained or continued in any civil court, tribunal or other authority in respect of any order made under this section.
- (13) It shall be competent for the Government to make rules and to give such

directions as they deem fit to the Registrar to carry out the provisions of this section,

Explanation:— For the purpose of this section,-

- (a) "sick co-operative society " means a co-operative society which has, -
 - (i) the accumulated losses in any financial year equal to fifty percent or more of its average net worth during four years immediately preceding such financial year; or
 - (ii) fail to repay its debts within any three consecutive quarters on demand made in writing for its repayment by a creditor or creditors of such society;
- (b) "net worth" means the sum total of the paid up capital and free reserves after deducting the provisions or expenses as may be prescribed.
- (c) "free reserves" means all reserves created out of the profits and share premium account but does not include reserve created out of revaluation of assets, write back of depreciation provisions and amalgamation;
- (d) "debt" means any liability (inclusive of interest), which is due and payable by a society, in cash or otherwise, whether secured or unsecured, or whether payable under a decree or order of any Civil Court or otherwise and legally recoverable from such society.
- (e) the expression "cannot undertake its operations in a viable manner" shall mean the level of operations of the society in any financial year during four financial years immediately preceding the financial year in which the issue is being considered, is such that the income generated therefrom is not adequate to meet even the operating and establishment costs, current liabilities and to service the loans and working capital borrowings availed by it.
- (f) "person" includes an individual, partnership, trust, company, corporation, co-operative society, an association of persons or a body of individuals, whether incorporated or not, and every artificial juridical persons, not falling within any of the preceding categories;
- (g) "Implementation Secretariat" means the implementation Secretariat established in the Department of Public Enterprises by the State Government in G.O.Ms.No-150, General Administration (PE-II) Department, dated 30th April, 1998.
- (h) "best offer" means the offer received that best satisfies the criteria specified in the call for tenders or offers.

13. Exercise of option by members and creditors:— [Rule 7,8]

- (1) Where a society has passed a resolution under Section 11 or Section 12,

it shall give notice thereof in the manner prescribed together with a copy of the resolution to all its members and creditors and notwithstanding any bye-law or contract to the contrary, any member or creditor shall, during a period of one month from the date of service of the notice upon him, have the option of withdrawing his shares, deposits or loans, as the case may be.

- (2) Any member or creditor who does not exercise his option within the period specified in sub-section (1) shall be deemed to have assented to the resolution.
- (3) A resolution passed by a society under Section 11 or Section 12 shall not take effect until:—
 - (a) all the members or creditors have assented, or deemed to have assented, to the resolution under sub-section (1) or sub-section (2) of this section; and
 - (b) all claims of the members and creditors who have exercised the option referred to under sub-section (1) within the period specified therein have been met in full or otherwise satisfied; and
 - (c) (i) in the case of change of liability or conversion, amendment of the bye-laws of the societies concerned is registered ;
 - ¹[(ii) in the case of transfer of assets and liabilities in whole or in part, the consent of the financing bank or federal society as the case may be, if applicable is obtained; or.
 - (iii) in the case of division or amalgamation, the certificate of registration of the societies or the society, as the case may be, is issued.

14. Effect of transfer, division and amalgamation:— (1) Notwithstanding anything in any other law for the time being in force, where a resolution passed by a society under Section 12 involves a decision for the transfer of any assets and liabilities the resolution shall, when it takes effect, be a sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

- (2) The registration of a society shall stand cancelled and the 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 society are transferred to another society ; or

1. Subs. by Act No. 22 of 2001, dt. 25.4.2001.

- (b) when such society divides itself into two or more societies.
- (3) Where two or more societies are amalgamated into a new society, the registration of the societies so amalgamated shall stand cancelled and they shall be deemed to have been dissolved and shall cease to exist as corporate bodies.

15. ¹[Omitted by the Act No. 22 of 2001 dated 25-04-2001]

**²[15-A. Identification of viability of societies and consequences thereof:—
[Rule 11A, 11B]**

³(1) Notwithstanding anything in this Act or the rules made thereunder or the bye-laws of the society concerned, if the Registrar is of the opinion that ⁴[in respect of a society or societies in receipt of State aid as specified under Section 43 of the Act] it is necessary to amalgamate or merge any society with any other such society or to divide and restrict or transfer the area of operation of a society or to liquidate a society for any of the following purposes, namely:—

- (a) for ensuring economic viability of any or all the societies concerned; or
- (b) for avoiding overlapping or conflict of jurisdictions of societies in any area; or
- (c) for securing proper management of any society ; or
- (d) in the interest of the co-operative movement in general and of co-operative credit structure in particular in the State taken as a whole ; or
- (e) for any other reason in the public interest,

he may identify the viable and non-viable societies which may be retained or divided with consequential restriction of the area of operation or the transfer of such area or amalgamated or liquidated, as the case may be, and may by a notification to be published in the prescribed manner, specify the area of operation of each such society or societies to be retained, divided or amalgamated with any other society indicated in the said notification and invite objections or suggestions from the societies or any members, depositors, creditors, employees or other persons concerned with the affairs of each such society to be received within twenty-one days from the date of publication of the notification.

Explanation:— For the purpose of this section,—

- (i) the term ‘Registrar’ means the person on whom the powers of the Registrar under this section are conferred under clause (n) of Section 2.
- (ii) any society may convene the general body meeting within seven days from the date of publication of the notification.

1. Omitted by Act No. 22 of 2001, dt. 25.4.2001.

2. Subs. by Act No. 6 of 1977, which was earlier Inserted by Act No. 19 of 1976.

3. Subs. by Act No. 1 of 1987.

4. Inserted by Act No. 22 of 2001, dt. 25.4.2001.

- (2) The Registrar may, after having considered the matter in the light of any suggestions or objections which may be received by him within the period specified in sub-section (1) and after making if necessary, such modification in the proposal as he may deem fit, make an order and publish it in the prescribed manner ;
- (3) On making such an order:—
 - (i) the societies affected by the amalgamation shall be deemed to have been amalgamated with the society or societies with which each one is amalgamated ;
 - (ii) the registration of every amalgamated or divided society shall stand cancelled whereupon such society shall cease to exist as a corporate body;
 - (iii) the area added to the area of operation of the society shall be deemed to have been transferred to such society to which it is added ;
 - (iv) the assets of such amalgamated or divided society shall stand transferred to and its liabilities shall devolve on, the society with which it is amalgamated and all immovable properties located in the area transferred shall be deemed to be transferred to the society to which the area is transferred;
 - (v) every member of such amalgamated or divided society and residing in the area so transferred shall be deemed to have been transferred together with his loans, share capital deposits to the society with which it is amalgamated or to which the area is transferred and he shall have the same rights, privileges and liabilities which he has had in the amalgamated or divided society ;
 - (vi) the Committee of the amalgamated or divided society shall stand dissolved and thereupon, the Registrar shall nominate a Committee or appoint a person or persons, wherever necessary to manage the affairs of such society for a period ¹[not exceeding three months] and arrange for the conduct of elections before the expiry of the term ;
 - (vii) it shall be competent for the Registrar to allot, by order, employees of such societies which are amalgamated or divided to any society or societies ; and
 - (viii) notwithstanding anything in this Act or in any other law, or in any contract, award or any other instrument for the time being in force, the provisions of the order of the Registrar under sub-sections (2) and (3) shall be binding on all societies and their members, depositors, creditors, employees and other persons having any rights, assets or liabilities in relation to all or any of the concerned societies ;

1. Subs for the words “not exceeding six months” by Act No. 22 of 2001, dt. 25.4.2001.

- (4) The Registrar may, at any time before the expiration of the period specified in clause (vi) of sub-section (3) arrange for the calling of a general meeting for the election of a new committee in such manner as may be prescribed for every such viable society .¹[xxx]
- (5) ²[Omitted by the Act No. 22 of 2001 dated 25-04-2001]
- (6) ³[Omitted by the Act No. 21 of 1985 dated 22.4.1985]
- (7) Notwithstanding anything in the Transfer of Property Act, 1882 (Central Act 4 of 1882) or the Registration Act, 1908 (Central Act 16 of 1908) an order issued under this section shall be sufficient conveyance to transfer the assets and liabilities of the society or societies covered by any order passed under sub-section (2) of this section.
- (8) No suit or legal proceeding shall be instituted or maintained or continued in any Civil Court in respect of any order made under this section.

16. Amendment of bye-laws of a society:— [Rule 10, 11]

- (1) No amendment of any bye-law of a society shall be valid unless ⁴[the resolution for such amendment is passed at its General meeting ⁵[by a majority of not less than two-thirds of the members present and voting] and] such amendment has been registered under this Act. Where such an amendment is not expressed to come into operation on a particular day, then it shall come into force on the day on which it is registered.
- (2) Every proposal for such amendment shall be forwarded to the Registrar who shall, if he is satisfied that the proposed amendment fulfils the conditions specified in sub-section (1) of Section 7, register the amendment within a period of thirty days from the date of receipt of such proposal;
- Provided that the Government may, for sufficient cause which shall be recorded in writing, extend the said period for a further period of ⁶[thirty days.]
- (3) The Registrar shall forward to the society 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.
- (4) Where the Registrar is not so satisfied, he shall communicate by registered post the order of refusal together with the reasons therefor, to the society within the period specified in sub-section (2).

⁷[If no order of refusal is communicated within a week after the expiry of the

-
1. Omitted by A.P. Act No. 1 of 1987.
2. Omitted by Act No. 22 of 2001, dt. 25.4.2001.
3. Omitted by Act No. 21 of 1985, w.e.f. 22.4.1985.
4. Inserted by Act No. 22 of 2001, dt. 25.4.2001.
5. Subs. for “by a majority of the total members” by Act No. 6 of 2005, w.e.f. 31.1.2005.
6. Subs. by A.P. Act No. 21 of 1985, w.e.f. 22.4.1985.
7. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
-

period specified in sub-section (2) it shall be deemed that the Registrar has not registered the amendment as on the last date of the period specified in sub-section (2).]

- (5) If in the opinion of the Registrar, an amendment of the bye-laws of a society is necessary or desirable in the interest of such society or of the Co-operative movement, he may, in the manner prescribed, call upon the society to make any amendment within such time as he may specify. If the society fails to make such an amendment within the time so specified, the Registrar may, after giving the society an opportunity of making its representation, register such amendment and forward the society by registered post a copy of the amendment together with a certificate signed by him; such a certificate shall be conclusive evidence that the amendment has been duly registered ; and such an amendment shall have the same effect as an amendment of any bye-law made by the society.

17. Partnership of societies:—

- (1) ¹[Any two or more societies may, by a resolution passed ²[by a majority of not less than two-thirds of the members present and voting]] at a general meeting of each such society enter into a contract of a partnership for carrying out any specific business permissible under the bye-laws on such terms and conditions as may be agreed upon by such societies.

³[Provided that where such societies are members of a federal society or are in receipt of assistance from a financing bank or State aid as specified in Section 43 of the Act, they shall obtain the prior consent of the federal society or the financing bank or the Registrar, as the case may be.]

- (2) No such resolution shall be passed by a society unless ten clear days' written notice of the resolution and the date of the meeting has been given to each member of the society.
- (3) The provisions of the Indian Partnership Act, 1932 shall not apply to such contracts of partnership.

18. Classification:— [Rule 12]

The Registrar shall, in accordance with the rules, classify societies with reference to their objects, area of operation, membership or any other matter

-
1. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
2. Subs. for “by a majority of the total members” by Act No. 6 of 2005, w.e.f. 31.1.2005.
3. Added by Act No. 22 of 2001, dt. 25.4.2001.
-

specified in the rules.

CHAPTER III

Members and their Rights and Liabilities

19. Eligibility for membership:— [Rule 13,14,59,12A]

- (1) Subject to the provisions of Section 21,—
- ¹[(a) an individual who attained majority and is of sound mind and who belongs to a class of persons, if any, for whom the society is formed as per its bye-laws and who possesses such qualifications as may be specified in the bye-laws or as may be prescribed for the concerned class of societies in the interest of Co-operative movement.]
- (b) a society registered, or deemed to be registered, ²[under this Act or the Andhra Pradesh Mutually Aided Co-operative Societies Act, 1995 (Act No. 30 of 1995)] ³[and which belongs to the class of societies, if any, for which the society is formed as per its bye-laws:
- ⁴[Provided that the Co-operative Society registered under the Andhra Pradesh Mutually Aided Co-operative Societies Act, 1995 which were admitted into Central, Apex Level Co-operative Societies, shall not be entitled for voting rights.]
- (c) the Government ;
- shall be eligible for admission as a member—

⁵[Provided that no individual shall be eligible for admission as a member of any financing bank or federal society :]

⁶[Provided further that an individual who was admitted as a member of the financing bank or federal society and continuing as such on the date of the commencement of the Andhra Pradesh Co-operative Societies (Amendment) Act, 1985, shall, on the commencement cease to be a member of such bank or society:]

⁷[Provided also that a society shall admit an individual or a society referred to in clauses (a) and (b) above as a member, subject to the condition that the society is in a position to extend its services to such individual or society.]

1. Subs. by A.P. Act No. 28 of 1988, w.e.f. 9-5-1988.
2. Subs. for the words “under this Act” by A.P. Act No. 6 of 1998, w.e.f. 6-4-1998, pub. in A.P. Gaz. Pt. IV-B (Ext.) No.6 dt. 16-1-1998.
3. Added by A.P. Act No. 14 of 1966.
4. Ins. by A.P. Act 6 of 1998, w.e.f. 6-4-1998, pub. in A.P. Gaz. Pt. IV-B (Ext.) No. 6, dated 16-1-1998.
5. Added by A.P. Act No. 14 of 1966.
6. Ins. by A.P. Act No. 21 of 1985.
7. Inserted by Act No. 22 of 2001, dt. 25.4.2001.

¹[xxx]

²[Provided also that the individual who seeks admission into an Agricultural Credit Society, shall hold agricultural land either as an owner or a tenant in the area of operation of the said society in such manner as may be prescribed.]

Explanation ³[I] :— For the purpose of this sub-section ;

- (i) ‘family’ means husband, wife, unmarried sons, unmarried daughters and other dependents in the house-hold ;
- (ii) ‘weaver’ means any individual not being a master weaver, who attends to operations of weaving of cloth or fabric or product on the loom whether such operation is carried on in private dwelling house or any other place and is dependent on weaving as profession and income thereof.

⁴[**Explanation II** :— For removal of any doubts, it is hereby declared that Mutually Aided Co-operative Society registered or deemed to be registered under the Andhra Pradesh Mutually Aided Co-operative Societies Act, 1995 shall be entitled to all the rights and privileges of a member of a society except voting rights under the provisions of this Act on admission as such member.]

- (2) Notwithstanding anything in sub-section (1),—
- (i) any firm, company or any other body corporate constituted under any law for the time being in force, or a society registered under the relevant Societies Registration Act or a local authority or a public trust registered under any law for the time being in force relating to the registration of such trusts, which is immediately before the commencement of this Act, a member of a society deemed to be registered under this Act shall have, subject to the other provisions of this Act, the right to continue to be such member on and after such commencement ;
 - (ii) the requirements specified in ⁵[clauses (c) and (cc) in sub-section (2) of Section 6] for individual signing the application for registration of a society referred to therein, shall also apply to individuals seeking admission as members of such society after its registration ;
 - (iii) any statutory body constituted for the purpose of development of a particular industry, may become a member of a co-operative marketing or processing society of growers or workers engaged in such industry;

1. Omitted by A.P. Act No. 1 of 1991.
2. Added by Act No. 6 of 2005, w.e.f. 31-1-2005.
3. Numbered as Explanation I by A.P. Act No. 6 of 1998.
4. Added by A.P. Act No. 6 of 1998, w.e.f. 6-4-1998.
5. Subs. by A.P. Act No. 28 of 1988, w.e.f. 9-5-1988.

- ¹[(iv) persons who are minors, may, subject to such restrictions or limitations as may be applicable to a minor under the provisions of any law for the time being in force, be admitted as members of such class of societies as may be prescribed ;]
- ²[(2-A) Any person duly qualified for admission as a member under the provisions of this Act, the rules and the bye-laws, may apply through the Registrar for membership of such societies and in such forms as may be prescribed and such person shall be deemed to have been admitted as a member of the society from the date of receipt of the application in the office of the society.
- (2-B) Notwithstanding anything in this Act, the Registrar may either suo motu at any time or on any application by the society or any aggrieved person made within fifteen days from the date mentioned in sub-section (2-A) and after giving an opportunity to the person concerned and recording the reasons therefor declare such person as not eligible for membership of the society within thirty days from the date of receipt of the application by the Registrar.]
- (3) ³[The General body of a society shall not without sufficient cause, refuse admission to membership to any person duly qualified therefor under the provisions of this Act and its bye-laws. Where admission is so refused, the decision, with reasons therefor, shall be communicated by the registered post to such person within fifteen days of the date of the decision, or within sixty days from the date of his application for membership, whichever is earlier :
- ⁴[(4) The name of every person admitted or deemed to have been admitted as a member of the society shall be entered in such records of the society as may be prescribed ⁵[and the member so admitted shall be issued a photo identity card.]
- ⁶[(5) The name of every associate member admitted or deemed to have been admitted, shall be entered in a separate register and a photo identity card shall be issued.]

⁷[**20. Associate Member:-**

- (1) Notwithstanding anything contained in Section 19, a society may admit any individual or informal group such as Self Help Group, Rythu Mithra Group, Non-Governmental Organisation , working for the welfare of farmer community

-
1. Subs. by A.P. No. 22 of 2001, dt. 25.4.2001.
2. Inserted by A.P. Act No. 19 of 1976.
3. Subs. for the words "No society shall" by Act No. 22 of 2001, dt. 25.4.2001.
4. Added by A.P. Act No. 14 of 1966.
5. Added by Act No. 22 of 2001, dt. 25.4.2001.
6. Added by Act No. 6 of 2005, w.e.f. 31.1.2005.
7. Inserted by Act No. 6 of 2005, w.e.f. 31.1.2005
-

in the area of operation as associate member but such member shall not be entitled to vote.

- (2) The associate member shall not be entitled to any share in any form whatsoever in the profits or assets of the society. Such member shall not have privileges, rights and liabilities of a member except those specified in the bye-laws of the society:

Provided that the members without holding any agricultural land in the Agricultural Credit Societies be treated as associate members.

21. Disqualification for membership of society:— [Rule 21B]

- (1) A person shall be disqualified for being admitted as, and for being, a member, he -
- (a) is an applicant to be adjudicated, an insolvent or is an undischarged insolvent ; or
- ¹(aa) is not eligible for membership under Section 19;] or
- (b) has been sentenced for any offence involving more turpitude, such sentence not having been reversed and a period of three years has not elapsed from the date of expiration of the sentence; or
- (c) is a paid employee of the society or of its financing bank or of any society for which it is the financing bank ; or
- (d) has been expelled from membership under this Act and a period of one year has not elapsed from the date of such expulsion; ²[or]
- ²[(e) is carrying on business of such kind as the Registrar may by general or special order, declare to be a business which is in conflict with the objects or interests of the society ; ³[or]
- ³[(f) as such member fails to transact such minimum business or utilise minimum services or facilities in a year as may be specified- in the bye-laws; or
- (g) fails to attend two consecutive General body meetings in two years without leave of absence; or
- (h) fails to give information relevant to him to the society as specified in the bye-laws.]
- (2) The provisions of clause (b) of sub-section (1) shall not apply to a person seeking admission to, or to a member of, a society exclusively formed for the reclamation of such class of persons as may from time to time be notified by the Government in the Andhra Pradesh Gazette.

-
1. Inserted by A.P. Act No. 28 of 1988, w.e.f. 9-5-1988.
2. Added by A.P. No. 10 of 1970.
3. Added by Act No. 22 of 2001, dt. 25.4.2001.
-

The provisions of clause (c) of sub-section (1) shall not apply to a person seeking admission to, or to a member of—

- ¹[(i) a society which has as its principal object the provision of employment to its members ; or
- (ii) such other society as may be prescribed.]

²[(3) Where any person, who is not eligible for being admitted as member has been admitted as member or where the member who is disqualified to continue as such under sub-section (1) is continued as member, he shall be removed by the General body on its own motion or on a representation made to it by any member of a society or its federal society or its financing bank:

Provided that no member shall be removed under this sub-section unless he had an opportunity of making a representation against the proposed action. A copy of the resolution removing the member shall be communicated to such person and on such communication, he shall be deemed to have ceased to be a member of the society.

