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PART-IIA

**GOVERNMENT OF MEGHALAYA
NOTIFICATIONS**

The 30th March, 2017.

No.COD.31/2016/12 - The Governor of Meghalaya is pleased to notify the Rules/Guidelines for Share Capital Contribution, Grants-in-aid/Subsidy and Loan to Cooperative Societies under Cooperation Sector:

- 1. Short title:-**These Rules will be known as "Rules for granting of Financial Assistance to Cooperative Societies in Meghalaya".
- 2. Definition:-**

"Authorised Paid up Capital" means the amount which the Cooperative Society is authorised by its Bye-law to raise in the Shape of Shares.

"Cooperative Development Fund" means the fund set up by the Government at the State and District Level for the promotion and development of Cooperative Societies.

"Co-operative Societies" means Cooperative Societies registered under the Meghalaya Cooperative Societies Act and include State Level Cooperative Federations, District Level and primary Cooperative Societies.

2.4. "Cooperative Year" means the year that starts from 1st April and ends on 31st March.

"District Level Committee" means the committee set up by the Government in each District under the Chairmanship of the Deputy Commissioner to examine and recommend applications for financial assistance to Cooperative Societies.

"Financial Assistance" means and includes Share Capital Contribution, grants-in-aid/subsidy and loan sanctioned by the State Government.

"Managerial Subsidy" means the management cost which includes cost of salary, allowances, conveyance allowances, sitting fee and other expenditures for day to day administration of the Cooperative Society.

"Paid up Capital" means the amount being contributed as shares by the members which include individuals subscribed shares and Share Capital Contribution by the Government/Cooperative Institutions.

"State Government Contribution" means the shares subscribed by the Government in the Cooperative Society as per provision of the Meghalaya Cooperative Societies Act, 2015 (Act II of 2015).

"State Government" means the Government of Meghalaya.

PART - I**GENERAL RULES:**

3. These Rules shall be strictly adhere by Cooperatives Societies while submission of applications for financial assistance from the State Government under the Schemes other than the Centrally Sector and Centrally Sponsored Schemes.

There should be an incremental increase of membership from 3 to 5 nos. from the date of registration of the Cooperative Society.

To mobilize enrolment of membership on a regular basis and subsequently every year not less than 1% to 3 % from the existing strength of membership in the Cooperative Society from the date of registration/when membership enrolment becomes stagnant to strengthen the objectives and capital of the Cooperative Society.

The face value of 1 (one) share should be raised up to a minimum of not less than ₹ 500/- per share so that the ratio of the total individual subscribed shares at the end of the year should not be less than 15% whichever is less to the Total Paid Up Capital for increasing the capital of the Cooperative Society.

The total of individual subscribed shares should increase with the increase on the rate of contribution made by the Government to the Paid Up Capital of the Cooperative Society on a proportion of not less than 15% whichever is less on every amount contributed by the Government during the last 2 (two) years so as to ensure proportionate contributions by the Cooperative Society with that of the Government.

Any Cooperative Society with a stagnated membership of 15 (fifteen) members for a period of 5 (five) years from the date of its registration will not be entitled for contribution to its Paid-Up Capital from the State Government.

The total Paid up Share Capital shall in no way exceeded the authorized Paid up Capital.

The proposals/applications for financial assistance should be supported with the following documents duly certified by the concerned Co-operative Extension Officer/Circle Cooperative Officer and countersigned by the concerned Assistant Registrar of Cooperative Societies/Sub-Registrar of Cooperative Societies.

- (i) Duly approved budget estimates of the Cooperative Society.
- (ii) Resolution of the General Assembly Meeting/Managing Committee Meeting.
- (iii) Business turnover for the last 2 (two) years supported by Audited Balance Sheet, Profit & Loss Account and Trading Account.
- (iv) The borrowing power of the Cooperative Society duly approved by the General Assembly Meeting.

In case of profit earning Cooperative Societies, the proposals/applications should be supported with the following criteria duly certified by the concerned Co-operative Extension Officer/Circle Officer.

- (i) 25% carried over from the Net Profit to the Reserve Fund Account of the Co-operative Society.
- (ii) Not exceeding 10% contribution to the State Cooperative Development Fund Account.
- (iii) Not exceeding 12.50% Dividend on shares paid to members.

In case of weak/sick primary Cooperative Societies, the proposals/applications should be adhered to the following criteria:

- (i) Holding of Annual General Meeting for the last 2 (two) years.
- (ii) The Trading Account should not be below ₹ 1.00 lakh during the last 2 (two) years.
- (iii) The Net Loss should not exceed 25% of the total business transactions.
- (iv) The Cooperative Society should show the ability to increase profitability and reduce overhead expenditures for the last 2 (two) years.

In case of newly registered Cooperative Societies only those which had already functioned prior to their registration having a specific activity as in the case of Self-Help Groups, Cluster Level Federations are also eligible to seek financial assistance subject on the following criteria:

- (i) Business turnover for ₹ 1.00 lakh during the last 2 (two) years.
- (ii) Individual subscribed shares should not be less than 25% of the total paid up Capital.

