

## Cooperatives Act, 2048(1992)

Date of Authentication

2049.2.2 (15 May 1992)

### Amendments

1. Some Nepal Acts Amendment Act, 2057(2000) 2057.4.26 (10 August 2000)
2. The Cooperatives (First Amendment) Act, 2057(2000) 2057.8.21 (6 December 2000)

### Act number 8 of the year 2049(1992)

### An Act Made to Provide for the Cooperative Associations and Societies

**Preamble:** Whereas, it is expedient to make provisions on the formation and operation of various types of cooperative associations and societies based on the mutual support and cooperativeness for the economic and social development of the general public consumers by the farmers, craftsman (*Kaligadh*), class of people with low capital and low income, labors, landless and unemployed people or social workers of the country;

Be it enacted by the Parliament in the twenty-first year of the reign of His Majesty King Birendra Bir Bikram Shah Dev.

### Chapter-1

#### Preliminary

1. **Short title and commencement:** (1) This Act may be called as the "Cooperatives Act, 2048(1992)".  
(2) This Act shall come into force immediately.
2. **Definitions:** Unless the subject or the context otherwise requires, in this Act:
  - (a) "association" or "society" means a cooperative association or society registered pursuant to Section 5.
  - (b) "member" means a person, association, society or other body who has obtained membership by subscribing shares of an association or society in accordance with the Bye-law of such association or society.
  - (c) "board" means the board of directors formed pursuant to the Bye-law of an association or society.
  - (d) "Registrar" means the registrar appointed pursuant to Section 21.

- (e) "general meeting" means the general meeting of the concerned association or society.
- (f) "Bye-law" means the Bye-law of the concerned association or society.
- (g) "prescribed" or "as prescribed" means prescribed or as prescribed in the Rules framed under this Act.

## **Chapter-2**

### **Formation of Association or Society**

**3. Formation of association or society:** (1) An association or society as follows may be formed with a view to rendering services and facilities for the economic and social development of its members in consonance with the cooperative principle.

- (a) A preliminary association consisting of at least twenty five persons as its members.
- (b) A sectoral society consisting of at least five associations as referred to in Clause (a) as its members.
- (c) A District cooperatives society consisting of at least five associations or sectoral societies out of those as referred to in Clause (a) or in Clause (b) or both as its members.
- (d) A central cooperatives society consisting of at least twenty five sectoral associations as referred to in Clause (a) or at least five sectoral societies as referred to in Clause (b) as its members.
- (e) A national cooperatives society consisting of at least fifteen societies as referred to in Clauses (b), (c) and (d) as its members.

(2) Notwithstanding anything contained in Sub-section (1), not more than one District cooperatives society or sectoral society of the same nature and not more than one central cooperatives society of the same nature may be formed in the same District.

(3) The jurisdiction/domain of an association or society shall be as specified in the Bye-law of that association or society.

**4. Application for registration of association or society:** (1) The members concerned have to make an application to the Registrar for the registration of an association or society formed pursuant to Section 3.

(2) An application to be made pursuant to Sub-section (1) has to be accompanied by two copies of the Bye-law of the concerned association or society, work plan and description of shares which the members have undertaken to subscribe and signed by at least the members as referred to in Section 3.

**5. Application for registration of association or society:** (1) On an application made pursuant to Section 4 for the registration of an association or society, the Registrar shall hold necessary inquiry as to whether the Bye-law of that association or society is in consonance with the cooperative principle.

(2) If the Registrar so considers appropriate on an inquiry held pursuant to Sub-section (1), the Registrar shall register the association or society and issue the registration certification, as prescribed.

**6. Powers to refuse to register:** (1) If, on an inquiry held pursuant to Sub-section (1) of Section 5, the Registrar thinks that any matter needs to be amended, the Registrar shall give the persons making application for the registration of the concerned association or society a notice for amendment within fifteen days.

(2) If the applicants refuse to make amendment pursuant to the notice as referred to in Sub-section (1) or fail to make amendment within thirty five days after the date of receipt of such notice, the Registrar may refuse to register the association or society and assign the reasons for such refusal to register and give information thereof to the concerned applicants.

(3) Where the Registrar refuses to register an association or society pursuant to Sub-section (2), an applicant who is not satisfied with such refusal may make a petition to Government of Nepal.