³[21-A. Disqualification for membership of committee:— [Rule 24,30]

- ⁴[(1)] No person shall be eligible for being chosen as, and for being, a member of the committee, if he—
- (a) is such near relative of such paid employee of the society or its financing bank as may be prescribed ;
 - (b) is in default in the payment of any amount due in cash or kind to the society or any other society for such period as may be prescribed or is a delegate of a society which is defunct or which is in default as aforesaid:
 - (c) is a person against whom any amount due under a decree, decision, award or order is pending recovery under this Act;
 - (d) acquires any interest in any subsisting contract made with **or** work being done for the society, except as otherwise prescribed;
 - (e) is of unsound mind and stands so declared by competent Court, a deaf-mute or a leper ;
 - (f) is appearing as legal practitioner on behalf of or against the society ;
- ⁵[(g) is carrying on business of such kind as the Registrar may, by general or special order, declare to be a business which is in conflict with the objects, or interests of the Society ;]

1. Subs. by A.P. No. 14 of 1966.
2. Subs by Act No. 22 of 2001, dt. 25.4.2001.
3. Inserted by A.P. No. 14 of 1966.
4. Renumbered by A.P. Act No. 10 of 1970.
5. Inserted by A.P. Act No. 10 of 1970

¹[(h) has been sentenced to imprisonment for an offence under the Protection of Civil Rights Act, 1955 ;]

²[(i) is a Village Administrative Officer or an employee of the State or Central Government or an employee of any institution receiving aid from the funds of the State or Central Government or an employee of an undertaking owned and controlled by the State or Central Government :

Provided that this clause shall not apply for being a Member of the committee of any society formed by and for the benefit of the concerned class of the employees specified in this clause;

³[(j) is convicted by a Criminal Court for an offence involving moral delinquency:

Provided that the disqualification under this clause shall subsist for a period of five years from the date of conviction or where he is sentenced to imprisonment while undergoing sentence and for a period of five years from the date of expiration thereof :

Provided that any delegate of a society sitting on the committee of any other society, shall cease to be such delegate, if—

- ³[(i) his delegation is withdrawn ;
- (ii) the committee which elected him as the delegate, has been superseded ;
- (iii) the society of which he is the delegate is defunct or commits default in the payment of any amount due in cash or kind to such other society for the period prescribed ; or
- (iv) the affairs of the society of which he is the delegate are wound up.]

⁴[(1A) A person having more than two children shall be disqualified for election or for continuing as a Member of the Committee :

Provided that the birth within one year from the date of commencement of the Andhra Pradesh Co-operative Societies (Amendment) Act, 1995 (hereinafter in this Section referred to as the date of such commencement) of an additional child shall not be taken into consideration for the purposes of this section ;

Provided further that a person having more than two children (excluding the child if any born within one year from the date of such

1. Inserted by A.P. Act No. 28 of 1978.
2. Inserted by A.P. Act No. 4 of 1995, w.e.f. 2-1-1995.
3. Inserted by Act No. 5 of 1993.
4. Inserted by A.P. Act No. 4 of 1995, w.e.f. 2-1-1995.

commencement) shall not be disqualified under this section for so long as the number of children he had on the date of such commencement does not increase ;

Provided also that the Government may direct that the disqualification in this section shall not apply in respect of a person for reasons to be recorded in writing.

- (1 B) A Member of the Legislative Assembly of the State, a Member of either House of the Parliament, Mayor of a Municipal Corporation, Chairman of a Municipal Council, elected member or Chairman of Zilla Parishad or elected member or President of Mandal Parishad or Sarpanch of a Gram Panchayat shall be eligible to be elected as a Member of the Committee ; but he shall cease to be a member of the Committee unless within fifteen days from the date of becoming a member of the Committee he ceases to be a Member of the Legislative Assembly of the State or a Member of either House of the Parliament, Mayor of a Municipal Corporation, Chairman of a Municipal Council, elected Member or Chairman of a Zilla Parishad or elected member or President of a Mandal Parishad or Sarpanch of a Gram Panchayat by resignation or otherwise ; and if a member of the committee is subsequently elected to any one of the aforesaid offices, he shall cease to be the member of the committee unless within fifteen days from the date on which he is elected to any one of such offices he ceases to hold such office by resignation or otherwise.

- 1[(2)(a) No person shall, at the same time, be a member of the committee of more than two societies which under the rules, are classified as apex societies, or as central societies, or of the committees of more than apex society and one central society.
- (b) If any person, on the date of his election of appointment as a member of the committee, is a member of the committees of two societies as specified in clause (a) and the committee to which he is elected or appointed on that date is the committee of any apex society or central society, then, his election or appointment on the date aforesaid shall be void.
- (c) If any person is, at the commencement of the Andhra Pradesh Co-operative Societies (Amendment) Act, 1970, a member of the committees of more than two societies of any class or classes specified in clause (a), then at the expiration of the period of ninety days from such commencement, he shall cease, to be a member of the committees of all such societies unless he has, before the expiration of the said period of ninety days, resigned his membership of the committees of all but two of such societies.

1. Added by A.P. Act No. 10 of 1970.

- (d) Nothing in this sub-section shall apply to an officer of the Government who is nominated as a member of the committee by the Government or the Registrar.

1[21-AA. Cessation of Membership of Committee:—

- (1) ²[A member of the committee shall cease to hold office forthwith as such, for the residue of his term of office and he shall also be ineligible for being chosen as or for being a member of the committee through election or co-option for the subsequent two terms if, -]
- (a) ³[Omitted by the Act of 1987]
- (b) on an enquiry under this Act he is found guilty of misuse of the property of the society for his personal gain ;
- (c) he is found responsible for making any appointment to any post in the society in contravention of the relevant service rules and regulations.
- (2) A member of the Committee found responsible for wilfully or knowingly sanctioning benami loans ⁴[or against whom an order of surcharge is issued under Section 60] shall cease to hold office and shall also be ineligible to be elected as member of the Committee for a period of six years from the date of cessation.
- (3) Where a society incurs loss in any Co-operative year as a result of misuse or misapplication of share capital, the President and the Secretary of such society shall cease to hold office as such.
- ⁵[(4) Where the Committee fails to prepare and submit or cause to be prepared and submitted within the period specified in sub-section (3) of Section 50 of the Annual accounts of the Society to the Chief Auditor, the members of the Committee shall on the expiration of the period aforesaid cease to hold such office.]
- ⁶[(5) Where the committee of a society fails to place the inquiry report under Section 51 or Inspection report under Section 52 or Section 53 or Audit Report or Special Audit Report under Section 50 along with the findings of the Registrar before the General Body within a period of thirty days from the date of the receipt of the report by the society, the members of the Committee shall, on the expiration of the said period, cease to hold such office.

1. Inserted by A.P. Act No. 21 of 1985

2. Subs. by Act No. 22 of 2001, dt. 25.4.2001.

3. Omitted by A.P. Act No. 1 of 1987.

4. Inserted by A.P. Act No. 1 of 1987.

5. Came into force 3-6-1985 vide Section 1(2) of Act No. 21 of 1985.

6. Added by Act No. 22 of 2001, dt. 25.4.2001.

- (6) Where the committee fails to initiate action for prosecution of any member or servant of a society who may have incurred criminal liability under the provisions of this Act or any other law for the time being in force, the members of the Committee shall cease to hold such office.

¹[21-B. Cessation of membership and reinstatement:—

²[(1)] Where a member of the committee absents himself from three consecutive meetings of the committee, he shall cease to be a member of the committee. He may, however, be reinstated by the committee in the manner, prescribed but such reinstatement shall not be made more than once during the term of the committee.]

²[(2)] Where a member of the committee ceases to be such member by reason of his incurring the disqualification under Clause (b) of sub-section (1) of Section 21-A or where a delegate of a society ceases to be such delegate by reason of his incurring the disqualification under Item (ii) of the proviso to sub-section (1) of Section 21-A, he shall not be entitled for being chosen against a member of the committee on the removal of the said disqualification, unless a period of one year has elapsed from the date of such cessation.]

21-C ³[Omitted by the Act No. 10 of 1991]

22. Right of members to services by society and application for redress:—

⁴[(1)] Every member on his admission as such member shall be entitled to the services available to the members of the society and such services shall, subject to availability, be rendered to him on his application to the committee.]

(2) If any member is refused any service, or where the decision of the committee on his application for services is not communicated to him within a period of thirty days from the date of such application, he may make an application to the Registrar for redress, within thirty days from the date of receipt of the decision of refusal, or within sixty days from the date of application to the society, as the case may be.

(3) If the Registrar is satisfied that the refusal of any service is unreasonable, improper or discriminatory, he may after giving the committee an opportunity of making its representation by order, direct the committee to render the service.

23. Expulsion of Members:—

(1) Any member who has acted adversely to the interests of the society may be expelled upon a resolution of the general body passed at its meeting by the

1. Inserted by Act No. 14 of 1966, and renumbered by Act No. 10 of 1970.
2. Added by A.P. Act No. 10 of 1970.
3. Inserted by A.P. Act No. 10 of 1970, substituted by Act 26 of 1987 and omitted by A.P. Act No. 10 of 1991, w.e.f. 5-3-1991.
4. Subs. by Act No. 22 of 2001, dt. 25.4.2001.

votes of not less than ¹[two-thirds of the members of the society present and voting.]

- (2) No member shall be expelled under sub-section (1) without being given an opportunity of making his representation to the General Body. A copy of the resolution expelling the member shall be communicated to the member

24. Members not to exercise rights till payments are made:—

No member shall, save as otherwise provided in Section 31, exercise the rights of a member unless he has made such payment to the society, in respect of membership or has acquired such interest in the society, as may be specified in the rules made in this behalf or ²[as may be specified in the bye-laws].

25. Vote and manner of its exercise:— [Rule 18]

- (1) ³[Subject to such rules as may be made in this behalf, every member] shall have one vote in the affairs of the society and shall exercise his vote in person and not by proxy :

⁴[Provided that no member of a society belonging to such class of societies and who failed to transact such minimum business or utilise such minimum services or facilities as may be prescribed taking into consideration the nature of business transacted or the services or facilities made available by the society, shall have the right to stand as a candidate or to vote in any election to the society.]

⁵[(1-A) A member of a society shall be eligible to exercise the right to vote only if he:

- (a) contributes a minimum share capital as may be prescribed.
- (b) ⁶[xxx]

⁷[(c) is a member of the society for a continuous period as may be prescribed.]

- (d) is not in default in the payment of any amount due in cash or kind to the society for such period as may be prescribed.

(2) ⁸[xxx]Every person nominated to the committee by the Government or where the financing bank is a member, every person representing such financing bank, shall have one vote :

1. Subs. for “three-fourths of the total members of the society” by Act No. 6 of 2005, w.e.f. 31-1-2005.
2. Subs. by A.P. Act No. 28 of 1978.
3. Subs. by A.P. Act No. 28 of 1978.
4. Added by Act No. 26 of 1987.
5. Ins. by Act No. 22 of 2001, dt. 25.4.2001.
6. Omitted by Act No. 6 of 2005, w.e.f. 31.1.2005.
7. Subs. by Act No. 6 of 2005, w.e.f. 31.1.2005.
8. Omitted by A.P. Act No. 14 of 1966.

Provided that no nominee of the Government or the representative of the financing bank, as the case may be, ¹[shall be entitled] to participate in, or vote at any election.

(3) In the case of equality of votes, the chairman of the meeting shall have a second or casting vote.

(4) ²[xxx]

26. Restriction on holding of shares: Where the liability of the members of a society is limited, no member other than a society or the Government, shall hold more than such portion of the share capital of the society, subject to a maximum of one-fifth thereof, as may be prescribed .
³[xxx]

Provided that the Government may, by notification in the Andhra Pradesh Gazette, fix in respect of any society or class of societies, a higher maximum than one-fifth of the share capital.³[xxx]

27. Restrictions on transfer of shares or interest: (1) No transfer by a member of his share or interest in a society shall be valid unless

(a) the member has held such share or interest for not less than one co-operative year ; and

(b) the transfer is made to a member of the society.

(2) Not with standing anything in Sub - section(1), no member of a financing bank or federal society shall transfer his share or interest in such bank or society to an individual member, his heir or legal representative.

28. Transfer of interest on death of a member: [Rule 16,17]

(1) On the death of a member, the society shall transfer his share or interest to the person or persons nominated in accordance with the rule, or if no person has been so nominated, to such person as may appear to the committee to be the heir or legal representative of the deceased member only on such nominee, heir or legal representative, as the case may be, becoming a member of the society, subject to such conditions as may be prescribed :

Provided that nothing in this sub-section shall prevent a minor or a person of unsound mind from acquiring by inheritance or otherwise the share or interest of a deceased member in a society.

(2) Notwithstanding anything in sub-section (1), any such nominee, heir, or legal representative, as the case may be, may require the society to pay to him

the value of the share or interest of the deceased member as ascertained in the manner prescribed.

(3) A society shall pay all other moneys due to the deceased member from the society to such nominee, heir or legal representative, as the case may be, subject to such conditions as may be prescribed.

(4) All transfers and payments made by a society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person.

29. Liability of past member and estate of deceased member:

(1) Subject to the provisions of sub-section (2), the liability of a past member, or of the estate of a deceased member, for the debts of the society as they existed,

(a) in the case of a past member, on the date on which he ceased to be a member ;

(b) in the case of a deceased member, on the date of his death; shall continue for a period of two years from such date.

(2) Where a society is ordered to be wound up under Section 64, the liability of a past member who ceased to be a member or of the estate of a deceased member who died, within two years immediately preceding the date of the order of winding up, shall continue until completion of the liquidation proceedings but such liability shall be limited only to the debts of the society as they existed on the date of cessation of membership or death, as the case may be.

1. Subs. by Ibid.

2. Omitted by A.P. Act No. 5 of 1993.

3. Omitted by Act No. 21 of 1985 , w.e.f. 22-4-1985.

CHAPTER IV

Management of Societies

30. Ultimate authority of society: [Rule 21]

(1)(a) Subject to the provisions of this Act, the rules and the bye-laws, the ultimate authority of a society shall vest in the general body :

Provided that nothing in this clause shall affect the exercise by the committee or any officer of a society or any power conferred on such committee or officer by the Act, the rules or the bye-laws.

(b) Notwithstanding anything in clause (a), where the area of operation of a society is not less than such area as may be prescribed, or where the society consists of not less than such number of members as may be prescribed, the society may and if so directed by the Registrar shall provide in its bye-laws for the Constitution of smaller general body designated as the representative general body consisting of such number of members of the society as may be specified in and elected in accordance with, the rules, to exercise all or any of the powers of the general body except the power to conduct elections of members of the committee as may be specified in the bye-laws ; and thereupon any reference in this Act to the general body meeting thereof shall be construed as a reference to the representative general body or its meetings :

Provided that the representative general body shall not alter any provision in the bye-laws relating to its Constitution or powers.

(c) The exercise of any power by representative general body shall be subject to such restrictions and conditions as may be specified in the rules or the bye-laws,

(2) Subject to the other provisions of this Act, the following matters shall be dealt with by the ¹[General Body in the manner prescribed]-

- (i) election and removal of members of the committee and members
- (ii) annual report to the Registrar ;
- (iii) consideration of the audit report and the annual service ;
- (iv) disposal of the net profits ;

1. Subs. by Act No. 22 of 2001, dt. 25.4.2001.

- (v) amendment to bye-laws ;
 - (vi) expulsion of a member ;
 - (vii) approval of the annual budget of income and expenditure ;
 - (viii) affiliation of the society to the financing bank or other societies ;¹[xxx]
 - (ix) ²[election of delegates to the financing Bank or other societies]
- ³[Provided that where a delegate is not elected under this item the President shall be the delegate to the Financing Bank or other society until a delegate is elected ;
- Provided further that where a President is elected by direct election, he shall represent the society as a delegate to the Financing Bank or other Societies.]
- ⁴[(x) review of the loans and advances sanctioned to or the business done with the society by the members of the committee or their such near relatives as may be prescribed, and report to the Registrar about any default in the recovery of the amounts due to the society.]
- Provided that the general body may delegate, by a resolution, to the committee its powers in respect of ⁵[items (viii) and (ix)] or to withdraw by a resolution such powers at any time.
- ⁶[(xi) appointment of two internal auditors from among its members other than the members of the committee ;
 - (xii) consideration of the report of the internal auditors appointed by it.]
 - ⁷[(xiii) contribution to Cooperative Education Fund;
 - (xiv) consideration of report of inquiry under Section 51 or Inspection under Section 52 or under Section 53 or Special report of Audit under Section 50;
 - (xv) decision on bad debts considered irrecoverable;
 - (xvi) management of deficits in stocks or cash;
 - (xvii) appointment of members of supervisory council, entrustment of duties to the supervisory council and consideration of its reports;

1. Omitted by A.P. Act No. 10 of 1970.
 2. Omitted by A.P. Act No. 28 of 1978 and re-inserted by Act No. 5 of 1993.
 3. Added by A.P. Act No. 4 of 1995, w.e.f. 2-1-1995.
 4. Inserted by A.P. Act No. 10 of 1970.
 5. Subs. by A.P. Act No. 5 of 1993.
 6. Inserted by Act No. 21 of 1985.
 7. Added by Act No. 22 of 2001, dt. 25.4.2001.

- (xviii) decision on transfer of assets and liabilities, on division or amalgamation;
- (xix) review of attendance of Committee members;
- (xx) review of membership;
- (xxi) review of the report on the disqualification of the members and the committee members;
- (xxii) review of all overdue loans and defaulters;
- (xxiii) approval of the staffing pattern, pay and other allowances of the employees of the society and contingencies, subject to the availability of administrative and contingent fund and approval of the Registrar.

¹[30-A. Constitution of supervisory council: [Rule 21A]

The General Body of every society may constitute a supervisory council to ensure that the affairs of the society are conducted in accordance with the principles of Cooperation, provisions of the Act, rules, bye laws and resolutions of the General Body. The supervisory council shall consist of three members from the General Body other than the members of the Managing Committee and such other members as may be prescribed. The Supervisory council shall aid and assist the General Body in general and exercise such powers and functions as may be prescribed.]

31. Constitution of committees: [Rule 22,22A,22B,22C,22D,25]

²[(l) (a)] The general body of a society shall constitute a committee in accordance with the bye-laws and entrust the management of the affairs of the society to such committee :

³[xxx]

⁴[Provided that in the case of a society registered after the commencement of the Andhra Pradesh Co-operative Societies (Second Amendment) Act, 2001 the persons who have signed the application for the registration of the society shall conduct the affairs of the society for a period of one month from the date of registration and shall cease to conduct the affairs of the society after duly constituting a committee as per the provisions of the Act thereafter:

⁵[Provided further] that where the bye-laws so provide, the Government or the Registrar may nominate all or any of the members of the committee for such period as may be specified therein ;

-
1. Inserted by Act No. 22 of 2001, dt. 25.4.2001.
 2. Re-numbered by A.P. Act No. 19 of 1976.
 3. Proviso omitted by Act No. 1 of 1987.
 4. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
 5. Subs. by Act No. 1 of 1987.
-

¹[xxx]

²[(b) On the Committee of such society or class of societies ³[other than the societies formed exclusively for the persons belonging to the Scheduled Castes, Scheduled Tribes or Backward Classes] as may be notified by the Government, such number of seats as may be specified by them shall be reserved for the members of the Weaker Section :

⁴[Provided that in the case of such classes of Societies as may be prescribed, two seats shall be reserved for women in the manner prescribed and such reservation may be made in the reserved and unreserved categories also ;]

⁵[Provided further that in the case of a Primary Agricultural Co-operative Credit Society, a Fanners Service Co-operative Society ⁶[xxx] a Co-operative Farming Society, ⁶[xxx] a Co-operative Central Bank and a District Co-operative Marketing Society, not more than one-half of the total number of seats to be filled by elected members on the committee thereof shall be reserved ⁷[to be filled by members of the Scheduled Castes, Scheduled Tribes ⁸[Backward Classes and Women in such proportion as may be prescribed:]]

⁹[¹⁰[Provided also that] where no such members are elected in the proportion specified in the foregoing proviso the persons elected as members of the committee shall choose in the prescribed manner the members required to fill up the short fall in the said proportion, from amongst the persons belonging to the Scheduled Castes, Schedules Tribes, ¹¹[Backward Classes or Women], as the case may be, who are members of the general body of the society :

Provided also that in a committee where the number of members elected as aforesaid was fallen short of the said proportion, in respect of any of the categories of the weaker sections, namely, Scheduled Castes, Scheduled Tribes or Backward Classes, the persons elected as members of the Committee shall choose in the prescribed manner the members required to

-
1. Omitted by A.P. Act No. 4 of 1995, w.e.f. 2-1-1995.
 2. Inserted by A.P. Act No. 19 of 1976.
 3. Inserted by A.P. Act No. 28 of 1978.
 4. Insaerted by A.P. Act 4 of 1995.
 5. Substituted for "Provided that" by Act 4 of 1995.
 6. Omitted by Act 1 of 1987.
 7. Subs. by A.P. Act No. 28 of 1978.
 8. Subs. for "and Backward Classes in the proportion of 2:1:2" by A.P. Act No. 4 of 1995, w.e.f. 2-1-1995.
 9. Subs. by A.P. Act No. 28 of 1978.
 10. Subs. for "Provided further that" by Act 4 of 1995 w.e.f. 2-1-1995.
 11. Subs. for "or Backward Classes" by Ibid.
-

fill up the short fall in the said proportion, from amongst the persons belonging to the other categories of weaker sections in such order of priority as may be prescribed.

