

Model Bye -Law of a Service Co-operative Bank Ltd.

1. Name and Address of the Society

The name -----Service Co-operative Bank Ltd. No.T.197. in accordance with the Kerala Co-operative societies Act. The registered address of the bank is -----Service Co-operative Bank Ltd. T. 197, ----- Taluk, ----- District

2. Definitions:

- i. **Act:** - Act means Kerala Co-operative Societies Act 1969 for controlling and regulating Co-operative Societies in Kerala.
- ii. **Rules:-** Kerala Co-operative Societies Rules 1969 framed by Government in accordance with the Kerala Co-operative Societies Act 1969.
- iii. **Bye-Law** means registered bye-law of the Society
- iv. **Registrar** means Registrar of Co-operative Societies or any other persons appointed by the Government in accordance with the Kerala Co-operative Societies Act.
- v. **Bank** means -----Service Co-operative Bank Ltd -----.
- vi. **Boundary** means the area of operation mentioned in clause 4 of the Bye-law of the Society.
- vii. **Year** means the financial year commencing from 1st April, and ending on 31st March.

3. Objectives of the Bank

- i. Co-operation among co-operatives, self-help and mutual help, self-sufficiency of members etc. through the Bank.
- ii. Issue short and medium term agricultural and non-agricultural loans to its members
- iii. Supply of seeds, fertilizers, implements, pesticides for agricultural purposes and procurement and distribution of goods and services to its members for commercial and domestic purposes.
- iv. Procurement and marketing of agricultural and industrial products of their members.
- v. To implement various agricultural plans for the members
- vi. To construct or let out godowns or warehouse buildings for keeping agricultural and industrial products for the members.
- vii. Provide assistance to members for producing seedlings related to agricultural farming.
- viii. Provide assistance to members for producing compost and bio fertilizers for agricultural purposes.
- ix. Purchase of newly innovated machines and tools for letting out to its members for modern farming.
- x. Provide assistance to its members for purchase of cattle, goats, poultries etc.

- xi. Act as an agent, the Bank distributes seeds, fertilizers agricultural implements to its members.
- xii. Purchase of movables and immovable for the functioning of the bank.
- xiii. Open branches with in the area of operation of the bank with the prior sanction of Registrar for growth and expansion.
- xiv. To undertake the work of irrigation and preservations of land for agricultural production with the permission of the Registrar.
- xv. Opening of medical stores for supplying essential medicines at reasonable prices to members.
- xvi. Supply of consumer articles to the members at fair prices through consumer stores.
- xvii. To mobilize funds from members as well as outside agencies like DCCB etc. for running consumer stores.
- xviii. As part of the concern to community, the bank operates hospital, clinics, and medical centers for the health measures of the members.
- xix. Open professional educational institutions for increasing employment opportunities

4. Area of operation

The area of operation of the bank is, -----of --
 -----Panchayaths.

5. Membership

- i. Person who attain the age of 18 and reside within the area of operation or the person having landed property within the area of operation can obtain membership in the bank.
 - ii. The State Government and District Co-operative Bank can also obtain membership in the bank.
6. Each member shall remit Rs.10 as Entrance Fee. In no case the bank shall collect Entrance Fee of more than Rs.10 from the members. Entrance fee is not refundable.
7. At the time of granting membership, each member sign the pledge of abiding the bye-law provisions of the Bank.
8.
 - a. Every member shall submit statement of his debts to the bank on the request of the bank.
 - b. Bank shall keep the particulars of assets of their members. The bank has a right in the produce (crops) from the properties which are pledged in the bank as securities.
9. Each member appoints a nominee as his legal heir in the bank. At the time of death of the member, the deceased members' interest shall be transferred to the nominee.
10. No share shall be refunded to its members within three years from the date of acquiring shares. After 3 years if the member has no liability to the bank can submit application before the Director Board for the refund of shares. After the submission of the application, the bank refunds the share to the member within six

months. In no case the amount of refund to members shall exceed 10% of the paid up share capital in a year.

