

**MODEL GUIDELINES/ GUIDING PRINCIPLES FOR  
AMALGAMATION OF CO-OPERATIVE SOCIETIES UNDER  
SECTION 14 AND 14-A OF THE H.P CO-OPERATIVE  
SOCIETIES ACT, 1968.**

**Background**

The Upper Lohara Co-operative Cho-Reclamation & Soil conservation Co-operative Society and others had filed an appeal before the Principal Secretary (Co-operation) to the Government of H.P. against the orders passed by the Registrar Co-operative Societies, H.P. on 14.9.2007 for compulsory amalgamation of both the Upper Lohara and the Lower Lohara Cho-Reclamation Societies. The Ld. Principal Secretary (Co-operation) to the Government of H.P. while dismissing the Appeal of the former society had issued directions to the Registrar on 05.06.2008 to frame model guidelines for the merger/amalgamation of different co-operative societies in tune with the provisions of the H.P. Co-operative Societies Act, 1968 and the rules made thereunder, based on which different co-operative societies could be merged in future. Subsequently, upon receiving directions from the Hon'ble High Court, dated 3.12.2009 passed in CMPMO No. 639/2009 the Registrar Co-operative Societies constituted following committee of departmental officers on 18.12.2009 to formulate model guidelines or guiding principles:-

1. the Additional Registrar,  
Co-operative Societies (Monitoring)H.P. - **Chairman**
2. the Joint Registrar,  
Co-operative Societies, (Marketing) H.P. -**Member Secretary**
3. the Joint Registrar,  
Co-operative Societies, (Credit) H.P. - **Member**
4. Satya Prakash Sharma, Legal Cell  
Directorate of Co-operation - **Member.**

The said committee was required to chalk out broad guidelines with regard to the amalgamation or merger of co-operative societies in view of the existing provisions of section 14 and 14-A of the H.P. Co-operative Societies Act, 1968 within a period of 42 days. The meetings of the said committee were held on 19.12.2009, 12.01.2010 and finally on 1.2.2010. The members of the committee were of the considered view that instead of covering all types and kinds of co-operative societies, the guidelines proposed to be framed should cover only primary co-operative societies of different kinds except the urban co-operative banks. Further, the proposed guidelines/ guiding principles are only suggestive and not mandatory and may vary from case to case. The proposed guidelines or guiding principles are meant for the departmental officers upon whom the powers under section 14 and 14-A of the Act have been conferred by the State Government. The proposed guidelines do not have the force of law. Since detailed provisions for amalgamation of co-operative societies already exist in the H.P. Co-operative Societies Act, 1968, therefore, the guidelines have been framed only to facilitate the departmental officers to take a rationale decision before invoking the provisions of the Act concerning the amalgamation or merger of primary co-operative societies as and when the proposals for merger of societies emanate.

Therefore, after careful consideration of the existing provisions of law pertaining to the amalgamation and merger of co-operative societies, as enunciated under section 14 and 14-A of the ibid Act, and after keeping in view the directions issued by the Principal Secretary (Co-operation) on 05.06.2008, the following model guidelines/ guiding principles are formulated for future

consideration of amalgamation of two or more primary co-operative societies in the State:

**1. Name, extent, applicability and scope:** (1) These shall be called the Model Guidelines or Guiding Principles for Amalgamation or Merger of primary co-operative societies, 2010.

(2) These guidelines shall apply to all future amalgamation proposals of different kinds of primary co-operative societies registered in the State except the primary urban co-operative banks.

(3) These guidelines are not exhaustive, may vary from case to case and are subject to change from time to time.

(4) These guidelines are only suggestive and not mandatory and these do not have the force of law.

**2. Definitions:** In these guidelines unless there is anything repugnant in the subject or context,-

(1) 'the Act' means the Himachal Pradesh Co-operative Societies Act, 1968;

(2) 'the Assistant Registrar' means the concerned Assistant Registrar Co-operative Societies under whose jurisdiction the primary co-operative societies are proposed to be amalgamated or merged;

(3) 'guidelines' means the Model Guidelines or Guiding Principles for amalgamation or merger of primary co-operative societies, 2010;

(4) 'society or societies' means primary co-operative societies registered under the Act except the primary urban co-operative banks;

### 3. Objectives of the Guidelines:

These guidelines seek to achieve following objectives:-

- (i) to facilitate consolidation and emergence of a strong co-operative entity;
- (ii) to provide for non-disruptive exit of weak or un-viable entities in co-operative sector;
- (i) to secure proper and effective management of the societies;
- (ii) to curtail cost of management and expenditure to be incurred in running day-to-day affairs and on unavoidable litigation;
- (v) to resolve the issues of dual membership, overlapping in the area of operation and inter-se disputes among the societies;
- (vi) to ensure providing of effective and timely services to members and distribution of income, if any.