Explanation: For the purposes of this clause

- (1) the expression 'members of the weaker sections shall mean the persons belonging to the Scheduled Castes, Scheduled Tribes, ¹[xxx]Backward Classes and such other socially and economically backward sections of the community as the Government may, from time to time, notify in this behalf ;
- (2) in the determination of 'one half of the total number of members' any fraction arrived at shall be counted as one.]
- ²(c) Two women members shall be nominated by the Registrar to the Committee of such class of societies and in such manner as may be prescribed from among the women members belonging to Self-Help Groups, Rythu Mithra Groups and Non-Governmental organizations. Such nominated women members, notwithstanding anything contained in this Act, may take part in proceedings of the meetings of the committee but shall not have the right to vote.
- (d) One member belonging to minority community, shall be nominated by the Registrar to the Committee of such class of societies and in such manner as may be prescribed from among the members belonging to minority communities. Such nominated members, notwithstanding anything contained in this Act, may take part in proceedings of the meetings of the committee but shall not have the right to vote.]
- ³(1-A) Notwithstanding anything in this Act or in the bye-laws the societies referred to in Clause (b) of sub-section (1), the Government may, for the purpose of effective implementation of the reservation specified in Clause(b), by rules made in this behalf, provide for the constitution of, and election to, the committees of such societies and all other matters relating thereto, including the division of constituencies, allocation of seats and the choice of persons belonging to weaker sections of the society as members of the committee of any central society from amongst the members of the committees of the societies affiliated to such central society, by the members of the central society in cases where no such person is a member of the general body of such central society.]

-
1. A Omitted by A.P. Act No. 28 of 1978.
 2. Added by Act No. 6 of 2005, w.e.f. 31-1-2005.
 3. Ins. by A.P. Act No. 28 of 1978.
-

- ¹(2)²(a) Save as otherwise provided in this Act, the term of office of the committee or any of its members or of the President elected in accordance with the provisions of sub-section (5) shall be five years from the date of election of the members of the committee :

Provided that the term of office of five years specified in this clause shall be applicable only to a committee or its members or the President elected in any ordinary election conducted after the commencement of the Andhra Pradesh Co-operative Societies (Second Amendment) Act, 1995 and the term of office of any committee or its members or the President holding office at such commencement shall be the same for which they were elected under the law in force when they were elected.

- (b) It shall be the duty of the Registrar to hold elections to the ³[office of the members of the committee of a society which received State aid as specified in Section 43 of the Act before the expiry of their term.
- ⁴(c) In respect of other societies it shall be the responsibility of the incumbent committee of such society to hold elections to the office of the members of the committee in the manner specified in the byelaws before the expiry of the term:

Provided that where the committee of a society requests the Registrar to hold elections to the office of the members of the committee, the Registrar shall hold elections to the office of the members of the committee in the manner prescribed on payment of costs in advance.

- ⁵(3) (a) In the case of the committee of Co-operative Central Bank, a District Marketing Society, a District Co-operative Wholesale Store, a Centrally sponsored Consumer Co-operative Stores, an apex society and a society formed for a sugar factory or for a spinning mill, ⁶[such officer of the co-operative department, not below the rank of a Deputy Registrar, as may be authorised by the Registrar in this behalf shall be the election officer and the election of the members of the committee shall be in such manner as may be prescribed.
- (b) In any other case, the election officer and the manner of election of the members of the committee shall be such as may be prescribed;

-
1. Subs. by A.P. Act No. 21 of 1985, w.e.f. 1-9-1984.
 2. Subs. by A.P. Act No. 29 of 1995.
 3. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
 4. Added by Act No. 22 of 2001, dt. 25.4.2001.
 5. Subs. by A.P. Act No. 14 of 1966.
 6. Subs. by A.P. Act No. 4 of 1969.
-

Provided that where a requisition signed by not less than one-fifth of the total number of members is received by the Registrar to appoint the election officer to conduct the election, the Registrar shall appoint the election officer to conduct the election.]

¹[(4)(a) For the purpose of electing members to its committee, a society may provide in its bye-laws, for the division of the area of operation of a society into territorial constituencies, or the membership of the society into electoral groups on any other basis, for the number or proportion of members who may be elected to represent each such territorial constituency or electoral group on the committee, and for the manner of election of such representatives.

(b) In the absence of such bye-laws, the society may elect members to its committee from among all the members of the society.]

²[(5) In the case of such classes of Co-operative Societies as may be prescribed, the President shall, ³[subject to the provisions of Section 21-A, be elected by the members of the committee] from among themselves in the manner prescribed. The President elected under this sub-section shall be an ex-officio member of the committee.]

⁴[31-A. Powers and functions of the committee: [Rule 28,29]

The committee of a society shall, subject to the provisions of the Act, rules, bye laws and resolutions of the General body, exercise the following powers and functions, namely:

- ³[(1) admit the members to General Body ;
- (2) allot shares to the members and transfer of shares to General Body;
- (3) recommend removal of the members disqualified under Section 21;
- (4) recommend removal of any of the committee members disqualified under Sections 21-A, 21-AA, 21-B and reinstatement of a Committee member who ceased to be such member of the committee under Section 21-B and place the reports before the General Body;
- (5) raise funds in the form of loans or deposits and invest them;
- (6) 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;

1. Subs. by A.P. Act No. 16 of 1975.

2. Added by Act No. 1 of 1987, and omitted by A.P. Act No. 10 of 1991, w.e.f. 5.3.1991. Again Added by A.P. Act No. 4 of 1995 w.e.f. 2-1-1995.

3. Subs. by Act No. 6 of 2005, w.e.f. 31.1.2005.

4. Inserted by Act No. 22 of 2001, dt. 25.4.2001.

- (7) sanction expenditure which is necessary for the business of the society subject to the provisions of annual budget;
- (8) 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;
- (9) conduct general meetings as prescribed in the Act;
- (10) cause the audit of the accounts of the society within the time prescribed and place the audit report before the General body;
- (11) decide matters connected with the day to day management of the society;
- (12) 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;
- (13) place the reports of inquiry under Section 51 or inspection under Section 52 or under Section 53 or special audit report under Section 50 before the General Body within the time prescribed;
- (14) rectify the defects noted in the reports of audit under Section 50 or inquiry under Section 51 or inspection under Section 52 or under Section 53;
- (15) suspension of any officer or servant of the society under Section 59;
- (16) 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;
- (17) prepare the list of defaulters and publish the same as prescribed and place before the General Body;
- (18) review all outstanding loans and ensure coverage of legal action on all overdue loans and advances;
- (19) 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;
- (20) 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;
- (21) place annual report, annual financial statement, annual plan and budget before the General Body;
- (22) ensure cooperative education of the members, officers and the servants of the society;
- (23) prepare and place before the general body, information or reports or statements relating to:-
 - (a) disposal of properties;

- (b) deficits in cash or stocks;
- (c) proposals for appropriation of net profits including creation of reserves and other funds;
- (d) write off bad debts;
- (e) removal of membership;
- (f) contribution to cooperative education fund and administrative and contingent fund;
- (g) expulsion of member who has acted adversely to the interests of the society;
- (h) affiliation of the society to the financing bank or other societies;
- (i) elections of delegates to the financing bank or other societies;
- (j) appointment of supervisory council and internal auditors and consideration of their reports and follow up action.

**32. General meetings and committee meetings:
[Rule 23, 23A, 23B, 23AA, 26]**

- ¹[(1) The committee may, at any time, call not less than two general meetings of a society in a co-operative year:
Provided that one meeting shall be held in each half year.]
- (1-A) If the general meeting is not convened in accordance with the provisions of sub-section (1), the members of the Committee shall cease to hold office on the day next after the 1st day on which the general meeting should have been held, and it shall be competent for the Registrar, notwithstanding anything in the bye-laws, to call such general meeting in such manner as may be prescribed.]
- (2) The committee shall call a general meeting of the society within thirty days of the date of receipt of a requisition in writing from
- (i) such number of members or proportion of the total number of members, as may be specified in the bye-laws ;
 - (ii) the financing bank to which the society is indebted ;
 - (iii) a federal society to which the society is affiliated ; or (iv) the Registrar.
- ²[(3) It shall be the duty of the President of the society to call the meetings of the committee so that atleast one meeting of the committee is held in every

1. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
2. Subs. by Act No. 21 of 1985, w.e.f. 22.4.1985.

three months. If the President fails to discharge that duty with the result that no meeting is held, within such period of three months or within one month following such period, he shall with effect from the date of expiration of one month aforesaid cease to be the President :

Provided that it shall also be the duty of the President to call such meetings within fifteen days of the date of receipt of requisition in writing in that behalf from any of the requisitionists specified in sub-section (2).

- (4) The requisition referred to in sub-section (2) or sub-section (3) shall specify the purpose for which the meeting is to be called, and shall be signed by the requisitionists and delivered in person or by registered post at the registered address of the society.
- (5)(a) If for any reason, a meeting is not called in accordance with the requisition delivered under sub-section (4), or if, in the opinion of the Registrar there is no committee or officer competent under this Act, the rules or the bye-laws to call a meeting, or if there be a dispute regarding the competence of the committee to function, then notwithstanding anything in the bye-laws of the society, the Registrar shall have the power to call such meeting in the manner prescribed, and to determine the time for such meeting and the subjects to be considered thereat. The Registrar or a person authorised by him in writing in this behalf shall preside at such meeting, but he shall not be entitled to vote.
- (b)(i) If, at any general meeting of the society called by the Registrar himself under clause (a), otherwise than in pursuance of the requisition, there is no quorum, the meeting shall stand adjourned to such other date and time as the Registrar may determine.
- (ii) If at the adjourned meeting also there is no quorum for holding the meeting, the members present shall constitute the quorum.
- (c) If at any general meeting of the society called by the Registrar himself under clause (a) in pursuance of the requisition, there is no quorum, the requisition shall lapse.
- (6) Notwithstanding anything in this Chapter, if at any time the Government are satisfied that circumstances exist which render it necessary for them to call a general meeting for election of members of the committee to be held in accordance with the provisions of this Act, the Government or any person authorised by them in this behalf shall have power to call such meeting and to determine the place, time and the period of notice for such meeting. If at such meeting, there is no quorum, the meeting shall stand adjourned to such other date and time as the Government or person authorised may determine. If at the adjourned meeting also there is no quorum for holding the meeting, the members present shall constitute the quorum. When the

meeting is called by the Government it shall be presided over by a person appointed by them in that behalf and if the meeting is called by the person authorised by the Government, the person so authorised shall preside at such meeting ; but the person presiding shall not be entitled to vote at the meeting so called or adjourned.

- (7)¹²[(a)(i)] If there is no committee or in the opinion of the Government or, the Registrar, it is not possible to call a general meeting for the purpose of conducting election of members of the committee, the Government, in respect of such class of societies as may be prescribed and the Registrar in all other cases may appoint a person or persons to manage the affairs of the society for a period not exceeding six months and the Government may, on their own and the Registrar with the previous approval of the Government, extend, from time to time, such period beyond six months, so however that the aggregate period include the extended period if any, shall not exceed ³[three years].
- ⁴[(ii) Notwithstanding anything contained in this Act, in the special circumstances and for the reasons to be recorded, if in the opinion of the Government, it is not possible to hold the elections to the societies or class of societies, the Government may by order extend the term of the person or the persons appointed to manage the affairs of the society or class of societies beyond three years but not exceeding five years in aggregate.]
- (b) The person or persons so appointed shall, subject to the control of the Government or as the case may be, of the Registrar and subject to such instructions or directions as they may issue, from time to time, have power to exercise all or any of the functions of the committee or any officer of the society and to take all such actions as may be required in the interest of the society.]
- (c) The Registrar may fix the remuneration payable to the person or persons so appointed. The amount of such remuneration and other costs if any, incurred in the management of the society shall be payable out of the funds of the society.
- (d) The Registrar may at any time, and shall at the expiration of the period of appointment of person or persons so appointed, arrange for calling of a general meeting for the election of a new committee in such manner as may be prescribed. The person or persons so appointed shall cease to manage the affairs of the society on the new committee entering upon its office.

1. Subs. by Act No. 21 of 1985, w.e.f. 22.4.1985.
2. Clause '(a)' renumbered as clause '(a)(i)' by Act No. 13 of 2003, w.e.f. 5-8-2003.
3. Subs. by A.P. Act No. 35 of 1987, w.e.f. 3-4-1987.
4. Added by A.P. Act 13 of 2003, w.e.f. 5-8-2003.
5. Subs. by A.P. Act No. 14 of 1966.

- (8) All the expenses incurred in connection with a meeting held under this section shall be paid out of the funds of the society :

Provided that the Registrar may by order direct that such expenses shall, in a case falling under sub-section (5) be recovered from any person who is, in the opinion of the Registrar, responsible for the failure to call the meeting.

32-A ¹[Omitted by the Act No. 22 of 2001 dated 25-04-2001]

²[32-B.] Devolution of the powers and functions of the President or Vice-President:

If the President ceases to hold office under sub-section (3) of Section 32 or if he has been continuously absent from the head-quarters for more than fifteen days, or is incapacitated for more than fifteen days, his powers and functions on such cessation or during such absence or incapacity shall devolve on the Vice-President.

33. Nominee of the Government on the Committee: [Rule 34]

- (1) Where the Government,
- (a) have subscribed to the share capital of a society, or
 - (b) have assisted indirectly in the formation or augmentation of the share capital of a society as provided in Section 43, or
 - (c) have guaranteed the repayment of principal and payment of interest on debentures issued by a society, or
 - (d) have guaranteed the repayment of principal and payment of interest on loans and advances to a society, the Government or any authority specified by the Government in this behalf shall have the right to nominate to the committee not more than ³[three persons as members] or one third of the total number of members of the committee, whichever is less, ⁴[notwithstanding anything contained in the bye-laws of society.]
- (2) A member nominated to the committee under sub-section (1), shall, hold office during the pleasure of the Government or the specified authority, as the case may be.
- (3) Any nominee of the Government may refer to the Government, through the Registrar, any resolution the execution of which, in the opinion of the nominee, is likely to be prejudicial to the interests of the Government and the decision of the Government thereon shall be final and binding on the committee :

1. Omitted by Act No. 22 of 2001, dt. 25.4.2001.
2. Section 32-A Renumbered as 32-B by Act 13 of 1990, which was earlier inserted by Act No. 21 of 1985, w.e.f. 22.4.1966.
3. Subs. by A.P. Act No. 14 of 1966.
4. Added by Act No. 6 of 2005, w.e.f. 31.1.2005.

Provided that the Government may suspend the execution of any such resolution pending the exercise of their powers under this sub-section.

34. Supersession of the committee:

- (1) If in the opinion of the Registrar, the committee is not functioning properly or wilfully disobeys or fails to comply wilfully with any lawful order or direction issued by the Registrar under this Act or the rules, he may, after giving the committee an opportunity of making its representation, by order supersede the committee from a specified date ; and appoint either a person (hereinafter referred to as the special officer) or a committee of two or more persons (hereinafter referred to as the managing committee) to manage the affairs of the society for a period not exceeding two years, specified in the order which period, may, at the discretion of the Registrar, be extended from time to time, so however, that the aggregate period shall not exceed three years.
- (2) Such order shall take effect from the date specified therein unless it is stayed by the Government. Where such order is reserved by the Government, the special officer or the managing committee shall forthwith handover the management of the society to the committee.
- (3) The special officer or the managing committee shall, subject to the general control of the Registrar and to such directions as he may from time to time, give, have power to exercise all or any of the functions of the committee or of any officer of the society.
- (4) The Registrar may fix the remuneration payable to the special officer or the managing committee. The amount of remuneration so fixed and such other expenditure incidental to the management of the society during the period of the supersession as may be approved by the Registrar shall be payable from the funds of the society.
- (5) At the expiration of the period of appointment of the special officer or the managing committee, the Registrar shall arrange for the calling of a general meeting for the election of a new committee in accordance with the provisions of sub-section (5) of Section 32.
- (6) Where a society is indebted to any financing bank, the Registrar shall, before taking any action under sub-section (1) in respect of that society, consult the financing bank.

¹[34-A. Motion of no-confidence in the President and Vice-President of the committee: [Rule 24A]

1. Inserted by Act No. 21 of 1985, w.e.f. 3-6-1985.

- (1) A motion expressing want of confidence in the President or the Vice-President of a Committee may be made in accordance with the procedure laid down in the following sub-sections.
- (2) A written notice of intention to make the motion, in such form as may be prescribed, signed by not less than one-half of the total number of members of the Committee together with a copy of the proposed motion shall be delivered in person, by any two of the members signing the notice, to the Registrar having jurisdiction over the Society.

Explanation:- For the removal of doubts, it is hereby declared that for the purposes of this section, the expression "total number of members of the Committee" shall mean the total number of elected members inclusive of its President and Vice-President but irrespective of any vacancy existing in the office of member at the time of meeting.

- (3) The Registrar shall then convene a meeting for the consideration of the motion at the office of the society on a date appointed by him which shall not be later than thirty days from the date on which the notice under sub-section (2) was delivered to him. He shall give to the members notice of not less than fifteen clear days of such meeting in such manner as may be prescribed :

Provided that where the holding of such meeting is stayed by an order of a Court the meeting shall be adjourned, and the Registrar shall hold the adjourned meeting on a date not later than thirty days from the date on which he received the intimation about the vacation of stay, after giving to the members notice of not less than fifteen clear days of such adjourned meeting.

- (4) The quorum for such a meeting shall be majority of the total number of members of the Committee and the Registrar shall preside at such meeting. If within half an hour after the time appointed for the meeting the Registrar is not present to preside at the meeting, the meeting shall stand adjourned to the next day.
- (5) If the Registrar is unable to preside at the meeting he may after recording his reasons in writing adjourn the meeting to the next day to be presided over either by himself or by an officer authorised by him in his behalf. The person authorised under this sub-section shall be deemed to be the Registrar for purposes of sub-sections (7), (10) and (11).
- (6) Save as provided in sub-sections (3), (4) and (5) a meeting convened for the purpose of considering a motion under this section shall not for any reason be adjourned.
- (7) As soon as the meeting convened under this section commences the Registrar shall read to the Committee the motion for the consideration of which the meeting has been convened and declare it to be open for debate,

- (8) No debate on the motion under this section shall be adjourned.
- (9) Such debate shall automatically terminate on the expiration of two hours from the time appointed for the commencement of the meeting if it is not concluded earlier. On the conclusion of the debate or on the expiration of the said period of two hours, whichever is earlier, the motion shall be put to vote.
- (10) The Registrar shall not speak on the merits of the motion and he shall not be entitled to vote thereon.
- (11) If the motion is carried ¹[with the support of not less than two thirds of the total number of members] of the Committee, the Registrar shall by order remove the President or, as the case may be, the Vice-President and the resulting vacancy shall be filled in the manner prescribed.
- (12) If the motion is not carried by such a majority as aforesaid or if the meeting could not be held for want of a quorum, no notice of any subsequent motion expressing want of confidence in the same President or, as the case may be, the Vice-President shall be made until, after the expiration of the one year from the date of the meeting.
- (13) No notice of a motion under this section shall be made within one year of the assumption of office by a President or the Vice-President.
- ²[(14) The provisions of this section shall not apply in respect of President of any co-operative society elected by the members of the general body from among themselves.]

1. Subs. by A.P. Act No. 16 of 1989.

2. Added by Act No. 1 of 1987.

CHAPTER V

Rights and Privileges of Societies

35. First charge of a society on certain movable assets of a member for the amount due by him:

- (1) Notwithstanding anything in any law for the time being in force, but subject to any claim of the Government in respect of land revenue, any debt or other amount due to a society by any member including a past or deceased member shall be a first charge upon the crop or other agricultural produce, cattle fodder for cattle, agricultural or industrial implements or machinery, raw materials for manufacture and any finished products manufactured from such raw materials owned by such member.
- (2) Such charge shall be available even as against any amount recoverable by the Government as if it were an arrear of land revenue or any claim of the Government arising from a loan granted under the Land Improvement Loans Act, 1883, subsequent to the incurring of the debt of the liability for the other amount due to the society referred to in sub-section (1).
- (3) No person shall transfer any property which is subject to such charge except with the previous permission in writing of the society which holds the charge and any transfer, without such permission shall, notwithstanding anything in any law for the time being in force, be void.
- (4) The charge under this section shall not be available against the following articles of such members:-
- (a) the necessary wearing apparel, cooking vessels, beds and bedding and such personal ornaments of a woman as in accordance with religious usage cannot be parted with by her ;
- (b) ploughs, implements of husbandry, one pair of ploughing cattle, such manure and seed grain stocked by him, as may be necessary for the due cultivation of his lands in the ensuing year.

36. Charge on the immovable property of a member for the loans borrowed: [Rule 32]

- ¹[(1) Notwithstanding anything in this Act or in any law for the time being in force, but subject to any claim of the Government in respect of land revenue and to any claim of an ²[Agricultural Development Bank] in respect of its dues, in

1. Subs. by A.P. Act No. 10 of 1970

2. Subs. by A.P. Act No. 19 of 1976.

either case, whether prior in time or subsequent any member owning any land or having interest in any land as a tenant, who applies to a society for a loan, shall make a declaration in the form prescribed creating a charge in favour of the society, on the land or interest specified in the declaration, for the payment of the loan to be granted to him by the society in pursuance of the application and for all future advances, if any, required by him, which the society may grant to him, subject to such maximum as may be determined by the society, together with the interest on such amount of the loan and advances.]