11. a. The member who is disqualified to continue as a member, the Director board shall by giving notice to the member as per rule, remove the member from the membership. The Board shall obtain ratification from the next General Body for the said action.
- b. The general body can with 2/3 majority remove a member from membership due to the following reasons:
 - i. Continuous defaulter in the bank
 - ii. The loan availed from the bank is used by the member for purposes other than the purpose mentioned.
 - iii. Cheating the bank by giving fraudulent statements by a member.
 - iv. Acts against the best interest of the bank
 - v. Sale of agricultural produce or other produce which are produced by using the loan availed from the bank to other agencies other than the agency specified by the Bank.
 - vi. When a member is expelled for the above causes shall have a right to file appeal before the Registrar within 2 months. The decision of the Registrar in the appeal is final.
 - vii. When a member is removed from the membership, the bank shall collect all the dues by lump sum from the member.

12. When a member is expelled, he cannot be readmitted within 2 years from the date of his expulsion.
13. The share of a member resigned or expelled or deceased cannot be transferred till the liability of the loanee or surety is completely set off.

14. Funds

Following are the funds which are to be mobilized by the Bank:

- a. Share Capital
- b. Deposits
- c. Borrowings
- d. Donations
- e. Subscriptions
- f. Reserve funds and other funds
- g. Undistributed profit

15. Share Capital

The authorized share capital of the bank consists -

A Class Shares of 1 crore @ Rs.100 each

B Class Shares of 1 lakh @ Rs.1000 each

C Class Shares of 2 lakh @ Rs.50 each

The total Authorized Share Capital is Rs.111 crores. When the share value of A Class is increased through amendment of bye-law, the members are given 6 months period for contributing the additional amount to their shares.

16. a. At the time of admission the A Class members shall remit full value of the shares
 - b. The shares taken by State Government and District Co-operative bank are B Class Shares.
 - c. The C Class shares have no restriction of the area of operation and the C Class members having no voting right.
17. A person can become a member only when he take at least one share. The maximum shares a member can take shall be restricted with the provisions in the Act and Rules.

18. Liability

The liability of the members shall be limited to the extent of the value of shares taken by him. This liability arises only at the time of winding up of the Society.

19. Structure and Constitution

General Body

The ultimate authority of the bank is the general body. The general body shall not interfere into the acts of the Board and Employees of the Bank.

20. The general body of the bank is convened under the following circumstances:

- a. The Annual General Body meeting shall be convened within six months of the completion of financial year.
- b. Request of President or majority of the Board Members.
- c. Request of at least 1/5 majority of members of the bank
- d. Request of Registrar of Co-operative Societies

21. 15 days clear notice shall be required for convening a General Body meeting
22. Bank shall convene the General Body Meeting within 30 days from the request of the Registrar.
23. Notice of General Body shall be served to members through the following ways:
 - a. Through Post
 - b. News Paper Advertisement (At least two leading vernacular newspapers having wide circulation in the area of operation of the Bank
 - c. Served in person by obtaining his signature
24. Quorum: The required quorum for convening a General Body meeting is 1/5 of the total A Class Members or at least 25 members whichever is less.
25. The rights of General Body are
 - a. Election of Board of Directors
 - b. Discussion of annual accounts of the current year, audited accounts of the previous year and approved the budget for ensuing years.
 - c. Distribution of net profit as per Act, Rules and Bye-laws
 - d. Approval of the annual report of the Bank
 - e. Fix the maximum borrowing power of the bank and individual maximum borrowing power of the members
 - f. Discuss other subjects which are presented before the general body with the approval of the President.