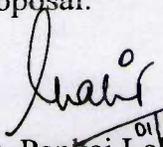
4. **Membership:** While considering proposal of amalgamation of societies, either voluntarily or compulsory, the Assistant Registrar shall ensure that membership of societies proposed to be merged or amalgamated does not exceed 3000, if taken together, at the time of proposed merger or amalgamation. The Assistant Registrar shall assess and collect the details of membership, area of operation, financial position and such other details as he thinks are necessary to be obtained in respect of each society which is proposed to be merged or amalgamated, as and when the proposal for amalgamation or merger is received or emanated from the societies. In no case, the proposal to amalgamate the societies should be approved where membership at the time of amalgamation or merger of societies is likely to exceed 3000 members, if taken together, as it would be unwieldy and un-manageable.

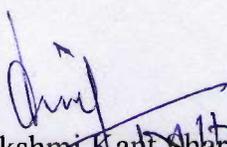
5. **Area of operation:** The area of operation of the societies proposed to be merged or amalgamated should not spread over a radius of more than 20 square kilometres. For instance, if a society is having area of operation spreading over 8 square kilometres, the other society which is proposed to be merged/amalgamated could have area of operation to the extent of not more than 12 kilometres before the proposed merger or amalgamation. However, in no case the aggregate area of societies willing to merge or amalgamate or ordered to be compulsory amalgamated should exceed 20 square kilometres. Further, the area of operation should be contiguous i.e. the area of operation of societies proposed to be merged/amalgamated should abut each other at some point. There is no requirement that area of operation of societies should be completely abutting each other.
  
6. **Headquarter:** The Assistant Registrar has to ensure that there is complete unanimity in the decision of general body of each society resolving voluntary amalgamation as to the Head quarter of the society post-amalgamation. The headquarter of the merged societies should be fixed in a manner so that a member should not, ordinarily, be made to travel a distance of more than 10-12 kilometres to reach the headquarter of the society. The Assistant Registrar may advise the societies willing to amalgamate to take a prior decision to open branch offices at specified points in the area of operation after the amalgamation in order to provide services to members at their door-steps, if it is observed that distance from the headquarter that a member has to cover is more than 10 kilometres.

- 7. Homogeneous nature of societies:** The Assistant Registrar has to ensure that only similar kind of societies are merged. The activities of the each societies proposed to be merged should, pre-dominantly, compliment each other, e.g., a milk production society should only be amalgamated with another milk production or a dairy society; and an agriculture service society should only be amalgamated with another agriculture service society or with any other society the primary business of which is to provide agricultural inputs or advance loans for agriculture or subservient purposes.
- 8. Financial aspects:** Ordinarily, merger of a financially weak society with a stronger one should be encouraged. Before mooted out a proposal for merger or invoking relevant provisions of law, as the case may be, the Assistant Registrar shall satisfy himself that the merger shall not adversely affect the profitability of the society after giving effect to the merger over a period of six years post-merger. On the other hand, it may be ensured that there is a strong likelihood of running the society into profit after a period of six years from the date of merger or amalgamation. If the Assistant Registrar is of the opinion that the proposed merger will further deteriorate the financial position of the society after amalgamation of a weak society with it over a period of say five to six years, in those cases the amalgamation proposals may not be given effect.
- 9. Litigation:** The Assistant Registrar shall ensure that post-merger shall facilitate reducing the litigation or pending dispute, if any, among the societies. If the members on both sides are of a majority opinion that the proposed amalgamation would further enhance the scope of inter se litigation among the members on different issues

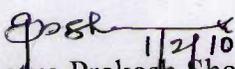
pertaining to membership and would infringe the rights and duties of members that may have been accrued in accordance with the provisions of bye-laws, the amalgamation should be discouraged. Further, it has to be ensured that proposed merger would facilitate in redressing the conflicting issues between the societies with regard to dual membership, overlapping in the area of operation, distribution of income, availability of services, etc. and make the society a viable entity in future.

Above guidelines are only suggestive and shall not come in the way of the Assistant Registrar for taking final decision in the matter of amalgamation of societies. The Assistant Registrar, for the purpose of satisfying himself, may collect certain other details and may take suitable steps in accordance with the provisions of law before giving approval to the amalgamation proposal.

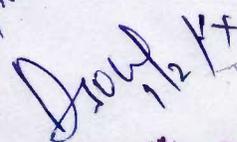
  
 01/02/2010  
 Dr. Pankaj Lalit  
 Chairman

  
 Lakshmi Kant Sharma  
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 K.S. Dhaulta  
 Member

  
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 Satya Prakash Sharma  
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Approved

  
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Registrar,  
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