(2) Such declaration may be varied or cancelled at any time by the member with the consent of the society.

¹(3) Subject to the provisions of sub-section (1) and to the claim of any person in whose favour a mortgage or a charge has been created before the date of registration of the declaration made under sub-section (1), no land in respect of which such declaration has been made or any part of or any interest in such land shall be sold or otherwise transferred until the entire amount of the loan or advance taken by the member from the society together with interest thereon is paid to the society; and any transaction made in contravention of this sub-section shall be void :

Provided that, if a part of the amount borrowed by a member is paid, the society may, on application from the member and with the approval of the financing bank, release from the charge created under the declaration made under sub-section (1), such part of the land or interest in such land specified in the said declaration, as it may deem proper, with due regard to the security of the balance of the amount remaining outstanding from the member :

Provided further that, nothing in this sub-section shall apply in respect of ²[a mortgage created in favour of] an ³[Agricultural Development Bank, subsequent to the date of Registration of the declaration made under sub-section (1)].

(4) The declaration made under sub-section (1) or any variation or cancellation thereof under sub-section (2) shall be sent by registered post by the society to the Sub-Registrar having jurisdiction over the area in which the land ⁴[xxx] is situated. He shall, if it is in order, register such declaration or variation or cancellation and ⁵[return it] to the society and where it is not in order, he shall return it to the society without registering it. Where it is registered, it shall take effect from the time of its registration and where it is not registered, it shall be of no effect.

-
1. Subs. by A.P. Act. No. 10 of 1970.
 2. Subs. by A.P. Act No. 2 of 1999.
 3. Subs. by A.P. Act No. 19 of 1976.
 4. Omitted by A.P. Act No. 10 of 1970.
 5. Subs. by A.P. Act No. 14 of 1966.
-

¹**[Explanation:-** For the purposes of this section, the expression "Society" means-

- (i) any society, the majority of members of which are agriculturists and the primary object of which is to obtain credit for its members of any agricultural purpose ; or
- (ii) any society or any class of societies specified in this behalf by the Government by a general or special order.]

37. Deduction from salary or wages:— [Rule 33]

(1) Notwithstanding anything in any other law for the time being in force, a member of a society may execute an agreement in favour of that society providing that his employer shall be competent, on a requisition in writing from the society, to deduct every month from the salary or wages payable to him such amount as may be specified in the requisition towards the amount due by him to the society in respect of any debt or other amount due by the member to the society, from time to time.

(2)(a) Where such agreement has been executed by a member, the employer of such member shall, on receipt of a requisition from the society, make the deduction from the salary or wages payable to the member in accordance with the requisition, and pay, within such time as may be specified in the rules in respect of any society or class of societies, the amount so deducted, to the society.

(b) Where the amount to be deducted in any month in accordance with the requisition made by a society, or where a requisition has been made by two or more societies in respect of the same person, the total amount to be deducted in accordance with all the requisitions, exceeds one-third of his entire gross salary or wages for the month, the employer shall deduct from the salary or wages of such person only a sum representing one-third of his entire gross salary or wages for the month. The amount deducted shall, where deductions have been made against requisitions received from two or more societies be paid by the employer to all the societies in proportion to the amounts to be deducted according to their requisitions :

Provided that where any amount is due to such class of societies as may be specified in the rules, the entire gross salary or wages for the month on such portion thereof as may be specified in the rules in respect of any such class of societies may be deducted and paid as aforesaid.

(3) The employer shall maintain such registers as may be prescribed.

-
1. Added by A.P. Act No. 10 of 1970
-

- (4) The provisions of this section shall apply to all such agreements of the nature referred to in sub-section (1) as are in force at the commencement of this Act.
- (5) If such employer fails to comply with any of the provisions of this section, he shall be punishable with fine which may extend to five hundred rupees.
- (6) Where a requisition in writing from any society registered or deemed to be registered in any reciprocating State in respect of a member of that society who for the time being is employed in this State, is received by his employer, the requisition shall be acted upon as if it had been made by a society in this State.

Explanation:- For the purposes of this sub-section 'reciprocating State' means any State which the Government may, by notification in the Andhra Pradesh Gazette, declare to be a reciprocating State.

- (7) Nothing in this section shall apply to establishments under a railway administration operating any railway as defined in clause (20) of Article 366 of the Constitution or to any industry to which the Payment of Wages Act, 1936 is applicable.

Explanation:- For the purposes of this section, employer shall include an officer disbursing salary or wages of a member,

38. Charge and set-off in respect of shares or interest of members in the capital, etc., of a society:-

A society shall have a charge upon the share or interest in the capital, deposits, dividend, bonus or profits payable to a member or a past member or the estate of a deceased member in respect of any debt or other amount due by him to the society and may set off any sum credited or payable to such member against payment of any such debt or other amount due :

Provided that no financing bank to which a society is affiliated shall have a charge upon or set-off against any debt due from such society-

- (i) any sum invested in the financing bank as reserve fund by the society if the bank is not the sole creditor of the society ; or
- (ii) any sum invested in it by the society as provident fund of its employees established under Section 49.

39. Share or interest, etc., not liable to attachment:—

The share or interest, of a member in the capital of a society or of an employee in the provident fund established under Section 49 or the contribution made by a member or past member or from the estate of a deceased member or

by any officer or former officer under Section 66, or the reserve fund of a society ¹[or the bad debts reserve of a Society] or the Provident Fund of its employees invested under Section 46, shall not be liable to attachment or sale, under any decree or order of a Court, in respect of any debt or liability incurred by such member, or officer; and an official assignee or a receiver under any law relating to insolvency shall not be entitled to or have any claim on such share, interest, contribution or fund.

40. Right to set-off where a registered society purchases immovable property at a sale under the Andhra Pradesh Revenue Recovery Act, 1864, for any amount due to it:—

- (1) Where, under this Act or any rule made thereunder, any amount due to a society from any person is recoverable as an arrear of the land revenue and immovable property of such person is brought to sale under the provisions of the Andhra Pradesh Revenue Recovery Act, 1864, and the society is the purchaser at such sale, the provisions of Section 36 of the said Act shall apply thereto subject to the modification that for the third and fourth clauses thereof, the following clauses were substituted, namely:—

“Third:— The sum due to the purchaser shall be set-off, in whole or in part, against the purchase money and the remainder, if any, of the purchase money shall be paid to the Collector or other officer empowered by the Collector in that behalf within thirty days of the date of sale.”

“Fourth:— Where the purchaser refuses or fails to make the payment of the remainder, if any, of the purchase money the amount of loss or expense consequent on such refusal or failure shall be a charge on the property purchased, and shall be recoverable from such purchaser in the same manner as arrears of land revenue. The amount so recovered shall be paid to the owner of the immovable property.”

- (2) Where a sale is conducted under Section 71, Section 103 or Section 104 by the Registrar or any other person authorised by him, the provisions of sub-section (1) shall apply as if it were a sale for the recovery of an arrear of land revenue.

41. Exemption from certain taxes, duties and fees:—

The Government, if in their opinion it is necessary in the public interest so to do, may, by notification in the Andhra Pradesh Gazette, and subject to such restrictions and conditions as may be specified in such notifications, reduce or exempt in respect of any class of societies—

1. Inserted by Act No. 10 of 1970

- (a) the taxes on professions, trades, callings and employments ;
- (b) the stamp duty with which, under any law for the time being in force, instruments executed by or on behalf of a society or by an officer or member and relating to business of such society or any class of such instruments or decisions or orders of the Registrar or arbitrator or liquidator under this Act, are respectively chargeable ; or
- (c) any fee payable under the law relating to registration for the time being in force or Court-fees.

42. Exemption from compulsory registration of instruments:—

Nothing in clauses (b) and (c) of sub-section (I) of Section 17 of the Indian Registration Act, 1908 shall apply to—

- (a) any instruments relating to shares in a society notwithstanding that the assets of the society consist in whole or in part of immovable property;
- (b) any debentures issued by any such society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property except in so far as it entitles the holder to the security afforded by a registered instrument whereby the society has mortgaged, conveyed or otherwise transferred the whole or part of its immovable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures ; or
- (c) any endorsement upon or transfer of any other debenture issued by any such society.

CHAPTER VI

Properties and Funds of Societies

43. State aid to Societies:— [Rule 34]

The Government may, subject to the rules,—

- (a) give loans or advance moneys to a society ;
- (b) subscribe to the share capital of a society ;
- (c) provide moneys to a society-
 - (i) for the purchase of shares of other societies ; or
 - (ii) to enable it to provide moneys to another society to purchase shares in other societies ;
- (d) guarantee the repayment of principal and payment of interest on debentures issued by a society ;
- (e) guarantee the repayment of share capital of a society and dividends thereon at such rates as may be specified by the Government ;
- (f) guarantee the repayment of principal and payment of interest on loans and advance of moneys to a society ;
- (g) guarantee the repayment of deposits received by a society and payment of interest on such deposits subject to such terms and conditions as may be laid down by the Government ; and
- (h) give financial aid in any other form including subsidies to any society.

44. Funds other than net profits not to be divided among members:— [Rule 35A]

No part of the funds other than the net profits of a society shall be paid by way of bonus or dividend or otherwise distributed among its members:

Provided that a member may be paid remuneration from the funds on such scale as may be prescribed for any service rendered by him to the society :

¹[Provided further that a President of the Society may be paid honorarium from the funds of the Society at such rate as may be prescribed.]

²[44-A. Constitution and utilisation of Co-operative Education Fund:- [Rule 36A]

1. Added by A.P. Act No. 21 of 1985, w.e.f. 22.4.1985.
2. Inserted by Act No. 22 of 2001, dt. 25.4.2001.

- (1) There shall be constituted a Co-operative Education Fund for the purpose of promotion of Co-operative movement in the State and education of the members and training of the officers of the cooperative societies on cooperative principles and management practices.

All contributions made by the societies from out of their profit in a year, grants-in-aid from the Government of India or the State Government and donations by any persons, shall be credited to the Co-operative Education Fund.

- (2) Every society shall ensure the education of its members and training of its officers.
- (3) The cooperative education fund shall be administered and utilised by the Registrar on the advice of a committee constituted for the purpose in the manner prescribed:

Provided, that not less than 20% of the cooperative education fund contributed by the societies in a year shall be utilised towards the training of officers of the societies concerned:

Provided further, that not less than 50% of the cooperative education fund contributed by the societies shall be utilised on member education programmes in a year.

45. Disposal of profits:— [Rule 36,64,36A,36B]

- ¹[(1) A society shall, subject to such limits as may be prescribed, credit one percent of gross profit or gross income in a year, as the case may be, to the Cooperative Education Fund.
- (2) A society shall credit an amount not being more than 30 percent of gross profit or 2 percent of working capital, whichever is less, in a year to the administrative and contingent fund towards pay and other allowances of its employees and contingencies in the manner prescribed;]
- ³[(3)] A society shall, out of its net profits in any co-operative year,—
- (a) transfer an amount not being less than twenty-five per cent of the profits as may be prescribed, to the reserve fund :

Provided that when the total amount so transferred becomes equal to the amount of paid-up share capital, the amount to be transferred may, with the previous permission of the Registrar, be reduced to a sum not less than ten per cent of such profits;

- (b) ⁴[xxx]

1. The word “net” omitted by Act No. 22 of 2001, dt. 25.4.2001.
2. Inserte by Act No. 22 of 2001, dt. 25.4.2001.
3. Renumbered by Act No. 22 of 2001, dt. 25.4.2001.
4. Omitted by Act No. 22 of 2001, dt. 25.4.2001.

- ¹[(c) credit such portion of the profits, as may be prescribed, to the bad debts reserve ;]
- ²[(d) pay towards dividend to members on their paid-up share capital, an amount not being less than fifteen per cent of the net profit;
- (e) pay an amount not being less than fifteen per cent of the net profit towards rebate to members on the amount or volume of business done by them with the Society in the manner specified in the bye-laws.]

- ³[(4)] The balance of the net profits may be utilised for all or any of the following purposes, namely:—

(a&b) ⁴[Omitted by the Act No. 21 of 1985]

- (c) constitution of or contribution to, such special funds as may be specified in the bye-laws ;
- (d) payment of bonus to employees of the society or remuneration to a member for services rendered by him to the society to the extent and the manner specified in the bye-laws ;
- (e) donation of moneys, not exceeding ten per cent of the net profits to be utilised within the area of operation of the society for any charitable purpose as defined in Section 2 of the Charitable Endowments Act, 1890:

Provided that such moneys may be utilised with the permission of the Government for any such purpose outside the area of operation of the society.

46. Investment of funds:— [Rule 37,38,39]

⁵[A Society may by a resolution of majority of committee with due care and diligence, invest or deposit its funds which are not immediately required for the business of the society,-

- (a) in the Postal Savings Banks ;
- (b) in any of the securities specified in Section 20 of the Indian Trust Act, 1982 ;
- (c) in the shares of securities of any other society :
- ⁶[(d) with any Nationalised Bank] ⁷[or Scheduled Bank ; or the concerned District Co-operative Central Bank.]

1. Inserted by Act No. 10 of 1970
2. Added by A.P. Act No. 21 of 1985, w.e.f. 22.4.1985.
3. Renumbered by Act No. 22 of 2001, dt. 25.4.2001.
4. Omitted by Act No. 21 of 1985.
5. Subs. by Act No. 6 of 2005, w.e.f. 31.1.2005.
6. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
7. Added by Act No. 6 of 2005, w.e.f. 31-1-2005.

(e) ¹[xxx]

²[Provided that every primary agricultural credit society and every Co-operative Central Bank shall invest or deposit in each co-operative year towards the bad debts reserve of the said society or bank, a sum equal to one-fourth percentum of the amount granted by it as short term loans or medium term loans to its members during the co-operative year from out of the amounts borrowed by it from other co-operative financial institutions for granting such loans ; so however that no such investment or deposit shall be necessary when the total amount so invested or deposited towards bad debts reserve becomes equal to the total amount of bad debts of the society as estimated by the auditor appointed under Section 50.]

Explanation:— For the purposes of this section, sub-section (3) of Sections 47 and 71, the expression 'primary agricultural credit society' means the society referred to in clause (i) of Explanation to Section 36.

47. Restrictions on borrowings and loans:— [Rule 40,41,41A,41B,41C]

- (1) A society shall ³[xxx] receive deposits and raise loans only to such extent and under such conditions as may be specified in the bye-laws.
- (2) A society shall not grant a loan to any person other than a member, but it may grant loans to another society with the general or special sanction of the Registrar or to its employees on such terms as may be specified in the bye-laws:

Provided that a society may make a loan to a depositor on the security of his deposit.

⁴[(3)(a) Subject to such directions as the Reserve Bank of India may give to Co-operative Banks in this behalf, primary agricultural credit societies shall, during a co-operative year, disburse to small farmers such proportions, having regard to the class of societies and the strength of membership of small farmers therein, as may be prescribed, out of the total amounts borrowed by them from the co-operative financial institutions, for granting short term loans or medium term loans to their members during that year, so however that the amount of any such loans that may be granted to each of their members, whether or not he is a small fanner, shall not in the aggregate exceed such amount or amounts as the Government may, from time to time, by notification in the Andhra Pradesh Gazette, specify in relation to the various classes of members and having regard to the purposes for which loans are required.

1. Omitted by Act No. 22 of 2001, dt. 25.4.2001.
2. Inserted by Act No. 10 of 1970.
3. Omitted by Act No. 21 of 1985, w.e.f. 22.4.1985
4. Added by A.P. Act No. 10 of 1970.

¹[Explanation:- For purposes of this sub-section, 'small farmer' means a member who holds not more than such extent of land as may be notified by the Government from time to time, and Government may notify different standards for different districts or parts of districts.

- (b) Every primary agricultural credit society shall, in such areas as may be prescribed disburse the amount granted by it to any of its members towards a short term loan or a medium term loan by way of cheque in favour of the loanee or at the request of the loanee by money order ; and no such cheque shall be endorsed by the loanee in favour of any officer of the society.]

48. Restrictions on other transactions with non-members:—[Rule 48]

²[(1) Save as otherwise provided in Section 47, the transactions of a society, with persons other than members shall be subject to such restrictions, as may be prescribed.

³[(2) Every Primary Weavers' Co-operative Society shall produce cloth only through the members of the society by supplying raw materials to the members and receiving back cloth or fabric or product and shall not produce or purchase cloth or fabric or product from any source other than the members of the society either for sale on its own account or for sale through Federal Society or others. But it may purchase cloth or fabric or product of other weavers' co-operative societies with general or special sanction of Registrar for sale on its own account to consumers or others.]

49. Provident Fund:— [Rule 44]

- (1) A society may, subject to the rules, establish a contributory provident fund for the benefit of its employees to which shall be credited all the contributions made by them and the society in accordance with its bye-laws.
- (2) The provident fund so established shall not,—
 - (a) be used in the business of the society ;
 - (b) form part of the assets of the society ; or
 - (c) be liable to attachment or be subject to any other process of any Court or other authority.
- (3) Notwithstanding anything in this section, a provident fund established, by a society to which the Employees Provident Fund Act, 1952, is applicable, shall be governed by that Act.

1. Subs. by A.P. Act No. 19 of 1976.
2. Renumbered by A.P. Act No. 28 of 1988, w.e.f. 9.5.1988.
3. Added by Ibid.

CHAPTER VII

Audit, Inquiry, Inspection and Surcharge

50. Audit:— [Rule 45,46]

- (1) There shall be a separate wing for audit in the Co-operative Department headed by the Chief Auditor who will work under the general superintendence and control of the Registrar of Co-operative Societies. The Chief Auditor shall audit or cause to be audited by a person authorised by him by a general or special order in this behalf, the accounts of a society at least once in every year and shall issue or cause to be issued an audit certificate with such particulars as may be prescribed, before the end of the succeeding co-operative year. Such audit shall primarily cover an examination of the debts, overdue, if any, verification of the cash balance and securities and valuations of the assets and liabilities of the society, ¹[including prudent management of the affairs of the society in accordance with the Act, rules and byelaws.]

¹[Provided that in respect of a society not in receipt of State aid as specified in Section 43 of the Act, the committee of such society shall cause the audit of accounts of the society, every year as per the audit manual prescribed by the Registrar, either through the Chief Auditor or a Chartered Accountant ²[authorized by the Chief Auditor, and the Chief Auditor or the officer authorized by him shall issue Audit Certificate of such society.] Where such society opts to get the accounts of the society audited by the Chief Auditor, the later shall audit or cause to be audited the accounts of such society in the manner prescribed.]

- (2) Every person who is, or has at any time being, an officer or employee of the society and every member including a past member shall furnish such information in regard to, any transaction, working and affairs of the society as Chief Auditor or such person authorised by him may require.
- ³(3) The committee shall prepare and submit or cause to be prepared and submitted within such period not exceeding six months as may be prescribed for different classes of societies after the end of the co-operative year, to the Chief Auditor or the person authorised by him as the case may be, such statements and reports as may be prescribed for the purpose of the audit of accounts of the Society for the Co-operative year.

1. Added by Act No. 22 of 2001, dt. 25.4.2001.
 2. Inserted by Act No. 6 of 2005, w.e.f. 31.1.2005.
 3. Inserted by Act No. 21 of 1985, w.e.f. 3.6.1985.

- (4) The audit shall be completed within a period of six months from the close of the Co-operative year of the registered society concerned and such other further period not exceeding six months as the Chief Auditor may permit for reasons to be recorded in writing.]

51. Inquiry:— [Rule 47,50]

The Registrar, may of his own motion and shall, on the application of a society to which the society concerned is affiliated, or of not less than one third of the members of the Committee, or of not less than one fifth of the total number of members of the society, hold an inquiry or direct some person authorised by him by an order in this behalf to hold an inquiry into the constitution, working and financial condition of a society. Such inquiry shall be completed within a period of four months and the report of inquiry along with the findings of the Registrar thereon shall be communicated to the managing committee of the society. It shall be the responsibility of the managing committee to place the inquiry report before the General Body or Special General Body convened for the purpose for its information, within a period of one month from the communication of the inquiry report by the Registrar. The Registrar shall be competent to initiate action under the provisions of this Act, if the committee fails to take action as aforesaid:

Provided that notwithstanding anything contained in this Act and the Rules made thereunder, the bye laws of a society and the action of the society in placing the inquiry report alongwith the findings of the Registrar, the Registrar shall not be precluded from taking follow up action as may be required on the basis of inquiry report :

Provided further that such action shall not be nullified even if the General Body of the Society passes a resolution negating the findings of the inquiry:

Provided also that the Registrar may for reasons to be recorded in writing extend the period of four months for completion of inquiry for a further period not exceeding two months.