All types of Co-operative Societies both State Level Co-operative Federations and Primary Cooperative Societies should fully utilized the Financial Assistance in the shape of Share Capital

Contribution and Financial Assistance in the shape of Managerial Subsidy as per their proposals submitted and sanctioned by the Government. Any diversification and misutilization of funds if any, the Assistance shall be fully recovered by the Government as per provision of Section 44(2) of the Meghalaya Cooperative Societies Act, 2015 (Act No. 11 of 2015).

For providing Financial Assistance in the shape of Share Capital Contribution and Managerial Subsidy to the State Level Cooperative Federations and the Primary Cooperative Societies in the Stateshall be at a probable ratio of 30:70 out of the total budgeted outlay of the Department under the State Plan Scheme *i.e.*, 30% for State Level Cooperative Federations and 70% for Primary Cooperative Societies.

The above terms and conditions will be effective from the date of issue of this guidelines.

PART-II

FINANCIAL ASSISTANCE TO STATE LEVEL COOPERATIVE SOCIETIES

4. This part deals with guidelines governing of financial assistance by the State Government to the State Level Cooperative Societies under the schemes other than Centrally Sector & Centrally Sponsored Schemes.

Grant-in-aid:-

(i) In respect of State Level Organization/Institution having promotional works in Cooperative Field as main object and which has no regular business income, grants/subsidy shall be provided on the basis of proposals which are justifiable on the parameters of social cost/benefit analysis.

Grants/Subsidy Assistance to the State Level Cooperative Societies other than those covered under para 4.1 (i) above: For claiming assistance under this category each society will have to submit a proposal giving following details:

- (i) Full particulars of staff employed along with financial applications for the salary of employees during one year.
- (ii) Details of income of the society during the last five years and budgeted expenditure on salary account during the current year.
- (iii) The gap between the income of the society and the expenditure on salary account. The financial requirements for payment of salary to the staff to be recruited during the year for which assistance is proposed should be indicated separately along with justification for creation of post *etc.*, to be sanctioned in this regard.
- (iv) Requirement of fund for meeting of other overheads should be indicated separately.
- (v) Details of utilization of assistance sanctioned and released during the previous years.
- (vi) Societies which are functioning with the help of State Government grants will have to submit a proposal in advance and obtain Government approval before :-
 - (a) They create new posts.
 - (b) They purchase new vehicles.
 - (c) They condemn vehicles & other assets whose values exceed ₹ 10,000.00.

Provided that assistance to these societies will be provided on tapering basis keeping in mind the point of break even when the society to be assisted is likely to achieve self-reliance in meeting its own requirements of finance. Provided further that on the basis of recommendation of Registrar of Cooperative Societies some additional assistance for these societies could be considered exclusively for taking up promotional and developmental projects in the State of Meghalaya. These societies will however, have to submit a detailed project report in this regard for the consideration of the Government before any such assistance is channelized.

Share Capital Contribution:-

Share Capital Contribution will be made by the State Government to the equity of the State Level Cooperative Society whose individual Subscribed Share Capital Contribution should not be less than 15% whichever is less to the Total Paid Up Share Capital and whose bye-laws permit such contribution. The strengthening of share capital base will be the main object of such contribution and this type of assistance will be granted to a society only after the fulfilment of the following conditions.

(a) The society should have applied for assistance by submitting a suitable proposal to the Registrar of Cooperative Societies giving the following particulars:

- (i) Details of business programme/activities to be taken up with the help of the assistance sought for. The anticipated business turnover supported with the anticipated cash flows should be indicated.
- (ii) Benefits likely to accrue to the affiliated Primary Level societies with the help of such assistance.
- (iii) Full particulars of the utilization of assistance sanctioned during the previous years.
- (iv) Impact of the previous years' assistance on turnover and profitability.

(b) Participation of the Government in the equity of the State Level Cooperative Societies will not exceed 75 % of the authorised share capital of the society under normal circumstances. Keeping in view the achievement of social objectives on the basis of recommendation of the Registrar of Cooperative Societies.

Government Loan:

The Government Loans can be sanctioned to a State Level Cooperative Society under State Plan Scheme in the form of working capital loan or soft loan for expansion and diversification of business activities. Such assistance shall be governed by the terms and conditions as laid by the Finance Department from time to time.

PART-III

FINANCIAL ASSISTANCE TO DISTRICT/PRIMARY COOPERATIVE SOCIETIES

5. This part contains the guidelines for regulating sanction of financial assistance to District and Primary Level Cooperative Societies under State Plan Schemes.

Grants-In-Aid/Subsidy:

Such assistance will be normally provided to Societies to meet a part or whole of their management costs subject to the following conditions:

(a) A society must have applied for such assistance in the application form prescribed by the Department to the Assistance Registrar of Cooperative Societies in charge of the District within 30th June of the year. The following information ought to be submitted along with the application.

- (i) No. of paid employees in employment of the society.
- ii) No. of new employees, if any, to be recruited for expanded new business activities with justification.
- (iii) Annual expenditure on staff including new staff and other overheads.
- (iv) Gap in requirement of fund for meeting management cost and income from business activities proposed to be met by Government assistance.