7. **Association or society to be body corporate:** (1) An association or society shall be an autonomous and body corporate with perpetual succession.
- (2) An association or society shall have a separate seal of its own for all of its activities.
- (3) An association or society may, like an individual, acquire, use and otherwise deal with any movable and immovable property.
- (4) An association or society may, like an individual, sue by its name and be also sued by the same name.
8. **Liability of association or society to be limited:** (1) The liability of an association or society shall be limited.
- (2) The name of each association or society shall contain the word "cooperative" and the word "limited" as its last word.

### **Chapter-3**

#### **Membership of Association or Society**

9. **Membership of association:** (1) The Nepalese citizens as follows may be members of an association:
- (a) Persons who make an application for the registration of the association,
  - (b) Persons who reside within the jurisdiction of the association, subscribe the shares sold pursuant to Section 23 and intend to avail the services of the association, undertake to bear the responsibilities attached to membership and fulfill the terms and conditions mentioned in the Bye-law,
  - (c) Bodies which subscribe the shares sold pursuant to Sub-section (1) of Section 23.
- (2) A person who intends to become a member of an association has to make an application to its board.

(3) In the event of refusal by the board to provide membership, the applicant may make a petition to the general meeting; and a decision made by the general meeting on such petition shall be final.

(4) The membership of those persons who have become share members by virtue of conversion of compulsory saving into share capital shall *ipso facto* lapse once they get the amount of saving refunded.

**10. Membership of society:** (1) The concerned sectoral associations within the jurisdiction of a sectoral society may obtain membership of the sectoral society in consonance with the provisions contained in the Bye-law of that society.

(2) All associations and sectoral societies within the concerned District may be members of a District cooperative society in consonance with the provisions contained in the Bye-law of that society.

(3) Sectoral associations and sectoral societies may be members of a central cooperative society in consonance with the provisions contained in the Bye-law of that society.

(4) All associations and other bodies as referred to in the Bye-law of a national cooperative society may be members of such national cooperative society in consonance with the provisions contained in the Bye-law of that society.

(5) The bodies which subscribe the shares of a society sold pursuant to Sub-section (1) of Section 23 may be members of the society.

**11. Termination of membership:** The membership of an association or society shall be terminated in such circumstances as prescribed.

#### **Chapter-4**

##### **Modus Operandi**

**12. Bye-law:** (1) An association or society may, subject to this Act and the Rules framed under this Act, make a Bye-law for the operation of its business. The Bye-law so made shall come into force after having been approved by the Registrar.

(2) Every association or society shall be operated and managed in accordance with the Bye-law of that association or society.

(3) The Bye-law has to set out the name, address, jurisdiction/domain, objectives, *modus operandi* of the association or society and such other details as may be prescribed.

(4) The Bye-law may be amended by a two-thirds majority of the members present at the general meeting of the concerned association or society.

(5) The Bye-law amended pursuant to Sub-section (4) shall come into force after having been approved by the Registrar.

**13. General meeting:** (1) Every association or society shall have its one general meeting.

(2) All members of an association shall be members of the general meeting of the association.

(3) The general meeting of a society shall consist of such members as mentioned in the Bye-law.

**14. Functions, duties and powers of general meeting:** The functions, duties and powers of the general meeting shall be as follows:

(a) To examine and endorse annual accounts of the association or society.

(b) To elect the board of directors and the accounts committee and make decision on removing any director or dissolving the board.

(c) To discuss the reports of the board of directors and the accounts committee and give necessary directives.

(d) To make decision on amendment to the Bye-law.

(e) To make decision on the division of the association or society or on its unification with another association or society or on its liquidation.

**15. Meetings of general meeting:** (1) Every association or society has to convene its preliminary general meeting within three months after the date of its registration.

(2) Every association or society has to convene its annual general meeting within six months after the expiration of every fiscal year.

(3) The extra-ordinary general meeting of an association or society may be convened in such circumstances as prescribed.

(4) The quorum for a meeting of the general meeting shall be as prescribed.

Provided that, the presence of fifty one percent members of the total number of members of the general meeting shall be required while making amendment to the Bye-law.

**16. Board of directors:** (1) Every association or society shall have one board of directors.

(2) The formation, functions, duties and powers of the board shall be as provided in the Bye-law of the concerned association or society.

(3) The tenure of the board shall be as provided in the Bye-law but shall not exceed a period of five years.

(4) The board has to get a new board elected prior to the expiration of its tenure.

(5) If the board does not hold election in time pursuant to Sub-section (4), any member may give information thereof to the Registrar.

(6) Irrespective of whether information as referred to in Sub-section (5) is received or not, the Registrar shall hold election to the board within six months after the expiration of the tenure of the board.