Explanation:— For the purposes of this section, “Managing Committee” includes a Committee constituted under Section 31(I)(a), and a person-in-charge appointed under Section 32(7)(a) and also a special officer appointed under Section 34 of the Act.]

52. Inspection:— [Rule 59,60]

- ¹[(1)] The Registrar may, of his own motion or on the application of a creditor of a society, inspect or direct any person authorised by him by a general or special order in this behalf to inspect the books of the society.

1. Renumbered by Act No. 21 of 1985, w.e.f. 22-4-1985.

¹[Such inspection shall be completed within a period of three months from the date of order of inspection.]

Provided that no such inspection shall be made or directed on the application of a creditor unless the creditor:—

- (a) satisfies the Registrar that the debt is a sum then due and that he has demanded payment thereof and has not received satisfaction within a reasonable time ; and
- (b) deposits with the Registrar such sum as security, for the costs of the proposed inspection as the Registrar may require.

²(2) The Registrar or any person authorised by him under sub-section (1) shall prepare a report of inspection which shall be communicated to the Managing Committee of the Society together with the findings of the Registrar thereon. It shall be the responsibility of the Managing Committee to place the inspection report together with the findings of the Registrar before the General Body or Special General Body convened for the purpose for its information, within a period of one month of the communication of the inspection report by Registrar. The Registrar shall be competent to initiate action under the provisions of this Act, if the Committee fails to take action as aforesaid:

Provided that notwithstanding anything contained in this Act and Rules made thereunder, the bye-laws of a society and the action of the society in placing the inspection report along with the findings of the Registrar, the Registrar shall not be precluded from taking, follow up action as may be required on the basis of inspection report:

Provided further that such action shall not be nullified even if the General Body of the Society passes a resolution negating the findings of the Registrar:

Provided also that the Registrar may for reasons to be recorded in writing extend the period of three months for completion of inspection for a further period not exceeding two months.

Explanation:— For the purposes of this section, “Managing Committee” includes an Adhoc Committee constituted under Section 31(l)(a), and a person-in-charge appointed under Section 32(7)(a) and also a Special Officer appointed under Section 34 of the Act.

1. Added by Act 15 of 2000 w.e.f. 28-7-2000.
2. Subs. by Act No. 15 of 2000, w.e.f. 21-7-2000.

53. Inspection of books by financing bank or federal society:— [Rule 50]

A financing bank or a federal society shall have the right to inspect the books of any society which is indebted to it. The inspection may be made either by an officer of the financing bank or federal society authorised by the committee of such bank or society or by a member of its paid staff certified by the Registrar as competent to undertake such inspection. The officer or member so authorised to conduct inspection] shall at all reasonable times have free access to the books, accounts, documents, securities, cash and other properties belonging to or in the custody of the society and may also call for such information, statements and returns as may be necessary to ascertain the financial condition of the society and the safety of the sums lent to it by such bank or society. ¹[The Officer or Member so authorised to conduct the inspection shall prepare a report of inspection which shall be communicated to the Managing Committee of the society together with the findings of the Registrar thereon. It shall be the responsibility of the Managing Committee to place the Inspection Report together with the findings of the Registrar before the General Body or Special General Body convened for the purpose for its information, within a period of one month of the communication of the Inspection Report by the Registrar. The Registrar shall be competent to initiate action under the provisions of this Act, if the Committee fails to take action as aforesaid:

Provided that such action shall not be nullified even if the General Body of the Society passes a resolution negating the findings of the Registrar:

Provided further that notwithstanding anything contained in this Act and Rules made thereunder the bye-laws of a Society and the action of the Society in placing the Inspection Report alongwith findings of the Registrar, the Registrar shall not be precluded from taking, follow up action as may be required on the basis of Inspection Report.

Explanation:- For the purposes of this section, “Managing Committee” includes a Committee constituted under Section 31(l)(a), and a person-in-charge appointed under Section 32(7)(a), and also a Special Officer appointed under Section 34 of this Act.

54. Rectification of defects in audit, inquiry or inspection:—

The Registrar shall draw the attention of the society to the defects noticed in every audit conducted under Section 50 or inquiry held under Section 51 or inspection made under Section ²[52, or Section 53] and if the society is affiliated to another society, also the attention of that other society and may

1. Subs by Act No. 15 of 2000, w.e.f. 21-7-2000.
2. Subs. by Act No. 21 of 1985, w.e.f. 22-4-1985.

make an order directing the society or its officers to take such action and within such time as may be specified therein to remedy such defects.

55. Power to summon and examine documents and persons etc.:—
[Rule 50]

- ¹[(1) The Registrar, or the Chief Auditor or any person authorised by either of them to exercise any powers under this Act, shall at all reasonable times, have free access to the books, accounts, documents, records, securities, cash and other properties belonging to, or in the custody of the society and may summon any person in possession of, or responsible for the custody of any such books, accounts, documents, records, securities, cash or other properties, to produce all or any of them at any place at the headquarters of the society or any branch thereof.]
- (2) The Registrar or any person authorised by him to exercise any powers under this Act,—
- (a) may summon any person who, he has reason to believe has knowledge of any of the affairs of the society to appear before him at any place at the headquarters of the society or any branch thereof or at any other place specified by the Registrar, and may examine that person on oath :
- (b) may seize the books, accounts or documents belonging to, or in the custody of, the society, if he considers that such seizure is necessary to ensure safety of such books, accounts or documents, and shall give the person from whose custody the books, accounts or documents have been seized, a receipt for the same :

Provided that the books, accounts or documents so seized shall be retained by him only for so long as may be necessary :

Provided farther that the books, accounts or documents so seized shall not be retained for more than sixty days at a time except with the permission of the next higher authority.

²[55-A. Maintenance of Accounts and Books, etc.:— [Rule 58,59]

- ³[(1) The Chief Executive Officer of every society by whatsoever designation he is called, and the President of the society jointly and severally or the President of such society if there is no such chief executive officer for that society, shall be bound to keep, maintain or cause to maintain, sign and authenticate such accounts and books relating to that society in such manner as may be

prescribed and shall be responsible for the correct and up-to-date maintenance and authentication of such accounts and books and for producing or causing production of the same when called for in connection with audit, inquiry, inspection or election ;]

- (2) If such accounts and books are not maintained the Registrar may direct the person who is responsible to bring the accounts and books upto date to make them upto date, and he shall be bound to comply with such direction within the period specified therein.
- (3) If the person fails to comply with the direction under sub-section (1) the Registrar may suspend such person for such period as he may consider necessary and authorise any person to take action for bringing such accounts and books upto date at the expenses of the society and such expenses shall be recoverable from the society as if it were an arrear of land revenue.
- (4) Where the Registrar takes action under sub-section (3) the Registrar may call upon the person concerned whom he considers to be responsible for not complying with the direction made under sub-section (2) and after giving such person an opportunity of being heard, may require him to pay the society the expenses paid or payable by it to the Government as a result of his failure to take action.
- ¹[(5) The Chief Executive Officer of the society or the President where there is no such Chief Executive Officer for that society shall be the custodian of all books of account of the society,]

56. Cost of inquiry and inspection:—

- (1) Where an inquiry is held under Section 51 or an inspection is made under Section 52, the Registrar may, after giving the parties an opportunity of making their representations, apportion the costs, or such part of the costs as he may think fit, between the society, the members or creditors demanding an inquiry or inspection, the officers or former officers of the society. Costs may also be awarded by the Registrar to the financing bank or federal society in the case of inspection under Section 53 by such bank or society.
- (2) Any amount awarded by way of costs under sub-section (1) may be recovered as if it were an arrear of land revenue.

57. Society to pay certain expenses:—

Every society shall pay to the Government such amount as may be determined in the prescribed manner in respect of any special or additional staff employed at the request of the society by the Government for the purpose of the society.

1. Subs by A.P. Act No. 14 of 1966.
 2. Inserted by Act No. 21 of 1985, w.e.f. 3.6.1985.
 3. Subs. by Act No. 22 of 2001, dt. 25.4.2001.

1. Added by Act No. 22 of 2001, dt. 25.4.2001.

1[58. Payment of fees to the Government for services rendered to a society, etc.:— [Rule 46,48]

Every person shall pay to the Government such fees, as may be prescribed, for the services rendered by the Government to him in respect of audit, execution or arbitration proceedings, or any other prescribed manner.]

59. Suspension of officer or servant of society:—

- (1) Where in the course of an audit under Section 50 or an inquiry under Section 51 or an inspection under Section 52 or Section 53, it is brought to the notice of the Registrar that a paid officer or servant of a society has committed or has been otherwise responsible for misappropriation, breach of trust or other offence, in relation to the society, the Registrar may, if in his opinion there is prima facie evidence against such paid officer or servant and the suspension of such paid officer or servant is necessary in the interests of the society, direct the committee pending the investigation and disposal of the matter, to place or cause to be placed such paid officer or servant under suspension from such date and for such period as may be specified by him, but not retrospectively.
- (2) On receipt of such direction, the committee shall, notwithstanding any provision to the contrary in the bye-laws, place or cause to be placed the paid officer or servant under suspension forthwith.
- (3) The Registrar may direct the committee to extend, from time to time, the period of suspension and the paid officer or servant suspended shall not be reinstated except with the previous sanction of the Registrar.

60. Surcharge:—

- (1) ²[Notwithstanding anything contained in any other law for the time being in force where in the course of an audit under Section 50 or an inquiry under Section 51 or an inspection under Section 52 or Section 53, to the winding up of a society, it appears that any person who is or was entrusted with the organisation, affairs or management of the society or any past or present officer or servant of the society has misappropriated or fraudulently retained any money or other property or has been guilty of breach of trust in relation to the society or has caused any deficiency in the assets of the society by breach of trust or wilful negligence or has made any payment contrary to the provisions of this Act, the rules or the bye-laws, the Registrar himself, or any person specially authorised by him in this behalf, of his own motion or on the application of the committee, liquidator or any creditor or contributor, may inquire into the conduct of such person or officer or servant and make an

order requiring him to repay or restore the money or property or any part thereof with interest at such rate as the Registrar or the person authorised as aforesaid thinks just or to contribute such sum to the assets of the society by way of compensation in respect of the misappropriation, misapplication of funds, fraudulent retention, breach of trust, or wilful negligence as the Registrar or the person authorised as aforesaid thinks just :

Provided that no order shall be passed against any person referred to in this sub-section unless the person concerned has been given an opportunity of making his representation.

- (2) Any sum ordered under this section to be repaid to a society or recovered as a contribution to its assets may be recovered on a requisition being made in this behalf by the Registrar to the Collector in the same manner as arrears of land revenue.
- (3) This section shall apply notwithstanding that such person or officer or servant may have incurred criminal liability by his act.

1. Subs. by Act No. 14 of 1966.

2. Subs. by A.P. Act No. 15 of 2000, w.e.f. 21.7.2000.

CHAPTER VIII

Settlement of Disputes

61. Disputes which may be referred to the Registrar:-

- (1) Notwithstanding anything in any law for the time being in force, if any dispute touching the constitution, management or the business of a society, other than a dispute regarding disciplinary action taken by the society or its committee against a paid employee of the society, arises-
 - (a) among members, past members and persons claiming through members, past members and deceased members ; or
 - (b) between a member, past member or person claiming through a member, past member or deceased member and the society, its committee or any officer, agent or employee of the society ; or
 - (c) between the society or its committee, and any past committee, any officer, agent or employee, or any past officer, past agent, or past employee or the nominee, heir or legal representative of any deceased officer, deceased agent or deceased employee of the society ; or
 - (d) between the society and any other society,
 such dispute shall be referred to the Registrar for decision.

Explanation:- For the purposes of this sub-section a dispute shall include-

- (i) a claim by a society for any debt or other amount due to it from a member, past member, the nominee, heir or legal representative of a deceased member, whether such debt or other amount be admitted or not ;
- (ii) a claim by surety against the principal debtor where the society has recovered from the surety any amount in respect of any debt or other amount due to it from the principal debtor as a result of the default of the principal debtor whether such debt or other amount due to be admitted or not ;
- (iii) a claim by a society against a member, past member, or the nominee, heir or legal representative of a deceased member for the delivery of possession to the society of land or other immovable property resumed by it for breach of the conditions of assignment or allotment of such land or other immovable property ;

¹[xxx]

1. Omitted by A.P. Act No. 14 of 1966.

- (2) If any question arises whether a dispute referred to the Registrar under this section is a dispute touching the constitution, management or the business of a society, such question shall be decided by the Registrar.

¹[(3) Every dispute relating to, or in connection with, any election to a committee of a society shall be referred for decision to the Tribunal having jurisdiction over the place where the main office of the society is situated, whose decision thereon shall be final.]

- (4) Every dispute relating to, or in connection with any election ²[shall be referred under sub-section (3) only after the date of declaration of the result of such election.]

62. Action to be taken by the Registrar on such reference:— [Rule 48,49,50]

- (1) The Registrar may, on receipt of the reference of a dispute under Section 61,
 - (a) elect to decide the dispute himself ; or
 - (b) transfer it for disposal to any person who has been invested by the Government with powers in that behalf ; or
 - (c) refer it for disposal to an arbitrator.
- (2) Where the reference relates to any dispute involving immovable property, the Registrar or such person or arbitrator may order that any person be joined as a party who has acquired an interest in such property subsequent to the acquisition of interest therein by a party to the reference and any decision that may be passed on the reference by the Registrar or the person or the arbitrator aforesaid, shall be binding on the party so joined as if he were an original party to the reference.
- (3) The Registrar may, by order for reasons to be recorded therein, withdraw any reference transferred under Clause (b) of sub-section (1) or referred under Clause (c) of that sub-section and may elect to decide the dispute himself or transfer it to any other person under Clause (b) of sub-section (1) or refer it to any other arbitrator under Clause (c) of that sub-section.
- (4) The Registrar, such person or arbitrator shall decide the dispute in accordance with the provisions of this Act and the rules and bye-laws and such decision shall, subject to the provisions of Section 76, be final. Pending final decision on the dispute, the Registrar, such person or arbitrator, as the case may be, may make such interlocutory orders as he may deem necessary in the interest of justice.

1. Subs. by Act No. 22 of 2001, dt. 25.4.2001.

2. Subs. by Act No. 35 of 1987, w.e.f. 26.6.1987.

63. Powers of financing bank to proceed against members of a society for recovery of moneys due to it from such society:-

- (1) If a society is unable to pay its debts to a financing bank by reason of its members committing default in the payment of the moneys due by them, the financing bank may direct the committee of such society to proceed against such members under Section 61 or Section 70, as the case may be, and if the committee fails to do so within a period of ninety days from the date of receipt of such direction, the financing bank itself may proceed against such members under Section 61 or Section 70, in which case, the provisions of this Act, the rules or the bye-laws shall apply as if all references to the society or its committee in the said provisions were references to the financing bank.
- (2) Where a financing bank has obtained a decree or award against a society, in respect of moneys due to it from the society, the financing bank may proceed to recover such moneys firstly from the assets of the society and secondly from the members to the extent of their debts due to the society.

CHAPTER IX**Winding up and cancellation of
Registration of Societies****64. Winding up of Societies:— [Rule 50,50A]**

- (1) If the Registrar, after an inquiry has been held under Section 51 or an inspection has been made under Section 52, or on receipt of an application made by not less than two-thirds of the members, is of opinion that the society ought to be wound up, he may after giving the Society an opportunity of making its representation, by order direct it to be wound up.
- (2) The Registrar may, of his own motion and after giving the ' society an opportunity of making its representation, if any, make an order directing the winding up of a society-
 - (a) where it is a condition of the registration of the society that the society shall consist of at least ten members and the membership falls short of that number ; or
 - (b) where the society, has not commenced working within the prescribed period or has ceased to work ; or
 - ¹[(c) where in the opinion of the Registrar the society is conducting its affairs in a manner detrimental to the interests of its members or the promotion of the object for which it has been registered.]

65. Appointment of liquidator:—

- (1) Where the Registrar has made an order under Section 64 for the winding up of a society, he may appoint a liquidator for that purpose and fix his remuneration.
- (2) On the appointment of a liquidator, the property, assets, effects and actionable claims or liabilities of the society as on the date of appointment shall vest in or devolve on the liquidator. He shall take such steps as he may deem necessary or expedient to prevent loss or deterioration of, or damage to, such property, assets, effects and actionable claims.
- (3) Where an order of winding up of a society is set aside in appeal the property, assets, effects and actionable claims or liabilities of the society as on the date of such setting aside shall revert in or devolve on the society.

1. Added by A.P. Act No. 10 of 1970.

66. Power of the liquidator:— [Rule 51]

- (1) Subject to the control of the Registrar, the liquidator shall have the power—
 - (a) to institute and defend suits and other legal proceedings on behalf of the society by the name of his office ;
 - (b) to realise the assets of the society, by sale or otherwise ;
 - (c) to determine, from time to time, the contribution to be made or remaining to be made and the debts due by the members or past members or by the estates or nominees, heirs or legal representatives of deceased members or by any officers or former officers to the society ;
 - (d) to investigate all claims against the society, and subject to the provisions of this Act, to decide questions of priority arising between claimants ;
 - (e) to pay claims against the society including interest upto the date of winding up according to their respective priorities, if any, in full or rateably, as the assets of the society may permit, the surplus, if any, remaining after payment of the claims, being applied in payment of interest from the date of such order of winding up at a rate fixed by him but not exceeding the contract rate in any case ;
 - (f) to determine by what persons and in what proportions the costs of liquidation are to be borne ;
 - (g) to determine whether any person is a member, past member or nominee of deceased member ;
 - (h) to give such directions in regard to the collection and distribution of the assets of the society as may appear to him to be necessary for winding up the affairs of the society ;
 - (i) to carry on the business of the society so far as may be necessary for its beneficial winding up ;
 - (j) with the previous approval of the prescribed authority, to make any compromise or arrangement with creditors or persons claiming to be creditors or having or alleging to have any claim present or future, whereby the society may be rendered liable; and
 - (k) with the previous approval of the prescribed authority, to compromise all calls or liabilities to any calls and debts and liabilities capable of resulting in debts and all claims present or future, certain or contingent, subsisting or alleged to subsist between the society and a contributory or alleged contributory or other debtor or person apprehending liability to the society and all questions in any way relating to or affecting the assets or the winding up of the society on such terms as may be agreed and take any security for the discharge of any such call, liability, debt or claim and give a complete discharge in respect thereof ;

- ¹[(1) to raise on the security of the assets of the society any money required with the permission of the Government.]
- (2) Any sum ordered under this section to be recovered as a contribution to the assets of a society or as costs of liquidation may be recovered, on a requisition being made in this behalf by the Registrar to the Collector in the same manner as arrears of land revenue.
- (3) Save as provided in sub-section (2), orders made under this section shall, on application, be enforced by any Civil Court having local jurisdiction in the same manner as a decree of such Court.
- (4) The liquidator shall continue to exercise his powers until the affairs of the society are completely wound up, when he shall make a report to the Registrar and deposit the records of the society in such place as the Registrar may direct.

67. Restriction on alienation of property by a member of a society under winding up:—

Where a society has been ordered to be wound up under Section 64, no member shall alienate his property movable or immovable, from the date of the order of winding up and until after expiration of fifteen days from the date on which the order of winding up takes effect. Any alienation of the property made by a member in contravention of this section is voidable at the option of the liquidator :

Provided that the provisions of this section shall not apply to any member who furnishes adequate security to the satisfaction of the liquidator.

68. Cancellation of registration of a society:—

Where the affairs of a society have been completely wound up, after considering the report of the liquidator under sub-section (4) of Section 66, the Registrar shall, by order in writing, cancel the registration of the society. The society shall cease to exist as a corporate body from the date of such order.

69. Restoration of a society wound up:—

Where in the opinion of the Registrar, a society which has been ordered to be wound up may be restored to a committee constituted in accordance with the provisions of this Act, the rules, and bye-laws, he may, at any time, before the affairs of the society have been completely wound up, cancel or withdraw the order of winding up and direct the liquidator to constitute a committee in accordance with the provisions of this Act, the rules and bye-

1. Inserted by Act No. 21 of 1985, w.e.f. 22.4.1985.

laws and handover the management of the affairs of the society to such committee. The property, assets, effects and actionable claims or liabilities of the society as on the date of such cancellation or withdrawal shall revert in, or devolve on, the society.

1[69-A. Termination of liquidation proceedings:—

- (1) The winding up proceedings shall be closed within a period of three years from the date of the order of winding up and after the expiry of the said period of three years it shall be deemed that the liquidation proceedings have been terminated, and the Registrar shall pass an order terminating the liquidation proceedings.
- (2) On the termination of the liquidation proceedings the liquidator shall make a report to the Registrar.

69-B. Disposal of surplus assets:—

Surplus assets as shown in the final report of the liquidator of a society which has been wound up shall be utilised for such purposes as may be specified in the bye-laws. Where the society has no such bye-laws, the surplus assets shall vest in the Registrar who shall hold it in trust and shall transfer it to the reserve funds of a new society registered with a similar object and serving more or less an area which the society to which the surplus belonged was serving ;

Provided that where no such society is registered within a period of three years of the cancellation of the registration of the society whose surplus is vested in the Registrar, the Registrar may distribute the surplus to the Federal society with similar objects or to the Andhra Pradesh State Co-operative Union, or for any charitable purpose as defined under the Charitable Endowments Act, 1890. (Central Act IV of 1890).]

