

**C H A P T E R - III**  
**ORGANISATIONAL STRUCTURE OF CO-OPERATIVE**  
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## Chapter III

### "ORGANISATIONAL STRUCTURE OF CO-OPERATIVE HOUSING SOCIETY"

#### 3.1 INTRODUCTION

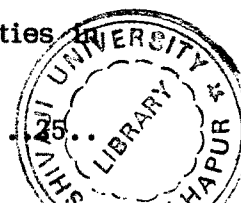
There are a number of difficulties administrative, legal, technical and financial which beset a housing co-operative from the very beginning. Lack of assistance and guidance in tackling these difficulties is one of the main reasons why most of the co-operatives are not functioning properly. It is, necessary to create a suitable machinery with sufficient administrative, technical and Legal know-how which would furnish continuous backing to the co-operative housing movement.

#### 3.2 ORGANISATIONAL STRUCTURE

In India the organisational set up of the housing co-operatives is classified as National co-operative Housing Federation of India, State Federation and primary housing co-operative societies. In some states such as Maharashtra, Gaujrat and Utter Pradesh at the district level district federations are functioning

##### 3.2:1 National co-operative Housing Federation of India.

The National co-operative housing federation of India is a national body of all the state level co-operative housing federations and it was started in the year 1969 as per the recommendation "Working Group on Housing co-operatives" appointed by Government of India. The main object of N.C.H.F. is to promote co-operative housing movement and co-ordinate and guide the housing activities



the country. It also raise the funds by borrowings or other ways. It grant loans to the members. N.C.H.F. also plays important role in promoting the apex housing federation in those states where such organisations do not Exist. In developing the housing co-operatives, N.C.H.F. as a national body plays important role.

### **3.2:2 State Federations**

At the state level state federations are functioning. State federations play a significant role in developing the housing co-operatives in the state. In India at present state federations are functioning in 22 states including Maharashtra. These state-federations provide guidance on technical matter, help them in procuring building materials and assist them in general co-ordination and supervision of their activities. The primary housing co-operatives at the grass-root level are affiliated to these state federations

The working group has recommended that it would be desirable to have a two-tier federal structure for state, with an apex society at the state level and primary affiliated societies etc. all over the state. An apex organisation should be set up in each state where more than 100 housing co-operatives are already functioning. The fear expressed in certain quarters that with the setting up of apex organisation, the primary societies will lose initiative or may stop taking interest in their own affairs, is not well founded.

The working group on co-operative housing pointed out that

apex societies should have the following functions.<sup>1</sup>

- i) To finance the affiliated primary cooperative housing societies for :
  - a) purchasing land and preparing layouts and sites;
  - b) advancing loans for the construction of houses to either the society or its members through the society; and
  - c) effecting additions and improvements to existing houses of its members, which will add to their value and render them more comfortable to live in.
- ii) To undertake and promote the construction of various types of houses in the State on cooperative principles either directly or through the affiliated cooperative societies.
- iii) To act as the central financing institution for all the affiliated cooperative societies in the State.
- iv) To co-ordinate, guide and supervise the affiliated co-operative societies in the State.
- v) To organise research work regarding the improvement of local building materials.
- vi) To offer free technical advice to the member societies.
- vii) To procure building materials on a large scale at favourable rates, wherever possible, and to stock and supply or cause the same to be supplied to the members of the societies.

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1. M.L. Khurana, "Organisation and Management of Housing Co-operative." P.195 & 196.

### 3.2:3 Primary Housing Co-operatives

At the district level mostly primary housing co-operative societies are existed. Only in Three states, Maharashtra, Gujrat and Utter Pradesh state federations are functioning. The primary housing co-operatives are affiliated to state federations. In different states the structure of primary housing co-operative societies is different. The main aim of these housing co-operatives is to provide the housing facilities to the houseless people. These societies undertake the construction work on large scale. These societies obtain the funds from the federations and from different financial institutions.

The different types of primary housing co-operatives are classified in to four groups such as :

- 1) Tenant ownership housing societies.
- 2) Tenant co-oparntership housing societies.
- 3) House Mortgage societies and
- 4) House construction/House building societies.

In Osmanabad city the Tenant ownership housing societies and House Mortgage societies are Existed.

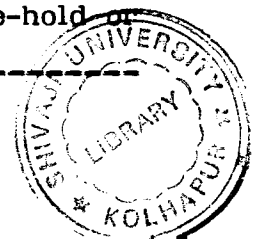
In our study the tenant ownership housing societies are known as Grih-Nirman Societies and House Mortgage Societies are known as GrihTaran Societies.