- (v) Details of expenditure & utilization of assistance given in the previous years.
- (vi) The District Level Committee will examine the application with inspection reports and give their recommendation. The application with recommendation of the District Level Committee will then be forwarded by the Assistance Registrar of Cooperative Societies for further necessary action.
- (b) Assistance to newly registered Cooperative Societies:
 - (i) Assistance to Cooperative Societies registered during the year of assistance will be given to meet the cost of expenditure on training of staff and office bearers and the sanctioned assistance will be kept in the District Cooperative Development Fund of concerned District and will be utilized for arranging such training and exposure visits as may be decided by the District Cooperative Development Fund/Management Committee and the Registrar of Cooperative Societies.
- (c) Contribution to State Cooperative Development Fund:
 - (i) Proposal for sanction of Government's contribution to the State Cooperative Development Fund will be formulated by Registrar of Cooperative Societies indicating therewith details of promotional programmes (with financial implications) proposed to be taken up during the current year. Similarly, proposals for District Cooperative Development Fund will be formulated and submitted by the concerned Asstt. Registrar of Cooperative Societies indicating the promotional programme (with financial implication) proposed to be taken up during the current year. Details of balance in the fund as on 31st March of last year will also be required to be indicated.

Share Capital Contribution:

- a. Share Capital Contribution will be provided to the District Level and Primary Cooperative Societies basically for the purpose of strengthening their share capital base required for their business activities in the initial phase of their growth. The interested and eligible societies shall submit applications for fresh proforma prescribed by the Registrar of Cooperative Societies before 30th June of the relevant year.

b. Societies eligible for assistance:

- (i) All types of District & Primary Cooperative Societies whose bye-laws permit for State partnership in their share capital.
- (ii) Individual share capital contribution must not be less than 15% whichever is less to the total Paid Up Share Capital of the Cooperative Society for increasing the capital of the Cooperative Society.
- (iii) The total amount of Individual Subscribed Shares should increase with the increase on the rate of contribution made by the Government to the total Paid Up Capital of the Cooperative Society on a proportion of not less than 15% whichever is less on every amount contributed by the Government during the last 2 (two) years so as to ensure proportionate contribution by the Cooperative Society with that of the Government.
- (iv) The Share Capital Contribution made in the past should have been utilized properly and utilization of the money should have resulted in reasonable increase in the turnover and profit.
- (v) The audit of the society must be up to date.
- (vi) The society must be running on profit and its accumulated loss must not exceed its owned capital.

Loan: Loan to a State Level, District Level or Primary Cooperative Societies will be mainly in the shape of working capital loan for business activity and such assistance will be governed by the terms and conditions set forth by the Finance Department from time to time.

- (a) **Societies eligible to apply:** Primary or State/District Level Cooperative Society may apply for such assistance provided that the supporting scheme and budget provisions are available in the budget of the Department. The applicant society should satisfy following conditions.
 1. Financial position of the society should be sound and its repaying capacity should be good.

2. Recovery performance in respect of previous loans should be good.
3. Proposal for utilization of these loans along with the pattern of anticipated repayment schedule with cash flows should be furnished.

(b) Penal Provision :

The assistance under Loan Component shall be governed by the terms and conditions set forth by the Finance Department, Government of Meghalaya, inclusive of the Penal rate of Interest of the Cooperative Societies defaulted in repayment of the Loan:

Provided that, in case of non-repayment of the Loan, the provision of Section 72 (1) (2), 73(3) (4) and Section 83(a) (b) of the Meghalaya Cooperative Societies Act, 2015 (Act No.11 of 2015) shall be made applicable.

6. Procedure for submission of application and sanction of assistance:

- (i) State Level Society will submit application/proposal in prescribed proforma for sanction of any or all types of assistance to the Registrar of Cooperative Societies.
- (ii) District and Primary Level Societies will submit application to the Asstt. Registrar of Cooperative Societies of the District in the proforma prescribed separately for each type of assistance. The Asstt. Registrar of Cooperative Societies will examine the applications and place the same before the District Level Committee headed by the Deputy Commissioner for consideration and recommendation. The Asstt. Registrar of Cooperative Societies, who in turn will submit the same along with feasible proposals to the Directorate for further necessary action.
- (iii) The application form for availing of different types of assistance by State Level/District/Primary Cooperative Societies will be prescribed by the Registrar of Cooperative Societies from time to time. State Level/District Level Committee may be modified by Cooperative Department with concurrence of Finance and planning Department if deemed necessary.

7. Stoppage/Penal Provision:

Any diversification and misutilization of the Financial Assistance sanctioned by the Government, the Assistance received by the Cooperative Society shall be recovered out of its net profit in any year, all or any part of the financial assistance so far received as per provision of Section 44(2) of the Meghalaya Cooperative Societies Act, 2015 (Act No. 11 of 2015).

Provided that no further assistance will be sanctioned by the Government to the defaulted Cooperative Society in future for non-recovery of the realisable amount on diversification and misutilization sanctioned by the Government during the financial year.

8. The operation of guidelines will be reviewed after a gap of at least two years.

H. MARWEIN,

Additional Chief Secretary to the Govt. of Meghalaya,
Cooperation Department.