1. Inserted by Act No. 21 of 1985, w.e.f. 22.4.1985.

CHAPTER X

Execution of Decisions, Decrees and Orders

70. Power of the Registrar to recover certain amount by attachment and sale of property and execution of orders:— [Rule 52,55A]

- (1) The Registrar or any person authorised by him in this behalf may, without prejudice to any other mode of recovery provided by or under this Act, recover—
 - (a) any amount due under a decision or an order of the Registrar, or any person authorised by him, or an arbitrator;
 - (b) any amount ordered to be paid towards the expenses of a general meeting of a society called under Section 32 ;
 - (c) any amount awarded by way of costs under Section 56 to a society including a financing bank or a Federal society;
 - (d) any amount payable ¹[xxx] towards fees under Section 58;
 - (e) any amount ordered under Section 60 to be repaid to a society or recovered as a contribution to its assets ; or
 - (f) any amount ordered under Section 66 to be recovered as a contribution to its assets, together with the interest, if any, due on such amount and the costs of process by the attachment and sale or by sale without attachment of the property of the person or the society against whom such decision or order, has been passed or obtained.
- (2) Every order or decision made under Section 60, Section 71 Section 76, Section 77 or Section 78 for the recovery of any amount may be executed in the following manner:—
 - (a) by the Civil Court having local jurisdiction on a certificate signed by the Registrar or any person authorised by him in this behalf as if the order or decision were a decree of that Court ; or
 - (b) by the Collector, on an application made to him within twelve years from the date fixed for payment in the order or decision and if no such date fixed from the date of the order or decision, along with a certificate signed by the Registrar or by any person authorised by him in this behalf, as if the amount due under the order or decision were an arrear of land revenue; or

1. Omitted by A.P. Act No. 14 of 1966.

- (c) by the Registrar or any other person authorised by him in this behalf, in the manner provided under sub-section (1).

¹[70A. Execution of non-monetary orders etc.:—

Every order or decision of a non-monetary nature made under the provisions of Section 62, Section 76, Section 77 or Section 78, shall be executed by the Civil Court having jurisdiction, as if such order or decision is a decree of that Court on a certificate issued by the Registrar or any person authorised by him in this behalf.]

²[71. Recovery of debts:—

- (1) Notwithstanding anything in this Act or in any other law for the time being in force and without prejudice to any other mode of recovery which is being taken or may be taken, the Registrar may, ³[on the application made by a society or financing bank or federal society as the case may be, for the recovery of arrears of any sum advanced to any of its members and on furnishing a statement] of accounts in respect of the arrears and after making such inquiry as he deems fit issue a certificate for the recovery of the amount stated therein to be due as arrears.
- (2) Where the Registrar is satisfied that ⁴[a society] has failed to take action under sub-section (1) in respect of any amount due as arrears, he may on his own motion, and after making such enquiry as he deems fit, issue a certificate for the recovery of the amount stated therein to be due as arrears and such a certificate shall be deemed to have been issued on an application made by the society concerned.
- (3) A certificate issued by the Registrar under sub-section (1) or sub-section (2) shall be final and conclusive proof of the arrears stated to be due therein and the certificate shall be executed in the manner specified in sub-section (2) of Section 70.]

72. Registrar or person authorised by him to be a Civil Court for certain purposes:—

The Registrar or any person authorised by him in this behalf shall be deemed, when exercising any power under this Act for the recovery of any amount by the attachment and sale or by sale without attachment of any property, or when passing any orders on any application made to him for such recovery,

1. Inserted by A.P. No. 3 of 1991.
2. Subs. by A.P. Act No. 10 of 1970.
3. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
4. Subs. by Act No. 21 of 1985.

or to take steps in aid of such recovery to be a Civil Court for the purpose of ¹[Article 182 of the First Schedule to the Indian Limitation Act, 1908.]

73. Attachment of property before decision or order:— [Rule 54]

It the Registrar is satisfied on application, report, inquiry or otherwise that any person with intent to delay or obstruct the enforcement of any decision or order that may be made against him under the provisions of this Act—

- (a) is about to dispose of the whole or any part of his property; or
- (b) is about to remove the whole or any part of his property from the jurisdiction of the Registrar, the arbitrator or liquidator, as the case may be.

He may, unless adequate security is furnished direct the attachment of the said property, and such attachment shall have the same effect as if made by a competent Civil Court.

74. Recovery of amounts due to Government:— [Rule 55]

- (1) Any amount due from a society or from an officer, former officer or member or past or deceased member of a society as such to Government including any costs awarded to Government under this Act may on a certificate issued by the Registrar in this behalf, be recovered by the Registrar or any other person authorised by him in this behalf or by the Collector in the same manner as arrears of land revenue.
- (2) Any amount due from a society to Government and recoverable under sub-section (1) may be recovered, firstly from the property of the society, secondly in the case of a society the liabilities of the members of which is limited, from the members, past members, or the estates of deceased members subject to the limit of their liability, and thirdly in the case of other societies, from the members, past members or the estates of deceased members:

Provided that the liability of past members and the estates of deceased members shall in all cases be subject to the provisions of Section 29.

1. See now Article 136 of Schedule to Limitation Act, 1963.

CHAPTER XI

Appeal, Revision and Review

¹[75. Constitution of Co-operative Tribunal:—

- (1) The Government may, for the purpose 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.
- (2) The Tribunal shall consist of a Chairman and not more than two other members to be appointed by the Government.
- (3) The Chairman shall be a person who is or has been a judicial officer not below the rank of a District Judge and a member shall be a person, who holds or has held a post not below the rank of Additional Registrar of Co-operative Societies.
- (4) The Government may, from time to time, likewise reconstitute any Tribunal constituted under sub-section (1) or may abolish such Tribunal.
- (5) The quorum to constitute a meeting of a Tribunal and the manner of taking decision thereat and the procedure and conduct of its business shall be such as may be prescribed.
- (6) No Act or proceeding of any Tribunal shall be deemed to be invalid by reason only of the existence of any vacancy among its members or any defect, in the constitution or reconstitution thereof.

²[76. Appeal:— [Rule 49A]

- (1) Any person or society aggrieved by any decision passed or order made under Section 6, Section 9A, Section 9B, Section 9C, Section 12A, Section 13. ³[XXX] Section 16, Section 17, Section 19, Section 21, Section 21A, Section 21AA, Section 23, sub-section (3) of Section 32, Section 34, Section 34A, Section 60, Section 62, Section 64, Section 66, Section 70, Section 71, Section 73 and Section 117 may appeal to the Tribunal :

Provided that nothing in this sub-section shall apply to any order of withdrawal or transfer of a dispute under sub-section (3) of Section 62.

1. Subs. by Act No. 15 of 1991.
2. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
3. The words "Selction 15-A" omitted by Act No. 6 of 2005, w.e.f. 31.1.2005.

- (2) On a reference made by the Registrar of Cooperative Societies, the Tribunal shall call for and examine the records of any proceeding which is appealable to it for the purpose of satisfying itself as to the legality or propriety of any decision or order passed and where it appears to the Tribunal that any such decision or order should be modified, annulled or reversed, the Tribunal may pass such order thereon as it may deem fit:
- (3) Any appeal under sub-section (1) shall, subject to the other provisions of this Act, be preferred within sixty days from the date of communication to the appellatant of the decision, refusal or order complained of but the Tribunal may admit an appeal preferred after the said period of sixty days, if it is satisfied that the appellatant has sufficient cause for not preferring the appeal within the said period.
- (4) In disposing of an appeal under this section, the Tribunal may, after giving the parties an opportunity of making their representations, pass such order thereon as it may deem fit.
- (5) The decision or order of the Tribunal on appeal shall be final.
- (6) The Tribunal may pass such interim orders pending the decision on the appeal as may deem fit.
- (7) The Tribunal may award costs in any proceedings before that authority to be paid either out of the funds of the society or by such party to the appeal as the Tribunal may deem fit.]

77. Revision:—

- (1) The Registrar may of his own motion or on application made to him, call for and examine the record of any officer subordinate to him and the Government may of their own motion or on application made to them, call for and examine the record of the Registrar, in respect of any proceeding not being a proceeding in respect of which an appeal to the Tribunal is provided by sub-section (1) of Section 76 to satisfy himself or themselves as to the regularity of such proceeding or the correctness, legality or propriety of any decision passed or order made therein ; and if, in any case, it appears to the Registrar or the Government that any such decision or order should be modified, annulled, reversed or remitted for reconsideration, he or they may pass orders accordingly:

Provided that every application to the Registrar or the Government for the exercise of the powers under this section shall be preferred within ninety days from the date on which the proceeding, decision or order to which the application relates was communicated to the applicant.

- (2) No order prejudicial to any person shall be passed under sub-section (1) unless such person has been given an opportunity of making his representation.

- (3) The Registrar or the Government, as the case may be, may ¹[suspend the decision or order pending the exercise of his or their power under sub-section (1) in respect thereof.
- (4) The Registrar or the Government may award costs in proceedings under this section, to be paid either out of the funds of the society or by such party to the application for the revision as the Registrar or the Government may deem fit.

²**[Explanation:—** For the purposes of this section, the expression 'Registrar' means the Registrar of Co-operative Societies for the State appointed as such under sub-section (1) of Section 3.]

78. Review:— [Rule 56]

- (1) The appellant or the applicant for revision or the respondent may apply for the review of any order passed under Section 76, or Section 77 on the basis of the discovery of new and important facts which, after the exercise of due diligence were not then within his knowledge or could not be produced by him when the order was made, or on the basis of some mistake or error apparent on the face of the record or for any other sufficient reason :
Provided that no application for review shall be preferred more than once in respect of the same order.
- (2) Every application for review shall be preferred ³[to the authority which passed the order under Section 76 or Section 77] within such time and in such manner as may be prescribed.
- (3) The decision or order passed on the application in review shall be final.
- (4) The authority competent to pass orders on application for review may pass such interlocutory orders pending the decision on the application for review as that authority may deem fit.
- (5) The authority referred to in sub-section (4) may award costs in any proceedings for review to be paid either out of the funds of the society or by such party to the application for review as it may deem fit.

-
1. Subs. by A.P. Act No. 21 of 1985, w.e.f. 22.4.1985.
2. Added by Act No. 22 of 2001, dt. 25.4.2001.
3. Inserted by A.P. Act No. 14 of 1966.
-

CHAPTER XII

Offences and Penalties

79. Punishment for furnishing false return or information, disobeying summons or other lawful order, requisition, or direction, or for acting in contravention of Section 35 or Section 36 or for failure to produce books etc.:-

- (1) It shall be an offence under this Act, if-
- (a) the committee, an officer, employee or any member of the society wilfully makes a false return or furnishes false information, on a lawful order or direction issued under the provisions of this Act ;
- ²[(aa) the committee, an officer, employee or any member of the society furnishes false information to gain admission or to continue as member of a society or to get elected to the managing committee or as an officer of the society or to continue as member of the Managing Committee or as an officer of the society ;]
- (b) any person wilfully or without any reasonable cause disobeys any summons, requisition or other lawful order or direction issued under this Act ;
- (c) any person wilfully withholds or fails to furnish any information lawfully required from him by a person authorised in this behalf under the provisions of this Act ;
- (d) any person acts in contravention of Section 35 or Section 36 or sub-section (2) of Section 48 or sub-section (3) of Section 83-B.
- (e) the committee or a member thereof wilfully fails to produce books, accounts, documents, records, securities, cash and other properties belonging to or in the custody of the society ;
- ³[(f) an officer, or an employee of the society including the paid Secretary dishonestly or fraudulently mis-appropriates or otherwise converts for his own use or intentionally causes loss to the property of the society entrusted to him or under his control as such officer or employee or allows any other person so to do ;
- (g) an officer, or an employee of the society is or proved to have been in possession of any property of the society reasonably suspected to have been stolen or unlawfully obtained ; or
- (h) any officer or employee abets any offence punishable under this Act whether or not that offence is committed in consequence of that abetment.]

-
1. Added by A.P. Act No. 28 of 1988, w.e.f. 9-5-1988.
2. Subs. by Act No. 15 of 1991.
3. Added by Ibid.
-

- (2) ¹[An offence under Clauses (a) to (e) of sub-section (1)] shall be punishable with imprisonment for a term which may extend to ²[six months and] with fine which may extend to five hundred rupees.³[xxx]
- ⁴[(3) An offence in sub-section (1), under-
- (i) Clause (f), shall be punishable with imprisonment for a term which shall not be less than one year but which may extend to seven years ;
 - (ii) Clause (g), shall be punishable with imprisonment for a term which may extend to five years ; and
 - (iii) Clause (h), shall be punishable with imprisonment for a term which shall not be less than six months but which may extend to five years.]

⁵[79A. Punishment for corrupt practices:—

- (1) Where any officer of a society or an employee or a paid servant or any member of such society,—
 - (a) commits any irregularity in receipt or sanction of loans or in purchases or causes, deficit in stocks; or
 - (b) accepts or obtains or agrees to accept or attempts to obtain from any person for himself or for any other person, any gratification whatever, other than legal remuneration as a motive or reward for doing or forbearing to do any official act or showing or forbearing to show, in the exercise of his official functions or duties favour or disfavour to any person or rendering or attempting to render any service or dis-service to any person; or
 - (c) uses or allows the use of funds of the society otherwise than in accordance with the provisions of this Act, rules or the bye-laws of the society; or
 - (d) signs in the minutes books of committee meetings of the society without actually attending such meetings; or
 - (e) passes a meeting without proper quorum as valid, he shall be deemed to be guilty of a corrupt practice in relation to the society.

Explanation:— For the purposes of this section,—

- (i) 'irregularity in receipt or sanction of loan includes
 - (i) receipt of loan by or sanction of loan to any person who does not own or cultivate a land or the extent of land shown in the application for loan, where owning or cultivating land is a condition precedent for the sanction of loan; and
 - (ii) fictitious loan;

1. Subs. by Act No. 15 of 1991.
2. Subs. by Act No. 28 of 1988, w.e.f. 9-5-1988.
3. The words "or with both" omitted by Act No. 28 of 1988, w.e.f. 9-5-1988.
4. Added by Act No. 15 of 1991.
5. Inserted by Act No. 22 of 2001, dt. 25.4.2001.

- (ii) 'irregularity in purchases' includes purchases, made with the intention to gain wrongfully of,—
 - (i) sub-standard or adulterated goods;
 - (ii) goods by paying higher price;
 - (iii) goods in excess of requirement.
- (2) Every person guilty of a corrupt practice shall be punishable with imprisonment for a term which may extend upto one year or with fine which may extend to rupees five thousand or with both.

80. Prohibition of the use of the word 'co-operative' or its equivalent:-

- (1) No person other than a society shall trade or carry on business under any name or title of which the word 'co-operative' or its equivalent in any Indian language forms part without the sanction of the Government :
Provided that nothing in this sub-section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business at the date on which the Co-operative Societies Act, 1912 and the Co-operative Credit Societies Act, 1323-F. came into operation.
- (2) Whoever contravenes the provisions of sub-section (1) shall be punishable with fine which may extend to two hundred rupees and in the case of a continuing offence with further fine of fifty rupees for each day on which the offence is continued after conviction thereof.

81. Punishment for failure to give effect to decision or order:—

The committee or any officer or an employee of a society who fails to give effect to, any decision or order under Section 62, or where an appeal against such decision or order has been filed to the order passed by the appropriate appellate authority, such decision or order not being a money decree, shall be punishable with fine which may extend to five hundred rupees.

82. Punishment for offences not otherwise provided for:—

Any society or any officer or member thereof or any other person contravening the provisions of this Act for which no punishment is expressly provided herein shall be punishable with fine which may extend to fifty rupees.

¹[83. Cognizance of offences:—

- (1) No court inferior to that of a Magistrate of the first class or a Metropolitan Magistrate shall try any offence under this Act.
- (2) Every offence under this Act shall, for the purpose of the Code of Criminal Procedure, 1973 (Central Act 2 of 1974), be deemed to be cognizable.
- (3) No prosecution shall be instituted under this Act without the previous sanction of the Registrar.]

83-A ²[Omitted by the Act No. 22 of 2001 dated 25-04-2001]

1. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
2. Omitted by Ibid.

83-B. Presumption as to commission of offences in certain cases:—

- (1) In the trial of offences by the Court it shall be presumed until the contrary is proved that any member, officer or employee of a society ;
- (a) who draws the amounts from the financing institutions and fails to properly disburse or account for it, has misappropriated the amounts ;
- (b) who is responsible for the custody of books and properties or who is in actual possession thereof, fails to produce the same on requisition by the ¹[xxx]Registrar or any person authorised by him, has wilfully withheld the same ;
- (c) who makes any false entries or manipulates or alters the account books of the society, has wilfully committed the said act in order to cause loss or damage to the society ;
- (d) who misuses the properties of the society in contravention of the provisions of the Act and the rules made thereunder or the bye-laws of the society has done so, for his personal benefit;
- (e) who executes any documents or enters into an agreement for sale or purchase of the land plots in contravention of the provisions of the registered bye-laws of the society, has done so for his personal benefit and in order to cause loss to the members of the society.
- (2) Any member, officer or employee of a society who issues any receipt shall be deemed to have issued the same in the name of the society and shall be responsible to account for the same.
- (3) Notwithstanding the criminal liability the member, officer or employee of a society shall be responsible to make good the loss caused to the society by committing such offences and the same shall be recovered as arrears of land revenue by the Registrar or the person authorised by him from the person responsible for causing such loss or his legal heirs or any person who has acquired the properties from such person or with the assistance of such person.

83-C. Presumption as to statements:—

Where any member, officer or employee of a society has made a statement during the enquiry under Section 51 or inspection under Section 52 and the statement is recorded by the Registrar or the person authorised by the Registrar in exercise of their powers conferred on them under this Act, the Court shall presume that the statement was so recorded by the Registrar or the person authorised by him as a statement within the meaning of the Indian Evidence Act, 1872.

1. Omitted by Act No. 22 of 2001, dt. 25.4.2001.

CHAPTER XIII**¹[Financing Banks/Primary Agricultural Co-op. Societies]****84. Definitions:—** In this Chapter—

- (a) 'Board' means the Board of directors of ²[The Andhra Pradesh State Co-operative Bank Limited]; ³[and includes a financing bank or any person authorised by it.]
- (b) ⁴[xxx]
- (c) ¹[Financing Bank/Primary Agricultural Co-operative Society] means a co-operative society registered as such or deemed to be registered under this Act, (Act XLIV of 1961). ⁵[xxx]
- (d) 'Trustee' means the Trustee referred to in Section 86.

85. Application of chapter to ⁶[Financing Bank/Primary Agricultural Co-operative Society]:-

The provisions of this Chapter shall apply to the Financing Bank/Primary Agricultural Co-operative Society advancing loans for the purposes herein enumerated that is to say-

- (i) land improvement and productive purposes ;
- (ii) the erection, rebuilding or repairing of houses for agricultural purposes ;
- (iii) the purchase or acquisition of title to agricultural lands by tenants; or
- (iv) the liquidation of debts of agriculturists under the relevant law for the time being in force ;
- ⁷[(v) the acquisition, construction, rebuilding or repairing of rural dwelling houses.]

Explanation:- Land improvement or productive purpose means any work, construction or activity which adds to the productivity of the land, in particular includes the following, that is to say-

1. Subs. by A.P. Act No. 19 of 1976 and later by A.P. Act No. 1 of 1987.
2. Subs. by A.P. Act No. 14 of 1994, w.e.f. 30-4-1994.
3. Added by A.P. Act No. 1 of 1987.
4. Omitted by Act No. 14 of 1994, w.e.f. 30-4-1994.
5. Omitted by Act No. 1 of 1987.
6. Omitted by Act No. 1 of 1987.
7. Inserted by Act No. 8 of 1992.

- (a) construction and repair of wells (including the tube wells), tanks and other works for the storages, supply or distribution of water for the purpose of agriculture, or for the use of men and cattle employed in agriculture ;
- (b) renewal or reconstruction of any of the foregoing works, or alterations therein, or additions thereto ;
- (c) preparation of land for irrigation ;
- (d) drainage, reclamation from rivers or other waters, or protection from floods or from erosion or other damage by water, of land used for agricultural purposes ; or waste land which is cultivable,
- (e) bunding and similar improvements ;
- (f) reclamation, clearance and enclosure or permanent improvement of land for agricultural purposes ;
- (g) horticulture ;
- (h) purchase of oil-engines, pumping sets and electrical motors for any of the purposes mentioned herein ;
- (i) purchase of tractors or other agricultural machinery ;
- (j) increase of the productive capacity of land by addition to it of special variety of soil ;
- (k) construction of permanent farm houses, cattle sheds, and sheds for processing of agricultural produce at any stage ;
- (l) purchase of machinery for crushing sugarcane, manufacturing gur or khandasari or sugar ;
- (m) such other purposes as the Government may specify from time to time, by notification in the Andhra Pradesh Gazette.