### 3.2:4 Tenant Ownership Housing Societies (Grih Nirman Societies)<sup>2</sup>

Under this category, the land is held either on lease-hold or

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2. M.L. Khurana, "Organisation and Management of Housing Co-operative." P.51.



free hold basis by societies and houses are owned by members. In this type tenant member holds the plot from the society as a lease holder and the lease stipulates strict conditions against sub-letting transfer or other forms of profiteering. This is a type of the society in which separate houses are built to suit the taste and requirements of individual tenant members. A member may construct his house on the plot allotted to him as per the plan and design approved by the society or may request the society to undertake construction on his behalf. When the construction of the house is undertaken by the society, the member is at liberty either to pay the full cost of the house on occupation in which case he has only a nominal rent to pay as a lease holder or he may pay for the value of the house by instalments as the co-oprtnership tenant does, until at the end of a specified period of years, whereby after fully paying up cost he obtains the lease on a nominal rent.

OBJECTS FOR TENANT OWNERSHIP HOUSING SOCIETY<sup>3</sup>

- 1) To provide dwelling houses to its members in accordance with these byelaws.
- 2) To undertake the activities of a society belonging to another class and / or sub-class with general or special permission of the Registrar under sub-section 2 of section 12 of the Maharashtra Co-operative societies Act, 1960 and necessary amendment in the byelaw and subject to such conditions as the

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3. Pune District Co-operative Housing Federation Ltd., "Bye laws and election rules of the Co-operative tenant ownership housing societies Ltd., Pune, Chairman of the Pune District Co-operative Housing Federation Ltd., P.1 & 2.

Registrar may consider necessary to lay down to safeguard the interests of the members and public in general.

- 3) To inculcate the spirit of thrift and mutual aid among its members, and
- 4) To do all things necessary of expedient for the attainment of the objects specified in these byelaws. "

### **3.2:5 House Mortgage Societies (GrihTaran Societies)<sup>4</sup>**

In this type, the society lends money to its members for construction of houses for their dwellings. The members have to make their own arrangements for building their houses. This type of society is really a credit society as distinguished from other credit societies as per the objects for which it lends, the duration of the loan and the security it demands. It exists in order to provide individuals separately their requirements towards housing.

### **OBJECTS FOR HOUSE MORTGAGE SOCIETY<sup>5</sup>**

- 1) "To make and guarantee advances to members for purchase or construction of dwelling houses on their own plots or on 7plots obtained on long lease or for additions and / or alterations to their own existing dwelling houses and for this purpose to undertake all activities that may be necessary to attain the object.
- 2) To sell, lease or dispose off or otherwise deal with the whole or any part of the movable and immoveable property and

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4. M.L. Khurana, "Organisation and Management of Housing Co-operatives" P.52.

5. D.D. Naik, "Practice of Housing Co-operatives," Bombay Law House; 1972, P.51.

assets, which may come in the possession of the society;  
and

- 3) To inculcate the spirit of thrift, self-help, and mutual aid among its members."

### 3.3 "MEMBERSHIP OF THE CO-OPERATIVE HOUSING SOCIETIES"<sup>6</sup>

As per the Maharashtra state co-operative Act. 1960, the membership of a housing society is open to all persons who are competent to contract. No person is admitted as a member of the society who owns a house or plot in his own name or in the name of any of his dependents or his family members such as wife children etc. and whose needs in the opinion of the general body are not considered pressing. Every member must hold at least five shares in the society. No member of the society shall hold more than one flat or plot in the society in his own name or in the name of his dependent or a member of his family. No member shall have or claim any interest in the shares of the society exceeding Rs. 25000/-.

In a firm or a company registered under the law in forces, for the time being, or a society registered under 'Societies Registration Act. 1860,' or a local authority, or a public trust, the state government can become a member of co-operative society. The Government of Maharashtra has purchased shares of the Maharashtra Co-operative Housing Finance Society to the extent of Rs. 50 lakhs. Further there are nominal and sympathiser members whose rights and privileges are determined as per bye-laws of the society.

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6. Ibid.





### 3.4 "FORMATION AND REGISTRATION OF CO-OPERATIVE HOUSING SOCIETIES"<sup>7</sup>

Section 6 of the Maharashtra State Co-operative Societies Act, and rule number 4 of the rules made there under govern the procedure for the formation and registration of co-operative housing societies in the Maharashtra State.

In the case of a co-operative housing society, eleven persons competent to contract as per law can together form a housing society, although ten persons is the statutory requirement.

An application for the registration of a housing society should be in the prescribed form. It should be accompanied by the following documents.