(7) The previous board may continue to function as provided in the Bye-law pending the holding of election to a new board pursuant to Sub-section (4) or (6).

**17. Accounts committee:** (1) The general meeting of every association may elect and form one accounts committee consisting of three members including one coordinator.

(2) The accounts committee may perform the internal audit of the association in a regular basis and give suggestions to the board.

(3) The accounts committee has to submit its accounts related report to the general meeting.

**18. Expulsion of member of board or dissolution of board:** (1) If a majority of the general meeting adopts a proposal submitted to the general meeting by five

percent members of the general meeting, setting out the reasons and rationality for expelling any elected member of the board or dissolving the board, such member of the board may be expelled or the board dissolved.

(2) If any member of the board is expelled pursuant to Sub-section (1), the general meeting shall elect another member to the office of the member so expelled for the remainder of term.

(3) In the event of dissolution of the board pursuant to Sub-section (1), the general meeting make provision of election to the new board.

(4) All the provisions contained in Sub-sections (1), (2) and (3) shall also apply to the expulsion of a member of the accounts committee or dissolution of the accounts committee.

**19. Sub-committees:** (1) The board may, for the performance of the business of association or society, form sub-committees as provided in the Bye-law.

(2) The functions, duties and powers and procedures of a sub-committee to be formed pursuant to Sub-section (1) shall be as provided in the Bye-law.

**20. Appointment of employees and advisers:** (1) The board may appoint employees and advisers, as per necessity, for the operation of the association or society, in accordance with the process endorsed by the general meeting.

(2) The remuneration and other conditions of service of the employees and advisers appointed pursuant to Sub-section (1) shall be as mentioned in the Bye-law of the concerned association or society.

## **Chapter-5**

### **Registrar**

**21. Appointment of Registrar:** (1) Government of Nepal shall appoint one Registrar to register associations or societies and perform such other functions as prescribed, subject to this Act and the Rules framed under this Act.

(2) The remuneration and other conditions of service of the Registrar shall be as prescribed.



22. **Delegation of powers:** The Registrar may delegate any of the powers conferred to him/her pursuant to this Act or the Rules framed under this Act to any officer subordinate to him/her.

## Chapter-6

### **Financial Source and Mobilization**

23. **Sale of shares:** (1) An association or society may collect share capital by selling its shares to those persons who are under its jurisdiction and are eligible to become its members, members and other bodies as prescribed.

(2) An association or society may, with approval of Government of Nepal, sell a maximum of twenty percent share of its total share capital to a foreign cooperative association or society which is a member of the International Cooperative Alliance.

(3) In selling its shares pursuant to Sub-section (1), an association shall so sell shares to a person or association that it does not exceeds twenty percent of its total share capital to the same person or association.

Provided that, this restriction shall not apply to Government of Nepal or an organization or body owned by Government of Nepal.

(4) A member shall be entitled to cast vote only on the basis of one person one vote irrespective of the number of shares subscribed by that person.

24. **Power to issue debentures and borrow loans:** An association or society may issue debentures and borrow loans from a native or foreign bank or other body.

Provided that, approval of Government of Nepal has to be obtained prior to issuing debentures or borrowing loans.

25. **Security of Government of Nepal may be obtained while borrowing loans:** If an association or society intends to obtain the security of Government of Nepal against debentures to be issued by the association or society or loans borrowed from a foreign bank or other body, the association or society has to make an application to Government of Nepal for the same.

(2) If Government of Nepal, upon consideration of an application made pursuant to Sub-section (1), thinks appropriate, it may provide security against such debentures or loans. In providing such security, Government of Nepal may prescribe necessary terms and restrictions in respect of repayment of such debentures or loans; and the association or society has to make repayment of debentures or loans subject to those terms and restrictions.

**26.□ Powers to carry on banking transactions:** (1) An association or society may accept saving deposits from its member and lend loans to its members.

(2) An association or society has to obtain prior approval of the Nepal Rastra Bank in order to carry on other banking transactions including acceptance of deposits and disbursement of loans limited only to its members, other than the transactions mentioned in Sub-section (1). Such association or society has to observe the terms and conditions prescribed and directions given by the Nepal Rastra Bank.

(3) An association or society carrying on business after being registered prior to the commencement of this Act has to make arrangements for carrying on transactions pursuant to Sub-section (1) or Sub-section (2) within one year after the date of commencement of this Act.

(4) Notwithstanding anything contained elsewhere in this Act, associations or societies may jointly form a cooperative bank.