86. Appointment of Trustee and his Powers and functions:—

- (1) The Registrar, or where the Government appoint any other person in this behalf, such person, shall be the Trustee for the purpose of securing the fulfilment of the obligation of the Andhra Pradesh State Co-operative Bank Limited] to the holders of debentures issued by the Board.
- (2) The powers and functions of the trustee shall be governed by the provisions of this Act and by the instrument of trust executed between the ¹[Andhra Pradesh State Co-operative Bank Limited] and the Trustee as modified, from time to time, by mutual agreement between the Board and the Trustee.

1. Subs. by A.P. Act No. 14 of 1994, w.e.f. 30-4-1994.

87. Trustee to be a corporation sole:—

The trustee shall be a corporation sole by the name of the Trustee for the debentures, and as such shall have perpetual succession and a common seal and in his corporate name shall sue and be sued.

88. Issue of debentures by the Board:—

- (1) With the previous sanction of the trustee, and the Government and subject to such terms and conditions as the Government may impose, the Board may, from time to time, issue debentures of such denominations for such periods as it may deem expedient, on the security of the mortgages held or mortgages partly held and partly to be acquired and other assets transferred or deemed to have been transferred under the provisions of Section 94, by the ¹[Primary Agricultural Co-operative Societies to the financing bank and by the financing bank to the Andhra Pradesh State Co-operative Bank Limited shall be substituted, and other properties of such Bank.
- (2) Such debentures may contain a term fixing a period not exceeding ten years from the date of issue during which they shall be irredeemable, reserving to the Board the right to call in at any time any of the debentures in advance of the date fixed for redemption, after giving to the debenture-holder concerned not less than three months' notice in writing.
- (3) The total amount due on the debentures already issued and outstanding together with that proposed to be issued shall not exceed the aggregate of—
 - (a) the amounts due on the mortgages and the value of the other assets transferred or deemed to have been transferred under the provisions of Section 94 to the Andhra Pradesh State Co-operative Bank Limited and subsisting at such time ;
 - (b) the accumulations in the sinking funds ;
 - (c) the cash on hand and balances with banks and the body value or market value of securities under general funds, whichever is less.

89. Charges of debenture-holders on certain properties:—

The holders of the debentures shall have a floating charge on—

- (a) all such mortgages and assets as are referred to in Clause (a) of sub-section (3) of Section 88 ;
- (b) the amount paid under such mortgages and remaining in the hands of the Board or of the Trustee ; and
- (c) the other properties of the Andhra Pradesh State Co-operative Bank Limited.

1. Subs. by Act No. 1 of 1987.

2. Subs. by A.P. Act No. 14 of 1994, w.e.f. 30-4-1994.

90. Guarantee by Government of principal of, and interest on, debentures:—

- (1) The principal of, and interest on, the debentures issued under the Andhra Pradesh (Andhra Area) Co-operative Land Mortgage Banks Act, 1934 and those issued under Sec. 88 shall, in respect of such maximum amount as may be fixed by the Government and subject to such conditions as they may think fit to impose, carry the guarantee of the Government;
- (2) The Government may, subject to the provisions of any Act in that regard, increase the maximum amount of any guarantee under sub-section (1).
- (3) The Government may, after consulting the Board and the Trustee,—
 - (a) by notification in the Andhra Pradesh Gazette ; and
 - (b) by notice of not less than fourteen days in such of the important news papers in the State and of other States in India as a Government may select in this behalf,

withdraw any guarantee given by them or restrict the maximum amount thereof or modify the conditions, subject to which it was given with effect from a specified date, not being earlier than six months from the date of the publication of the notification referred to in Clause (a):

Provided that the withdrawal, restriction or modification of any guarantee under this sub-section, shall not in any way affect the guarantee carried by any debentures issued under the Andhra Pradesh (Andhra Area) Co-operative Land Mortgage Banks Act, 1934 or under this Act prior to the date on which such withdrawal, restriction or modification, takes effect.

- (4) Every notification and notice referred to in sub-section (3), shall where the maximum amount of the guarantee is to be restricted, or the conditions subject to which the guarantee was given are to be modified, set forth precisely the scope and effect to the restriction or modification, as the case may be.

91. Other guarantee by Government:—

Where a¹[Andhra Pradesh State Co-operative Bank Limited] or ²[Financing Bank/Primary Agricultural Co-operative Society] has given a loan to a member for the development of any land in excess of the amount of the loan to which such member would be entitled on the basis of the value of the land as determined in accordance with the principles of valuation approved by the Government, the Government may guarantee for a specified amount the repayment of the loan to the extent of the excess.

1. Subs. by A.P. Act No. 14 of 1994, w.e.f. 30-4-1994.
2. Subs. by A.P. Act No. 1 of 1987.

92. Priority mortgage over certain claims:—

The ¹[mortgage created in favour of] ²[Financing Bank/Primary Agricultural Co-operative Society shall have priority over any claim of the Government arising from a loan under the Land Improvement Loans Act, 1883 granted subsequent to the ¹[creation of the mortgage.]

93. Right of ²[Financing Bank/Primary Agricultural Co-operative Society] or of the ³[Andhra Pradesh State Co-operative Bank Limited] to purchase mortgaged property:—

- (1) Notwithstanding anything in any other law for the time being in force, it shall be lawful for ²[Financing Bank/Primary Agricultural Co-operative Society] or the ³[Andhra Pradesh State Co-operative Bank Limited] to purchase any mortgaged property sold under this Chapter, and the property so purchased shall be disposed of by such bank by sale within such period as may be fixed by the Trustee.
- (2) Nothing in the ³[Andhra Pradesh Land Reforms (Ceiling on Agricultural Holdings) Act, 1973] fixing a maximum limit of agricultural holding shall apply to the acquisition of land by ²[Financing Bank/ Primary Agricultural Co-operative Society] or the ⁴[Andhra Pradesh State Co-operative Bank Limited] under sub-section (1).

94. ¹[Mortgages created in favour of] ²[Financing Bank/Primary Agricultural Co-operative Society] to stand vested in ³[Andhra Pradesh State Co-operative Bank Limited]:—

The ¹[mortgages created in favour of, and all other assets transferred to, ²[Financing Bank/ Primary Agricultural Co-operative Society] by the members thereof shall, with effect from ¹[the date of such creation] or transfer, be deemed to have been transferred by such Financing Bank/Primary Agricultural Co-operative Society to the ³[Andhra Pradesh State Co-operative Bank Limited] and shall vest in the Trustee.

95. Power of ²[Financing Bank/Primary Agricultural Co-operative Society] to receive moneys and grant discharges:—

Notwithstanding that ¹[a mortgage created in favour of] ²[Financing Bank/ Primary Agricultural Co-operative Society] has been transferred, or is deemed under the provisions of Section 94 to have been transferred to the ³[Andhra Pradesh State Co-operative Bank Limited]—

1. Subs. by A.P. Act No. 2 of 1999.
2. Subs. by A.P. Act No. 1 of 1987.
3. Subs. by A.P. Act No. 14 of 1994, w.e.f. 30-4-1994.

- (a) all money due under the mortgage shall, in the absence of any specific direction to the contrary issued by the Board or Trustee and communicated to the mortgagor, be payable to the Financing Bank/Primary Agricultural Co-operative Society] and such payment shall be as valid as if the mortgage has not been so transferred ; and
- (b) the Financing Bank/Primary Agricultural Co-operative Society shall, in the absence of any specific direction to the contrary issued the Board of Trustees and communicated to the Financing Bank/Primary Agricultural Co-operative Society be entitled to sue on the mortgage or take any other proceeding for the recovery of the moneys due under the mortgage.

96. Right of Financing Bank/Primary Agricultural Co-operative Society to pay prior debts of mortgagor:—

- (1) Where a mortgage is created in favour of Financing Bank/Primary Agricultural Co-operative Society for payment of prior of the debts of the mortgagor; the bank may, notwithstanding anything in the Transfer of Property Act, 1882, by notice in writing, require any person to whom any such debt is due, to receive payment of such debt or part thereof from the bank at its registered office within such period as may be specified in the notice.
- (2) Where any such person fails to receive such notice or such payment, such debt or part thereof, as the case may be, shall cease to carry interest from the expiration of the period specified in the notice:

Provided that where there is a dispute as regards the amount of any such debt, the person whom such debt is due shall be bound to receive payment of the amount offered by the [Financing Bank/Primary Agricultural Co-operative Society towards the debt but such receipt shall not prejudice the right, if any, of such person, to recover the balance claimed by him.

97. Power of ¹[Financing Bank/Primary Agricultural Co-operative Society] to advance loans and to hold lands:—

Subject to the provisions of this Act and in accordance with the rules made thereunder, it shall be competent for Financing Bank/Primary Agricultural Co-operative Society to advance loans for the purposes referred to in Section 85 and to hold lands the possession of which is transferred to it under the provisions of this Chapter.

98. Mode of dealing with applications for loans:— [Rule 57]

- (1) When an application for a loan is made for any of the purposes mentioned in Section 85, a public notice shall be given of the application in such manner

1. Subs. by A.P. Act No. 1 of 1987.

as may be prescribed calling upon all persons interested to make their objections to the loan if any before the date specified therein. The person by whom such public notice shall be given and the manner in which the objections shall be disposed of by him, shall be such as may be prescribed.

- (2) The prescribed person shall consider every objection made under sub-section (1) and pass an order in writing either upholding or overruling it. When the objection is overruled, he shall recommend the application to the Financing Bank/Primary Agricultural Co-operative Society for its consideration :

Provided that when the question raised by an objection is in the opinion of such person one of such a nature that it cannot be satisfactorily decided except by a Civil Court, he shall postpone the proceedings on the application until the question has been so decided.

- (3) A notice under sub-section (1), published in the manner prescribed, shall, for the purpose of this Act be deemed to be proper notice to all persons having or claiming interest in the land to be improved, or offered as security for the loan.
- (4) Where an application is recommended under sub-section (2), the Financing Bank/Primary Agricultural Co-operative Society shall, in accordance with the rules made in this behalf, consider such application for the purposes of making the loan.

99. Order granting loan conclusive of certain matters:—

A written order by the ¹[Financing Bank/Primary Agricultural Co-operative Society], or persons or committees authorised by this Act or under the bye-laws of the bank to make loans for all or any of the purposes specified in Sec. 85 granting, either before or after the commencement of this Act, a loan to or with the consent of a person mentioned therein, for the purpose of carrying out the work specified therein, for the benefit of the land or for the productive purpose specified therein, shall, for the purposes of this Act be conclusive of the following matters, namely:—

- (a) that the work described or the purpose for which the loan is granted, is an improvement or productive purpose, as the case may be, within the meaning of Section 85 ;
- (b) that the person had at the date of the order a right to make such an improvement, or incur expenditure for productive purpose as the case may be ; and

1. Subs. by A.P. Act No. 1 of 1987.

- (c) that the improvement is one benefitting the land specified and productive purpose concerns the land offered as security, or an any part thereof as may be relevant.

100. Recovery of loans by ¹[Financing Bank/Primary Agricultural Co-operative Society]:—

Any loan granted by ¹[Financing Bank/Primary Agricultural Co-operative Society], including any interest chargeable thereon, and costs, if any, incurred in connection therewith, shall, when they become due, be recoverable by the Financing Bank/Primary Agricultural Co-operative Society.

101. Recovery of loans on certificate by Registrar:—

- (1) Notwithstanding anything in this Act, on an application made by Financing Bank/Primary Agricultural Co-operative Society for the recovery of arrears of any sum advanced by it to any of its members and on its furnishing a statement of accounts in respect of the arrears, the Registrar may, after making such enquiries as he deems fit, grant a certificate for the recovery of the amount stated therein to be due as arrears.
- (2) A certificate by the Registrar under sub-section (1) shall be final and conclusive as to the arrears due. The arrears stated to be due therein shall be recoverable by the Collector in the same manner as arrears of land revenue.
- (3) It shall be lawful to the Collector to take any precautionary measure until the arrears due to the Financing Bank/Primary Agricultural Co-operative Society together with interest and any incidental charges incurred in the recovery of such arrears, are paid or security of such arrears is furnished to the satisfaction of the Registrar.
- (4) It shall be competent for the Registrar or a person authorised by him to direct conditional attachment of the property of the mortgagor until the arrears due to the ¹[Financing Bank/Primary Agricultural Co-operative Society] together with interest and any incidental charges incurred in the recovery of such arrears, are paid or security for payment of such arrears is furnished to the satisfaction of the Registrar and the provisions of Section 73 shall apply mutatis mutandis to conditional attachment of any property made or to be made under this section.

102. Collector to make recoveries during a certain period:—

- (1) During such period as the Government, may by general or special order notify in the Andhra Pradesh Gazette, it shall be competent for the Collector,

on application being made to him in that behalf by ¹[Financing Bank/Primary Agricultural Co-operative Society] to recover sums due to the bank, including for cost of such recovery.

- (2) Any sum due to Financing Bank/Primary Agricultural Co-operative Society shall be recoverable by the Collector, or any officer specially authorised by the Collector, in his behalf, in all or any of the following modes, namely:
- (a) from the borrower—as if they were arrears of land revenue due by him ;
- (b) out of the land for the benefit of which the loan has been granted-as if they were arrears of land revenue due in respect of that land
- (c) from a surety, if any, as if they were arrears of land revenue due by him;
- (d) out of the property comprised in the collateral security, if any according to the procedure for the realisation of land revenue by the sale of immovable property other than the land on which the revenue is due.

103. Distraint and sale:— [Rule 53(1)]

- (1) If any instalment payable under ²[a mortgage created in favour of] ¹[Financing Bank/Primary Agricultural Co-operative Society] or any part of such instalment has remained unpaid for more than one month from the date on which it fell due, the committee, may in addition to any other remedy available to the Bank apply to the Registrar or such other person on whom the power of the Registrar to recover any amount due by attachment and sale of property has been conferred by the Government under Section 3 for the recovery of such instalment or part thereof by distraint and sale of the produce of the mortgaged land including the standing crops thereon and any other movable property of the defaulter. On receipt of such application, the Registrar or such other person may notwithstanding anything in the Transfer of Property Act, 1882, direct distraint and sale of such produce and if necessary, also of such other movable property; of the defaulter :

Provided that such implements of husbandry and such cattle of the defaulter as may in the opinion of the Registrar or such other person, be necessary to enable the defaulter to earn his livelihood as an agriculturist shall not be liable for such distraint and sale:

Provided further that no such distraint shall made after the expiration of ³[twenty four months] from the date on which the instalment fell due.

- (2) The value of the property distrained shall be, as far as may be, equal to the amount due and the expenses of the distraint and the costs of the sale.

1. Subs. by A.P. Act No. 1 of 1987.

1. Subs. by A.P. Act No. 1 of 1987.

2. Subs. by A.P. Act No. 2 of 1999.

3. Subs. by A.P. Act No. 19 of 1976

104. Power of sale when to be exercised:—

- (1) Notwithstanding anything in the Transfer of Property Act, 1882, ¹[the Committee of the Financing Bank or any person authorised by the Primary Agricultural Co-operative Society] in this behalf shall, in case of default of payment of mortgage money due, have power, in addition to any other remedy available to the bank, to bring the mortgaged property to sale without the intervention of the Court :
- (2) No such power shall be exercised unless and until,—
 - (a) the Board has previously authorised the exercise of the powers conferred by sub-section (1) after considering the representations, if any, of the mortgagor ;
 - (b) registered notice requiring payment of such mortgage money or part has been served upon—
 - (i) the mortgagor ;
 - (ii) any person who has any interest in or charge upon the property mortgaged or in or upon the right to redeem the same ;
 - (iii) any surety for the payment of mortgage debt or any part thereof; and
 - (iv) any creditor of the mortgagor who has in a suit for the administration of his estate obtained a decree for sale of the mortgaged property ; and
 - (c) default has been made in payment of such mortgage money due for three months after such service.

105. Powers of ²[Financing Bank/Primary Agricultural Co-operative Society] where mortgaged property is destroyed or security becomes insufficient:-

Where any property mortgaged to ²[Financing Bank/Primary Agricultural Co-operative Society] is wholly or partially destroyed or the security is rendered insufficient and the mortgagor, having been given an opportunity by the committee of the ²[Financing Bank/Primary Agricultural Co-operative Society] of providing further security enough to make the whole security sufficient or of repaying such portion of the loan as may be determined by the committee, has failed to provide such security or to repay such portion of the loan, the whole of the loan shall be deemed to fall due at once and the committee shall be entitled to take action against the mortgagor under Section 103 or Section 104 for the recovery thereof.

Explanation:— For the purposes of this section, security is deemed to be

1. Subs. by A.P. Act No. 2 of 1999.
2. Subs. by A.P. Act No. 1 of 1987.

insufficient unless the value of the mortgaged property exceeds the amount for the time being due on the mortgage by such proportion as may be specified in the bye-laws of the Financing Bank/ Primary Agricultural Co-operative Society.

106. Power of Board or Trustee to distraint and sell all property, etc.:—

- (1) The Board or the Trustee may direct the committee of Financing Bank/ Primary Agricultural Co-operative Society to take action against a defaulter under Section 103, Section 104 or Section 105 and if the committee neglects or fails to do so, the Board or the Trustee may take such action.
- (2)(a) where such action is taken by the Board, the provisions of this Chapter and of any rules and regulations made in this behalf shall apply as if all references to the Financing Bank/Primary Agricultural Co-operative Society and to its committee in the said provisions were references to the ¹[Andhra Pradesh State Co-operative Bank Limited] and the Board respectively,
- (b) Where such action is taken by the Trustee the provisions of this Chapter and of any rules and regulations made in this behalf shall apply as if all references to the Financing Bank/Primary Agricultural Co-operative Society or to its committee in the said provisions were references to the Trustee.

107. Title of purchaser not to be questioned on ground of irregularity, etc.:—

Whereas any property is sold in the exercise or purported exercise of a power of a sale under Section 104, the title of the purchaser shall not be questioned on the ground that—

- (a) the circumstances required for authorising the sale had not arisen, or
- (b) due notice of the sale was not given, or
- (c) the power of sale was otherwise improperly or irregularly exercised ; but any person who has suffered any damage by an unauthorised, improper or irregular exercise of any such power is entitled to have a remedy in damages against the ²[Financing Bank/Primary Agricultural Co-operative Society].

108. Mortgage not to be questioned on insolvency of mortgagor:—

Notwithstanding anything in any law relating to insolvency, ³[a mortgage created in favour of] ²[Financing Bank/Primary Agricultural Co-operative Society], shall not be called in question on the ground that it was created in good faith for valuable consideration or on the ground that it was created in order to give the ²[Financing Bank/ Primary Agricultural Co-operative Society] a preference over the other creditors of the mortgagor.

1. Subs. by A.P. Act No. 14 of 1994. w.e.f. 30-4-1994.
2. Subs. by A.P. Act No. 1 of 1987.
3. Subs. by A.P. Act No. 2 of 1999.

109. Appointment of receiver and his powers:—

- (1) The Board may, on the application of ¹[Financing Bank/Primary Agricultural Co-operative Society] and under circumstances in which the power of sale conferred by Section 104 may be exercised, appoint in writing a receiver of the produce and income of the mortgaged property or any part thereof and such receiver shall be entitled either to take possession of the property or collect its produce and income, as the case may be, to retain out of any money realised by him, his expenses of management including his remuneration, if any, fixed by the Board and to apply the balance in accordance with provisions of sub-section (8) of Section 69-A of the Transfer of Property Act, 1882.
- (2) The Board may, for sufficient cause, remove such receiver on an application made by the mortgagor and fill a vacancy in the office of the receiver.
- (3) Nothing in this section shall empower the Board to appoint a receiver where the mortgaged property is already in the possession of a receiver appointed by a competent Court.

110. Mortgagor's power to lease:—

Notwithstanding anything in the Transfer of Property Act, 1882, or any other law for the time being in force, a mortgagor shall not grant a lease of the mortgaged property for a period exceeding six years and any lease granted in contravention thereof shall be void.

111. Registration of documents executed on behalf of ¹[Financing Bank/ Primary Agricultural Co-operative Society] or of the ²[Andhra Pradesh State Co-operative Bank Limited]:— [Rule 60B]

- (1) Notwithstanding anything in the Indian Registration Act, 1908, it shall not be necessary for any officer of ¹[Financing Bank/Primary Agricultural Co-operative Society] or of the ²[Andhra Pradesh State Co-operative Bank Limited] to appear in person or by agent at any registration office in any proceedings connected with the registration of any instrument executed by him in his official capacity or to sign as provided in Section 58 of that Act.
- (2) Where any instrument is so executed, the registering officer to whom such instrument is presented for registration may, if he thinks fit, refer to such officer for information in regard thereto, and on being satisfied of the execution thereof shall register the instrument,
- (3) Notwithstanding anything in the Indian Registration Act, 1908, it shall not be necessary to register mortgages executed in favour of ¹[Financing Bank/ Primary Agricultural Co-operative Society] or of the ²[Andhra Pradesh State

1. Subs. by A.P. Act No. 1 of 1987.
2. Subs. by A.P. Act No. 14 of 1994, w.e.f. 30-4-1994.

Co-operative Bank Limited], where the bank concerned sends, within such time and in such manner as may be prescribed, a copy of the instrument, requiring registration to the registering officer having jurisdiction who shall file such copy in the book maintained under Section 51 of that Act.