- 1) Four copies of the bye laws.
- 2) A list of persons who have contributed to the share capital together with the amount contributed by each of them, and entrance fees to be paid by them. Each person must purchase five to ten shares of Rs. 50/- each.
- 3) A certificate from the bank indicating the credit balance in favour of the society.
- 4) A scheme showing the details explaining how the working of the society will be economically sound and plan and estimate of the proposed construction of houses by the society.
- 5) A statement of accounts.

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7. Ibid.

- 6) 7/12 land extracts (records giving details of the land) about the land to be purchased or purchased by the society.
- 7) Indenture agreement.
- 8) A copy of purchase deed / agreement contract i.e. sathekhat (Marathi word) or lease deed as the case may be.
- 9) Declaration from the members about the property owned by them including monthly income.
- 10) Caste certificate and income certificate are required in case of the registration of a backward class co-operative housing society.
- 11) Now it is insisted that the society is owning the land or the land is promised to the proposed housing society by the Government or a donar etc. before the registration of the society.
- 12) Certificate of the local municipal council / corporation and town planning office showing that the proposed land by the society is a non-agricultural land and can be used for non-industrial purpose or for residential purposes. Certificate of the health department about the suitability of the land for the residential purposes from hygienic point of view is also required.

### **3.5 MANAGEMENT OF CO-OPERATIVE HOUSING SOCIETY**

#### **3.5:1 General Body**

According to section number 72 of Maharashtra State Co-

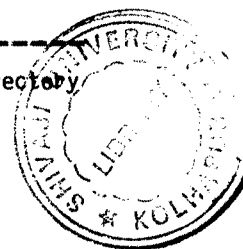
operative Act, the final authority of the Co-operative Housing Society is vested in the General Body of members in the General Meeting summoned in such manner as may be specified in the bye laws of the society.

Some of the important powers and rights of the General Body of members are stated below. <sup>8</sup>

- 1) The members of the General Body have a right to attend the meetings and to vote. (contest election if found eligible as per bye-laws).
- 2) They have right to alter, amend, add to the bye-laws of the society.
- 3) The society can be amalgamated or converted by the general body.
- 4) The financial statements, Profit and Loss Accounts, and Balance sheet, Auditor's report, Report of the Board of Directors are to be presented to and approved by the General Body.
- 5) The General Body has a right to decide about the distribution of the profit.
- 6) The General body can expel a member by 3/4 th of it's majority.
- 7) The General body has to elect the Managing Committee. The General Body being the supreme authority of the society can delegate some of its powers to the Managing Committee.

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8. Bombay Co-operative Housing Federation's "Bombay Co-operative Housing Directory and Year Book" Group III, P.14.



### 3.5:2 Managing Committee

The Managing Committee is constituted according to the Act, rules and bye-laws of the society.

The work of the Managing Committee is to carry on the functions of the society as per Act, rules and bye-laws of the society. The important functions of the Managing Committee are stated below.<sup>9</sup>

- 1) To scrutinise the applications for membership.
- 2) To maintain the accounts of the society.
- 3) To keep the register of members.
- 4) To prepare the statement of accounts for presentation to the General Body.
- 5) To examine the accounts and see that they are properly kept.
- 6) To prepare the annual report to be presented to the General Body.
- 7) To supervise the work of the employees.
- 8) To sanction working expenses, count the case balance and deal with miscellaneous business.
- 9) To deposit the funds of the society.
- 10) To appoint, suspend and remove or discharge the Officers (except Auditors), Solicitors, Mananager, Architectures, Surveyors, Accountant, Agents etc.
- 11) To enter into all contracts for the society and settle the terms thereof.

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9. Ibid. P.19.

- 12) To make, revoke and alter from time to time, and at all times enforce regulations, terms and conditions.
- 13) To compromise, settle or contest, either in court of law or by arbitration, any suit, debt, liability, or claims by or against the society.
- 14) To delegate any of its powers to a sub-committee of its own members.
- 15) To convene the meetings of the society.
- 16) To do all such acts and things as are incidental to or which the committee may think fit to the attainment of the objects of the society or any of them.
- 17) To accpoint sub-committees and entrust some work to the sub-committees.

### 3.5:3 Secretary<sup>10</sup>

The society frames in its byelaws the rules regarding she recruitment of employees and the service conditions.

The secretary or Manager or Chief Officer is the important agent of the society. Some of the important functions of the secretary are given below :

The secretary has to summon and attend the meetings of the society and of the committees. He has to record the proceedings thereof in the minute books.

He has to prepare the statements relating to the business of

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10. Ibid. P.22.

the society as per the directions of Managing Committee in conformity with the Maharashtra State Co-operative Act, and rules thereof and send the returns required to be made to the Registrar. He is incharge of the documents, other papers and seal of the society. He has to carry on the correspondence of the society. He has to prepare the annual statements. He has to supervise the work of the employees.