Responsibilities of General Body

1. To consider the inspection note or report of Registrar and his subordinates, the Audit note, Inspection report of District co-operative Bank officials.
 2. To consider any allegations and averments against the board of directors
 3. To consider the recommendation of the Board for removing or expelling any member from membership.
 4. To consider and discuss about the progress report of the bank.
 5. Amendment of bye-laws as per KCS Act and Rules
 6. To act upon the provisions of bye-law of the bank
 7. To take decision in the matters that comes before the General Body.
 8. The President of the Board preside every General Body Meeting. In the absence of the President, any member from the General Body shall preside the meeting.
26. Whatever be the number of shares held by a member, a member can cast only one vote. No proxy vote is allowed.
27. a. Any motion that comes before the annual general body or special general body meeting, that motion is decided by the general body by majority opinion and based on provision in Act, Rules and Bye-laws. If the opinion from member is equal, the president or presiding member of the general body can cast 2nd vote i.e. casting vote.

- b. The matters discussed and decided by the general body shall be recorded in the minute book which is signed by the Presiding Officer and Secretary of the Society.

Director Board

- 28. a. The Director Board shall regulate, administer and control the affairs of the bank.
 - b. The President is elected by the Board of Directors. He is entitled for honorarium.
 - c. The Director Board consists of 15 members who are elected from the General Body. Among the 15 Board Members one person shall be from SC/ST community, 3 Women and one person having a minimum deposit of Rs.10, 000/- shall represent the Depositors.
- 29. A Director board member is a person who is elected by the General Body under Provision 27(A) of the bye-law of the bank.
- 30. The term of office of the Board of Directors shall be 5 years from the date of election. The new members of the Board are elected before the expiry of the term.
- 31. A Director board member shall be removed from the office when it is approved by 2/3rd majority of the members present in the General Body meeting. Once a member is removed, he can be reelected to the new board.
- 32. When a vacancy arises due to removal or death etc. of a member, the existing director board can fill the vacancy either through election from general body or through cooption as per KCS Act and Rules.
- 33. The qualification of Director Board Member shall be specified in the KCS Act and Rules.

34. Elected Board of Directors of the bank shall convene meeting atleast once in every month. However the Director Board shall convene at any time with the request of 2/3 of the Directors or the request of the Registrar of Co-operative Societies or any Officer authorized by the Registrar.
35. At least three days' notice is required for convening the Director Board Meeting. However in case of emergency short notice is only required for convening the meeting.
36. The Board Members shall have only one vote. In special circumstances the President of the Board can cast 2nd vote.
37. The Board member shall not be present in the meeting when matters relating to his/her personal interest are involved.
38. The President of the Board is entitled to honorarium and travelling allowance and Directors are entitled for sitting fee and travelling allowance as per bye-laws and Circular instructions from Registrar from time to time.
39. The matters discussed in the board meeting and resolution taken in the meeting should be recorded in the minute book and the President, Secretary and Board Members shall sign below the entries.
40. Duties and Responsibilities of Board of Directors
 - a. Admit new members and allot shares to them
 - b. Accept the resignation of the members

- c. Removal of member from membership and submit recommendation before the General Body for forfeiting membership under Clause 13 of the bye law.
- d. Grant permission for transfer and withdrawal of shares as per KCS Rules and provisions of bye laws.
- e. Make arrangement for convening meetings provided under Clause 28 and 38 of the bye law, and submit the Audit Report and Statements before the Meeting.
- f. Examine the cash balance and valuable securities periodically
- g. Sanction the expenses as provided in the annual budget for the better functioning of the bank.
- h. To fix the maximum amount to be expended by the Board as contingency expenses
- i. To raise money by issue of shares and accept deposits and borrowings within the Maximum Borrowing Power of the bank.
- j. To fix interest rate on deposit and borrowings and formulate scheme for repayment and payment of rebate
- k. To prepare annual production plan and initiate necessary action for implementing the plan.
- l. To fix the expenses incurred for cultivating per acre for granting loans to members according to cropping pattern.
- m. To fix the maximum amount of ordinary loan and agricultural loans to members.