112. Delegation of certain powers by Board:—

The Board may, if it thinks fit, delegate all or any of its powers under Sections 104, 106 and 109 to an executive committee consisting of two or more of its members, constituted by it.

113. Sections 102,103 and 104 of the Transfer of Property Act, 1882, to apply to notices under this Chapter:—

The provisions of Sections 102 and 103 of the Transfer of Property Act, 1882, and of any rule made by the High Court under Section 104, of that Act for carrying out the purposes of the said sections, shall apply so far as may be, in respect of all notices to be served under this Chapter.

114. Mortgages created] by manager of Joint Hindu Family:—

- (1) ³[A mortgage created] in favour of ¹[Financing Bank/Primary Agricultural Co-operative Society] either before or after commencement of this Act, by the manager of a Joint Hindu Family, shall notwithstanding any law to the contrary, be binding on the members thereof, whether majors or minors, if the loan secured by the mortgage was granted for the purchase of any land or the improvement of any agricultural land or for the improved cultivation of such land.
- (2) Where such mortgage is called in question on the ground that it was created by the manager of a Joint Hindu Family, for a purpose not binding on the members thereof, whether majors or minors, the burden of proving the same shall, notwithstanding any law to the contrary, be on the party raising it.

114-A & 114-B ⁴[Omitted by Act No. 1 of 1987]**115. Power of the Board to supervise and make regulation:—**

Subject to the provisions of this Act, the Board shall have such power of supervision over the ¹[Financing Bank/Primary Agricultural Co-operative Society] including powers of appointment, transfer and disciplinary action, in respect of the employees of the ¹[Financing Bank/ Primary Agricultural Co-operative Society] ⁵[xxx] and may, with the previous approval of the Registrar, make such regulation as may be necessary for carrying out all or any of the purposes of this Chapter.

1. Subs. by A.P. Act No. 1 of 1987.
2. Subs. by A.P. Act No. 14 of 1994, w.e.f. 30-4-1994.
3. Subs. by A.P. Act No. 2 of 1999.
4. Omitted by Act No. 1 of 1987.
5. Omitted by Act No. 21 of 1985, w.e.f. 22-4-1985.

1[CHAPTER XIII-A Eligible Co-operative Banks

115-A. Definitions:— In this Chapter—

- (a) "The said Act" means the Deposit Insurance Corporation Act, 1961 (Central Act 47 of 1961) ;
- (b) 'eligible Co-operative Bank' means a co-operative bank as defined in clause (gg) of Section 2 of the said Act ;
- (c) 'Corporation' means the Deposit Insurance Corporation established under Section 3 of the said Act ;
- (d) 'Reserve Bank' means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 (Central Act 2 of 1934) ;
- (e) all other expressions used in this Chapter but not defined shall have the meaning respectively assigned to them in the said Act.

115-B. Special provisions applicable to eligible Co-operative Banks:— Notwithstanding anything in this Act, the following provisions shall apply to an eligible co-operative bank, namely:—

- (i) an order for the winding up, or an order sanctioning a scheme of compromise or arrangement or of amalgamation or reconstruction, of the bank may be made under the provisions of this Act only with the previous sanction in writing of the Reserve Bank ;
- (ii) an order of the winding up of the bank shall be made under the provisions of this Act, if so required by the Reserve Bank in the circumstances referred to in Section 13-D of the said Act ;
- (iii) if so required by the Reserve Bank in the public interest or for preventing the affairs of the bank being conducted in a manner detrimental to the interests of the depositors or for securing the proper management of the bank, an order shall be made under the provisions of this Act for the supersession of the committee of management or other managing body (by whatever name called) of the bank and the appointment of a special officer therefor for such periods not exceeding five years in the aggregate as may, from time to time, be specified by the Reserve Bank;
- (iv) an order for the winding up of the bank or an order sanctioning a scheme of compromise or arrangement or of amalgamation or reconstruction or an order for the supersession of the committee of management or other managing body (by whatever name called) of the bank and the appointment of a special

officer therefor made with the previous sanction in writing or on the requisition of the Reserve Bank shall not be liable to be called in question in any manner ; and

- (v) the liquidator or the insured bank or the transferee bank, as the case may be, shall be under an obligation to repay the corporation in the circumstances to the extent and in the manner referred to in Section 21 of the Act.]

CHAPTER XIV

Miscellaneous

¹[116. Powers of Registrar to appoint supervisory staff:—

The Registrar may, by general or special order, appoint any person to exercise supervision over, and to assist in the working of any society or class of societies subject to such terms and conditions as may be prescribed. The person so appointed shall exercise such powers as may be prescribed and shall at all reasonable times, have free access to the books, accounts, documents, securities, records, cash and other properties belonging to, or in the custody of, the society and may also call for such information, statements and returns as may be necessary for the purpose.

116-A. Constitution of common cadre of Employees for certain Societies:— [Rule 72,74]

- (1) Notwithstanding anything in this Act, the Registrar shall have power to constitute a common cadre for the following posts, namely:—
 - (a) Co-operative Banks:—
 - (i) General Managers of Co-operative Central Banks and Deputy General Managers of Apex Bank,
 - (ii) Deputy Managers of Co-operative Central Banks and Assistant General Managers of Andhra Pradesh State Co-operative Bank.
 - (b) Andhra Pradesh Co-operative Dairy Development Federation:—
 - (i) Executive Director, Director (Operation), Director (Planning and Development), Director (Civil), Director (Finance and Accounts) :
 - (ii) General Manager, Joint Director, Chief Quality Control Officer, Research Officer, Chief Dairy Economist;
 - (iii) Deputy Director, Cost Accounts Officer, Senior Accounts Officer, Senior Dairy Engineer, Executive Engineer (Civil), Plant Manager, Production Manager, Deputy Director (Stores); Deputy Director (Public Relations);
 - (iv) Assistant Director, Accounts Officer, Personnel Manager, Manager Grade-1, Dairy Manager, Deputy Material Manager, Dairy Economist, Works Manager;
 - (v) Manager Grade-11, Assistant Dairy Manager, Assistant Office Manager, Junior Engineers (Mechanical), (Civil and Electrical), Assistant Accounts

1. Sections 116-A and 116-AA subs. for original Section 116-A by Act No. 21 of 1985, w.e.f. 22-4-1985.

Officer ;

- (c) Spinning Mills:—
 - (i) Managing Director, Mill Manager ;
 - (ii) Spinning Master ;
 - (iii) Deputy Spinning Master ;
 - (iv) Assistant Spinning Master ;
 - (v) Supervisor ;
 - (vi) Electrical Engineer ;
 - (vii) Electrical Supervisor ;
 - (viii) Chief Accounts Officer and Accountant.
- (d) Sugar Factories:—
 - (i) Chief Engineer ;
 - (ii) Chief Chemist ;
 - (iii) Chief Agricultural Officer ;
 - (iv) Chief Accounts Officer ;
 - (v) Administrative Officer ;
 - (vi) Labour Welfare Officer.
- (2) The classification and methods of recruitment, conditions of service, pay and allowances and discipline and conduct of the officers specified in sub-section (1) shall be such as may be provided by regulations to be framed by the Registrar.

116-AA. Abolition of Centralised services for certain categories of employees:—

The common cadre for all categories of employees other than those specified in Section 116-A, constituted before the commencement of the Andhra Pradesh Co-operative Societies (Amendment) Act, 1985 and existing at such commencement shall stand abolished with effect on and from the commencement, and upon such abolition, it shall be lawful for the Registrar, to allot, subject to such rules as may be made in this behalf, the employees included in the cadre so abolished to such Primary Agricultural Credit Societies as he may deem fit :

Provided that until they are allotted as aforesaid they shall continue in the posts in which they are working at the commencement of the said Act.

¹[116-B. Power of Government to give directions to societies, etc.:-

The Government may give directions, to a society or class of societies or an appointment committee constituted under Section 116A to make provision,-

1. Ins. by A.P. Act No. 19 of 1976.

- (a) for the reservation of appointments or posts under any such society in any cadre created under the said Section in favour of, or
- (b) for the grant of any special concessions in the matter of appointment to any such posts or cadre to, the Scheduled Castes, the Scheduled Tribes and the Backward Classes and the society or the appointment committee shall be bound to comply with such directions and to give effect to any provisions so made.

Explanation:— For the purpose of the Explanation under clause (b) of the proviso to sub-section (1) of Section 31 and this section—

- (a) “Scheduled Castes” means castes, races or tribes or parts or groups within castes, races or tribes which are specified by the President of India by a public notification under Clause (1) of Article 341 of the Constitution;
- (b) “Scheduled Tribes”, means tribes or tribal communities or parts or groups within tribes or tribal communities which are specified by the President of India by a public notification under Clause (1) of Article 342 of the Constitution ;
- (c) “Backward Classes “ means such groups of citizens which are classified by the Government as socially and educationally backward classes of citizens.]

¹[116-C. Staffing pattern of societies:— [Rule 28,36B]

- ²[(1) A society shall have power to fix the staffing pattern, qualifications, pay scales and other allowances for its employees with the prior approval of the Registrar of Cooperative Societies subject to the condition that expenditure towards pay and allowances of the employees shall not exceed two percent of the working capital or thirty percent of the Gross profit, in terms of actuals in a year whichever is less.]
- (2) No appointment or removal of a Chief Executive by whatever name called of any society, or class of societies as may be prescribed which are in receipt of financial aid from the Government, shall be made without the prior approval of the Registrar of Co-operative Societies.]

117. ³[Delivery of possession of records and properties of a society:— [Rule 65]

- (1) Where a new committee is elected, or a committee is nominated or a person is appointed by ⁴[the Registrar under Section 15A or an official assignee appointed under Section 9C], or a person is appointed under Section 32, or

1. Inserted by A.P. Act No. 21 of 1985, w.e.f. 22.4.1985.
 2. Subs. by Act No. 28 of 2001, dt. 25.4.2001.
 3. Subs. by A.P. Act No. 28 of 1978.
 4. Subs. for the words “the Registrar under Section 15A” by Act No. 22 of 2001, dt. 25.4.2001.

the committee is superseded by the Registrar and a special officer or managing committee is appointed under Section 34, or where the society is ordered to be wound up and a liquidator is appointed under Section 65, and such ¹[new committee, person, special officer, managing committee, liquidator or official assignee] is resisted in, or prevented from, obtaining possession of the books, accounts, documents, securities, cash and other properties, whether movable or immovable, of the society (hereafter in this Section referred to as the “records and the properties of the society) by the previous committee or superseded committee or by the society which has been ordered to be wound up or by a person who is not entitled to be in possession of the records and properties of the society, the Registrar shall, on application by ¹[new committee, person, special officer, managing committee, liquidator or official assignee] if satisfied, authorise in the prescribed form setting forth the reasons therefor, any officer subordinate to him, not below the rank of a Senior Inspector of Co-operative Societies, to enter, search, or break open any premises where such records and properties of the society are kept and to seize any such records and properties of the society and to cause delivery to the ¹[new committee, person, special officer, managing committee, liquidator or official assignee], of the records and properties of the society.

- (2) For the purpose of the proceedings under sub-section (1) the authorisation aforesaid shall be conclusive evidence that the records and properties to which it related belong to the society.
- (3) The officer authorised under sub-section (1) may take such police assistance as may be necessary for the said purpose and the expenses incurred under this section shall be borne from the funds of the society.
- (4) The provisions of Sections 100 to 102 (both inclusive) of the Code of Criminal Procedure, 1973 (Central Act 2 of 1974) relating to searches and seizure shall apply, so far as may be, to searches and seizure under this section.

118. Address of society:—

- (1) Every society shall have an address registered in accordance with the rules to which all notices and communications may be sent and shall send to the Registrar, notice of any change thereof within thirty days of the change.
- (2) It shall keep affixed a sign board describing the name of the society on the outside of every office or branch thereof,

1. Subs. for the words “new committee, persons, special officer, managing committee or liquidator” by *ibid.* by Act No. 22 of 2001, dt. 25.4.2001.

119. Copy of Act, Rules, Bye-laws, etc. to be open to inspection:—

- (1) Every society shall keep, a copy of this Act, the rules and the bye-laws, the last audited annual balance sheet, the profit and loss account, a list of the members, and of the committee, open to inspection by its members, free of charge, at all reasonable times, at its office. It shall also permit every member to inspect such portions of the books and records in which the transactions relating to him have been recorded.
- (2) A society shall furnish to a member, on request in writing, and on payment of such fees as may be fixed, a copy of any of the documents mentioned in sub-section (1) or extracts of the transactions relating to him with the society within thirty days from the date of payment of such fees.

120. Power to summon witnesses and requisition documents:—

- (1) In exercising the powers conferred by or under this Act, the Tribunal, the Registrar or any person authorised by him in this behalf by general or special order, the arbitrator or any other person deciding a dispute, the liquidator of a society and such other officers engaged in the relief of rural indebtedness or officers of ¹[Financing Bank/Primary Agricultural Co-operative Society] as the Government may by notification in the Andhra Pradesh Gazette, empower, in this behalf, shall have the power of a Civil Court while trying a suit, under the Code of Civil Procedure, 1908 in respect of the following matters, namely:—
 - (a) summoning and enforcing the attendance of any person and examining him on oath or affirmation ;
 - (b) compelling the production of any book, account, record or other document, cash, security or other property ;
 - (c) issuing a commission for the examination of any witness:
 - (d) receiving evidence on an affidavit.
- (2) The Tribunal, Registrar, the person, the arbitrator, the liquidator or the officer, as the case may be, referred to in sub-section (1) may require any person present before it or him to furnish any information or to produce any document forthwith in his possession or power and shall also have power to take, or to authorise the taking of such copies of the document, or of any entries therein as it or he may consider necessary. Copies so taken shall, when certified in such manner as may be prescribed, be admissible in evidence for any purpose in the same manner and to the same extent as the original document or the entries therein, as the case may be.

121. Bar of jurisdiction of Court:—

²(1) Save as otherwise expressly provided in this Act, all orders, refusals,

1. Subs. by A.P. Act No. 1 of 1987.
2. Subs. by A.P. Act No. 15 of 2000, w.e.f. 21.7.2000.

decisions or awards passed or directions issued or actions taken in accordance with this Act or the Rules made thereunder shall be final subject to the provisions for appeal, revision and review and no such order, refusal, decision, award, direction or action taken shall be liable to be called in question in any Court or Forum.

- (2) While a society is being wound up, no suit or other legal proceeding relating to the business of such society shall be proceeded with, or instituted against, the liquidator as such or against the society or any member thereof on any matter touching the affairs of the society except by leave of the Registrar and subject to such terms and conditions as he may impose :

Provided that where the order of winding up is cancelled, the provisions of this sub-section shall cease to apply in relation to the society and any member thereof, but shall continue to apply to the person who acted as liquidator.

122. Power to exempt societies from conditions of Registration:—

Notwithstanding anything in this Act, the Government may, by special order and for reasons to be recorded therein in each case, and subject to such conditions, if any, as they may impose, except any society, from any of the requirements of this Act as to Registration.

123. Power to exempt class of societies:— [Rule 67]

The Government may, by general or special order and for reasons to be recorded therein, exempt any society or any class of societies from any of the provisions of this Act.

124. Register of members:— [Rule 59]

Any register or list of members or shares kept by any society shall be prima facie evidence of any of the following particulars entered therein:—

- (a) the date on which the name of any person was entered in such register or list as a member ;
- (b) the date on which any such person ceased to be a member.

125. Proof of entries in society's books:— [Rule 60]

- (1) A copy of any entry in a book of society regularly kept in the course of its business, shall, if certified in such manner as may be prescribed, be received in any suit or legal proceedings as prima facie evidence, of such entry and shall be admitted as evidence of the matters, transactions and accounts therein recorded in the same manner and to the same extent as the original entry itself is admissible.
- (2) A society may grant copies of any document obtained and kept by it in the course of its business, or of any entries in such document, and any copy so granted shall, when certified in such manner as may be prescribed, be

admissible in evidence for any purpose in the same manner and to the same extent as the original document, or the entries therein, as the case maybe.

- (3) No officer of a society and no officer in whose office the books of a society are deposited after liquidation shall, in any legal proceedings to which the society or liquidator is not a party, be compelled to produce any of the society's books or documents the contents of which can be proved under this section, or to appear as a witness to prove the matters, transactions and accounts therein recorded, except under order of the Court, or the arbitrator made for special cause.

126. Notice necessary in suits:—

No suit shall be instituted against a society or any of its officers in respect of any act touching the constitution, management or the business of the society until the expiration of sixty days next after notice in writing has been delivered to the Registrar, or left at his office stating the cause of action, the name, description and place of residence of the plaintiff and the relief which he claims and the plaint shall contain a statement that such notice has been so delivered or left.

127. Acts of societies not to be invalidated by certain defects:—

No act of society or any committee or of any officer of the society shall be deemed to be invalid by reason only of the existence of any defect in the organisation of the society or in the formation of the general body or the constitution of the committee or in the appointment or election of an officer or on the ground that such officer was disqualified for his office.

128. Protection of acts done in good faith:—

No suit, prosecution or other legal proceedings shall lie against the Registrar or any person subordinate to him or acting on his authority ¹[or any nominee of the Government] for anything which is in good faith done or intended to be done in pursuance of any provision of this Act or of any rule or bye-law made thereunder.

129. Certain Acts not to apply:—

The provisions of the Companies Act, 1956, ²[the Andhra Pradesh (Andhra Area) Shops and Establishments Act, 1948 and the Andhra Pradesh (Telangana Area) Shops and Establishments Act, 1951, shall not apply to societies,

³[129-A. Officers and employees to be public servants:—

The Registrar or any person authorised by him to recover any amount or to execute any orders issued or decisions taken under any of the provisions of

1. Inserted by A.P. Act No. 14 of 1966.
2. Since repealed by the A.P. Shops and Establishments Act, 1966.
3. Inserted by A.P. Act No. 28 of 1978 and Subs. by Act No. 15 of 1991.

this Act and every officer and employee of a society shall be deemed to be a public servant within the meaning of Sec. 21 of the Indian Penal Code, 1860.]

130. Power to make rules:—

- (1) The Government, may, by notification published in the Andhra Pradesh Gazette, make rules for carrying out all or any of the purposes of this Act for the whole or any part of the State and for any class of societies.
- (2) Every rule made under this section shall immediately after it is made, be laid before each House of the State Legislature if it is in session and if it is not in session, in the session immediately following for a total period of fourteen days which may be comprised in one session or in two successive sessions, and if, before the expiration of the session in which it is so laid or the session immediately following, both Houses agree, in making any modification in the rule or in the annulment of the rule, the rule shall thereafter have effect only in such modified form or shall be annulled, as the case may be, so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

131. Power of Government to give directions:—

- ¹[(1) the Government may generally or in any particular matter under this Act, issue such orders and directions, which are in accordance with the provisions of this Act and in the interest of Cooperative movement in the State as they may consider necessary to the Registrar and thereupon he shall give effect to such orders or directions and shall report to the Government in due course the result thereof
- (2) In any case, in which a direction has been given under sub-section (1), the Government may call for and examine the record of the proceedings of the Registrar and pass such orders in the case as they may think fit:

Provided that before passing any order under this sub-section, the person likely to be affected by such order shall be given an opportunity of making his representation.

131-A : ²[Omitted by Act No. 24 of 1991]:--

132. Repeal and savings:—

The following Acts, namely:—

- (1) The Andhra Pradesh (Andhra Area) Co-operative Societies Act, 1932.
- (2) The Andhra Pradesh (Andhra Area) Co-operative Land Mortgage Banks Act, 1934.
- (3) The Andhra Pradesh (Telangana Area) Co-operative Societies Act, 1952; are hereby repealed :

1. Subs. by Act No. 22 of 2001, dt. 25.4.2001.
2. Omitted by Act No. 24 of 1991.

Provided that any society existing at the commencement of this Act which has been registered or deemed to have been registered under the relevant repealed Act, shall, be deemed to have been registered under this Act and the bye-laws of such society shall, so far as they are not inconsistent with the provisions of this Act or the rules made thereunder, continue to be in force until altered or rescinded in accordance with the provisions of this Act and rules made thereunder ;

Provided further that Section 8 of the Andhra Pradesh General Clauses Act, 1891, shall be applicable in respect of the repeal of the said enactments and Sections 8 and 11 of the said Act shall be applicable as if the said enactments had been repealed and re-enacted by an Andhra Pradesh Act.

133. Act to override other laws:—

The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law.

134. Power to remove difficulties:—

If any difficulty arises in giving effect to the provisions of this Act, the Government may, after previous publication, by order make such provisions, not inconsistent with the purposes of this Act, as appear to them to be necessary or expedient for removing of the difficulty.