### **3.6 ADVANTAGES OF CO-OPERATIVE HOUSING SOCIETIES**

The problem of providing suitable housing accommodation to the people is confronting every part of a country. The restrictions imposed by the Rent Control Act and the burden of Estate Duty have made investment in house property unattractive. The cost of land and construction has gone up enormously and as private enterprise operating on the basis of profit can only build houses for the people who can pay for them. It cannot cater to requirements of the working and lower middle class.

The private enterprise suffers from one disadvantage in it's inability to obtain necessary capital at a low rate of interest. Also in a welfare State a very few employers had paid attention to housing. The Municipalities have shown little interest in housing. The State and Central Governments have been paying more attention to housing but yet they have not given top priority to housing.

Co-operative societies can deliver the goods at less cost and with greater satisfaction to the community. The collective security

of the society enables loans to be raised on a long term basis and at reasonable rate of interest. The co-operative societies can bring down the cost of construction. The housing through co-operative societies can secure proper standards and experience full community life. The advantages offered by the establishment of co-operative housing societies are manifold.

### **3.6:1 Economic Advantages**

- 1) The acquisition of land, material and services on a larger scale reduces the cost of these items. Housing co-operatives makes the most economical use of land and resources.
- 2) The legal work is greatly simplified and it's costs are reduced.
- 3) Housing co-operatives become collectors of capital, which would not otherwise accumulate in the hands of people with low incomes.
- 4) There are savings to members in the cost of facilities e.g. Bulk purchases of buildings materials and home fittings.
- 5) Profits made by middle men or speculators can be eliminated.
- 6) Co-operative housing acts as a stimulus to better and cheaper housing besides helping in training people in co-operative way of living.
- 7) Means of providing decent houses at reasonable cost to persons particularly of lower and middle income group who cannot

afford to meet their housing needs by their own efforts.

- 8) In many countries co-operatives are taxed at a lower rate, In some countries they are exempted from taxation.

### **3.6:2 Financial Advantages**

- 1) They encourage people to save and channel such money into the financing of house building.
- 2) Housing co-operatives can practice mass-production methods. They purchase building materials at whole sale prices.
- 3) They are directly engaged in production, establishing their own factories. They produce and use the best quality materials since they are non profit bodies.
- 4) Housing co-operatives broaden their capital basis through their own savings funds. Surpluses are retained for promotion of house building. They facilitate credit on favourable or easy terms. Collective insurance cocers general risks.

### **3.6:3 Technical Advantages**

- 1) They organise their own technical services. They engage highly qualified technical staff.
- 2) They set quality standards and follow new methods in construction.
- 3) Housing co-operatives help to reduce building costs, and nationalization of building methods.
- 4) Architectectural planning can be done no a large scale.



#### **3.6:4 Social Advantages**

- 1) Housing co-operatives remove speculation from the field of housing as far as their membership goes and act in turn as a corrective to unscrupulous landlordism.
- 2) The element of ownership and the arrangement for self-governing management tend to create an atmosphere of mutual respect.
- 3) Housing co-operatives stand for the idea of social responsibility in the provision of dwellings in the market economy.
- 4) Housing co-operatives provide play-grounds, day nurseries for children, shops, medical stores, washing machines and collective garages. They establish additional financial cultural and recreational amenities as a part of their housing programme. Housing co-operatives diminish social tensions.
- 5) They encourage people to turn their spirit of initiative and mutual aid towards solving their own housing problem by inviting them to participate in a joint programme rather than depend entirely on outside help.
- 6) They relieve the state and municipal authorities of a large part of their administrative and economic responsibilities in the field of housing.

#### **3.6:5 Other Advantages**

- 1) The residents have a voice in the policies and standards under

which their housing will be operated.

- 2) The housing co-operative is a democratic institution. The members learn the democratic processes by participation in the management of the project.
- 3) Democratic administration leads to the participation of many members in the management committee and other organs of the housing co-operatives.
- 4) Through meetings social occasions and lectures, housing co-operatives contribute to the entertainment of their members and their further education.

To conclude in the words of Prof. P.E. Weerman, "A housing co-operative provides for the joint ownership and operation of a housing project by and for the residents. The main characteristics of a housing co-operative are that it is non-discriminatory in its policy it is democratically controlled by its members and it is operated on a non-profit and non-speculative basis. Co-operative housing therefore involves education and training, mobilization of saving, self-help and mutual help. It brings about mutual understanding and the creation of common institutions."<sup>11</sup>

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11. P.E. Weerman, "Co-operative housing". Readings in Co-operative housing, (c) International Co-operative. Alliance New Delhi, Allied Publishers Private Limited, 1st edition. 1973 P.16.