- n. To grant and issue of loans to members in accordance with rules framed from time to time.
 - o. To monitor the utilization of loans availed by the members.
 - p. Impose punishment to the paid employees of the bank in accordance with the Act and Rules
 - q. To sue or to be sued in the name of the bank to ensure better working.
 - r. To examine the working of the bank in accordance with Act, rules and Bye-laws of the bank.
 - s. To protect and safeguard the cash balance and other assets of the bank
 - t. To examine and verify the books of accounts of the bank.
 - u. To undertake the internal check and internal audit in the bank
 - v. To prepare various sub-rules regarding deposits and loans and obtain approval from the Registrar.
 - w. To acquire shares from other Co-operative Societies and nominate members in the general body of such institution.
 - x. To procure home appliances and agricultural implements according to the requirements of members.
 - y. To construct or take on rental basis necessary godowns and buildings for keeping the agricultural seeds, fertilizers, implements and home appliances.
2. To procure, process and marketing of agricultural produce of its members :
- i. To keep the Bank's own properties

- ii. To decide the maximum cash balances to be daily kept under the custody of the bank
- iii. To take necessary steps for improving the quality of the products
- iv. To appoint sub-committees for the smooth functioning of the branches of the bank.
- v. To prepare and present the budget for the ensuing year before the general body for their approval.
- vi. To open accounts in other banks with the prior sanction of the Registrar.
- vii. To help the member for the preparation of bio-fertilizers etc.
- viii. To avail financial assistance from Government and distribute to its members according to rules and provide steps to recover the same.
- ix. The Board shall take steps to ensure the smooth working of the bank.
- x. Appoint full time paid Secretary for the Bank. The Secretary can attend the board meeting but has no voting right. In the absence of paid Secretary, the Board can appoint a board member as Honorary Secretary. The Honorary Secretary shall be removed from the Office of the Secretary when the full time paid Secretary is appointed.
- xi. The President of the bank is the Controller and Administrator of the bank affairs. The paid Secretary is the custodian of the cash balance. In the absence of Paid Secretary, the President shall verify the cash balance and he is responsible for showing the cash balance before the Officers of the Department

- xii. A joint account can be opened in other banks in the name of President and Secretary to ensure better functioning of the Bank.

41. Secretary – Duties and Responsibilities

- i. To convene General Body and Board of Directors meeting from time to time and attend such meetings.
- ii. Maintain minute book and make all entries transacted in the meeting.
- iii. Make payment and accept receipt of cash according to the direction of the Board.
- iv. To maintain and keep all books of accounts and registers in accordance with rules.
- v. To prepare statement of demand, collection balance regarding loans and advances.
- vi. To prepare receipts, vouchers etc. for the working of the bank.
- vii. To make all correspondence for the bank and supply necessary information to members.
- viii. To maintain control over the subordinate staff of the bank.
- ix. To sign cheques and documents along with president in accordance with clause 45 and 46 of the bye law.
- x. To sign the receipts
- xi. Expend money for the bank in accordance with the sanction limit provided by the Board.
- xii. To act as per the directions of the Board

- xiii. To ensure that the cash balance in the Head Office and Branches are kept in the safe with double lock system.
- xiv. The records, movables, goods for trading, implements, products are kept under the custody of the Secretary or other Officer nominated by the Board of Directors.
- xv. Secretary can enter into any agreement for the bank with the permission of the Board.
- xvi. Secretary can execute equitable mortgage or Gehan with the loanees and release it after closing the loans.

42. Loans and Advances

Loans are issued only to members. The application for loans are presented before the Director Board. Loans are issued to members only after the sanction by the Board. In case of emergency the Secretary shall recommend to the President who can sanction ordinary loans to the extent of Rs.50000/- (Fifty thousand only) and get it ratified in the next Board Meeting.

- 43. The Director Board shall fix the maximum credit limit to the members for availing loans. In no case the issuance of loans exceeds the credit limit fixed by the Board.
- 44. The following Loans and Advances are granted to the members.

(A) Short Term Agricultural Loan

This type of loan is granted only to farmer members of the Bank. In the beginning of every financial year, the Board of the Bank prepares a production

plan for every member. The Board estimates the expenditure to be incurred for cultivating a particular crop per hectare/acre. Based on the estimate credit limit is fixed for the members considering their repaying capacity. Cash credit facilities to members are granted by accepting sureties of atleast two members. The bank obtains a promissory note from members for the sanctioned credit limit. Within the credit limit and the installment fixed by the Board, the members can apply for cash credit facilities. The period of repayment of cash credit is within one year.

(B) Medium Term Loans

i. Bank shall issue medium term loan to its members for purchase of animal for ploughing, for dairy farming, purchase of agricultural implements, tools and instruments as consumer loans as consumption loan as Education loan, Business loan, vehicle loan etc. as per clause 50 (D) of the bye-law. The period of medium term loan is 5 years.

(C) (i) Issue of short term and medium term loans to members with the financial assistance from Central or State Government and other Financial Agencies.

(C) (ii) Issue of vehicle loan, housing loan, provident fund loan to its own employees as per the sub rules approved by the Registrar of Co-operative Societies.

(D) Securities of Loans

With the regulations and control of Registrar of Co-operative Societies the bank issues loan to members based on the following securities :

- i. Loan issued on the security of fixed deposit. In no case such loans shall exceed 90% of the Fixed Deposit
- ii. With the security of Government securities, promissory notes, debentures of agricultural and rural development banks, to the extent of 90% of value of such securities are issued as loans to members.
- iii. With the approval of Registrar and sub rules, the bank shall issue loans to members on the security of Agricultural crops.

(E) Issue of short term and medium term agricultural and non-agricultural loans to the members. However the amount of total loans shall not exceed Rs.5, 00,000/-. The term of the above said loan is fixed by the Board with the prior approval of the Registrar.

(F) Ordinary loans are issued to the members for a period of 60 months within the limit of Individual Maximum Borrowing Power of the members.

45. A member can stand as surety to a maximum of two loans. When a surety died or disqualified to continue as surety, the loanee shall produce new surety within 15 days. If the loanee fails to produce sureties within the time frame the bank has the right to close the loan account by collecting the principal plus interest on the loan from the loanee. The Board shall fix the installment in accordance with the nature of the loan. The Board or Chief Executive of the bank shall periodically monitor the utilization of the loan availed. If the Board is satisfied that, the loan availed by the member is unutilized or underutilized or misutilized, the Board can direct the

loanee to close the loan by remitting the principal plus Interest in lump sum immediately.

46 (A) Bank shall issue gold loan to its members as per the sub rule approved by the Registrar. Members mean A Class and C' Class members. The maximum amount of the loan is Rs.25, 00,000/- which is restricted to 75% of market value of the gold pledged. The period of the loan is 3 months, 6 months and upto one year. The interest as gold loan is fixed by the Board but it does not exceed the interest rate of ordinary loans. Gold loans are also issued for agricultural purposes which does not exceed 25% of the total loans issued from the Bank.

46 (B) Self Employment Loans

The maximum amount of self-employment loan to a member is limited to Rs.5,00,000/-. The maximum period of the loan is 5 years. Repayment of the loan is in monthly installment of principal plus interest. The assets purchased by utilizing the loan availed shall come under the charge of the bank till loan account is closed.

46 (C) Consumer Loans

The bank shall issue consumer loans for the following purposes:

- i. Education of members children subject to a maximum of Rs.2, 00,000/-
- ii. Professional education for members children to a maximum of Rs.5, 00,000/-.
- iii. Marriage of the daughter of members subject to a maximum of Rs.2, 00,000/-
- iv. Maintenance of residential house subject to a maximum Rs.2,00,000/-

v. Medical treatment of the family members up to Rs.1,00,000/-

The period of the loan is 60 months and repayment is in monthly installment basis.

46 (D) Loan for purchasing Household articles

i. Maximum amount of the loan is Rs.2, 00,000/-

ii. The loan amount is limited to the extent of 80% of the value of articles purchased

iii. In addition to the securities offered, bank has a charge on the articles purchased.

46 (E) The rate of interest of each loan is fixed by the Board on the basis of circular

issued by the Registrar from time to time.

46 (F) The share linking for all loans excepting gold loan is one percent or the percent

fixed by Registrar from time to time.

46 (G) Daily Collection Deposit Loan

i. This loan is granted only after 10 days of collecting the deposit

ii. The loan is issued on the basis of sub rules approved by the Registrar of Co-operative Societies

iii. The maximum amount of loan allowed is Rs.50,000/- and the maximum period is 107 days.

iv. The Bank accepts personal security of the loanee and two other members.

46 (H) The bank shall issue loans to Kudumbasree Units, Charitable societies, Industrial units with a view to promote rural development and rural employment in accordance with the direction of the Registrar.

46 (I) Procurement of articles for distribution to members.

- ii. Supply of seeds, seedlings, fertilizers, agricultural implements to the members.
 - iii. Supply of materials for agricultural and domestic production
46. (J) Marketing of goods manufactured by members at reasonable prices
47. i. To construct or purchase godowns for the purpose of keeping the produce collected from its members. The fund for purchase and construction shall be raised from the following sources:
- i. Loans and subsidies from Government
 - ii. Donations from individuals and public authorities
 - iii. Building fund
48. Deposits :The following types of deposits shall be mobilized by the bank in accordance with the approved sub rules
- i. Fixed Deposit
 - ii. Recurring Deposit
 - iii. Kettuthengu Deposit
 - iv. Bhandara Deposit
 - v. Saving Banks Deposit
 - vi. Current Deposit
 - vii. Chitties (Kuries)
 - viii. Thrift Deposit
 - ix. Funeral Nidhi
 - x. Monthly Deposit Scheme (MDS)

The interest rate of the above deposits are fixed by the Board of Directors based on the circular of the Registrar of Co-operative Societies.

49. Disposal of Net Profit

The net profit as per audit certificate shall be disposal in the following manner:

- i. Not less than 15% of Net Profit is transferred to Reserve fund
 - ii. 5% of the Net Profit subject to a maximum amount of Rs.60000/- is transferred to Co-operative Education Fund.
 - iii. 5% of the net profit is transferred to professional education fund.
 - iv. 10% of the net profit to a maximum amount of Rs.100000/- to member relief fund.
 - v. 7% of the net profit to Agricultural credit stabilization fund
 - vi. Not more than 25% of the paid up share capital as dividend to shareholders from the surplus profit
 - vii. With the permission of General body and Registrar of co-operative Societies, portion of the surplus profit is transferred to common good fund, building fund etc.
50. The reserve fund contribution shall be invested in District Co-operative Bank
51. No member can claim the division of reserve fund invested in District Co-operative Bank
52. The balance of undistributed profit shall be utilized for any other purpose only after obtaining prior sanction from Registrar of Co-operative societies
53. Registers, Records etc.

The following books of accounts, records and registers shall be kept by the Bank

- i. Minute Book

- ii. Membership Register
- iii. Cash Book
- iv. Day Book
- v. Loan Ledger
- vi. Stock registers
- vii. Subsidiary Ledgers
- viii. General Ledger

54. All disputes that arise in the course of the working of the bank is settled through Arbitration under Kerala Co-operative societies Act and Rules.

55. Bye-law amendment

The Managing committee can convene general body meeting for the alteration, deletion or additions in the bye-law as per the provisions of Act and Rules and such amendment shall come into force only after obtaining registration from Registrar of Co-operative Societies.

56. The maximum cash balance kept in Head Office shall not exceed Rs.50, 00,000/- and 20, 00,000/- in every Branch.

57. The Bank shall have a registered office, common seal and name board in the area of operation.

58. Discrepancies if any in the bye-law provisions that shall be clarified by referring it to the Registrar of Co-operative Societies and the decision of the Registrar is final.

*Prepared by B. Rajan, Faculty
ACSTI, Thiruvananthapuram.*