(5) If an application, accompanied by a recommendation of the Nepal Rastra Bank, is made for the establishment of a bank pursuant to Sub-section (4), the Registrar may hold necessary inquiry and register such bank.

(6) A bank registered and established pursuant to Sub-section (5) may carry on the banking transactions under the Commercial Bank Act, 2031(1975) approved by the Nepal Rastra Bank; and the bank has to observe the terms and conditions prescribed by and the directions given from time to time by the Nepal Rastra Bank.

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□ Amended by the First Amendment.

27. **Distribution of saving:** (1) The funds as prescribed may be established out of the amounts that remain after depositing into the reserve fund at least one-fourth of the net saving of an association or society in any year.
- (2) A dividend or bonus to the extent mentioned in the Bye-law may be distributed from the funds, other than the reserve fund, in consonance with the purpose of such funds.
- Provided that, the amount of share dividend for a year shall not exceed fifteen percent of the share capital.
28. **Prohibition on providing financial assistance:** No association or society shall provide donation or any other kind of financial assistance to any organization or association working for any political party or religion or community.
29. **Prohibition on awarding contract:** No association or society shall award any contract of that association or society to any member of its board or accounts committee or its employee.
30. **Share or right of member not to be auctioned:** The share or right of any member remaining as the principal amount of an association or society shall not be sold by auction of any loan or liability, other than the loan or liability of the same association or society.

## Chapter-7

### Unification or Division

31. **Unification or division:** (1) In order to merge and unify two or more associations with each other or divide one association or society into two or more associations or societies, a two-thirds majority of the general meeting of the concerned association or society has to make a decision to that effect. Such decision shall also set out the terms and procedures of unification and division.
- (2) The Registrar shall, based on the decision as referred to in Sub-section (1), unify or divide the concerned association or society.

## Chapter-8

### **Information, Records and Examination of Accounts**

32. **To maintain records of decisions:** Every association or society has to maintain updated records of the meetings of, and activities carried out by, its general meeting, board, accounts committee and sub-committees.
33. **Accounts and other records:** Every association or society has to maintain records of accounts of all transactions carried on by it and other necessary records as prescribed.
34. **Submission of information:** Every association or society has to submit an annual report of its transactions and audit report as well as a report including the following details to the Registrar or official designated by him/her within the prescribed time each year:
- (a) Policy and plan set in respect of saving description,
  - (b) List of names of directors and their remaining tenure,
  - (c) Fixed date of the meeting of the general meeting, and
  - (d) Such other details as prescribed by the Registrar from time to time.
35. **Powers to inquire:** (1) If at least five percent members of an association or society make an application mentioning that the association or society is not functioning satisfactorily, the Registrar may him/herself inquire into the matter or get such inquiry held by any official empowered in writing to that effect.
- (2) In the event that the business transaction of any association or society does not appear satisfactory, the Registrar may him/herself inquire into the matter or get such inquiry held by any official.
- (3) It shall be the duty of every member and employee of the association or society to render assistance in every respect by providing such information as sought while holding inquiry by the Registrar or the official authorized by him/her pursuant to Sub-section (1) or (2).
- (4) An information of the results of an inquiry held pursuant to Sub-section (1) or (2) shall be given in writing to that association or society.

**36. Powers to make inspection and give suggestions:** (1) The Registrar or official authorized by him/her may inspect the association or society.

(2) If, in making inspection pursuant to Sub-section (1), it is not found that provisions of this Act or the Rules framed under this Act or Bye-law have not been complied with, the concerned official may give necessary suggestions to make provisions pursuant to the Act, Rules or Bye-law.

**37. Examination of accounts:** (1) Every association or society has to get its accounts of every fiscal year examined by any registered auditor recognized by the Registrar or official designated by him/her within three months after the expiration of that fiscal year.

(2) Notwithstanding anything contained in Sub-section (1), the general meeting of the concerned association or society may, with the approval of the Registrar, appoint a registered auditor and cause the accounts of that association or society to be examined by such auditor.

(3) In appointing an auditor pursuant to Sub-section (2), the same person or company may not be appointed for more than three consecutive times.

(4) A report on examination of accounts has to be submitted to the general meeting and got endorsed.

(5) If the general meeting does not endorse the report on examination of accounts submitted to the general meeting pursuant to Sub-section (4), the general meeting may appoint another auditor and have an inquiry held or accounts re-examined.

(6) The remuneration and facilities of auditor shall be as determined by the general meeting.

## Chapter-9

### Concessions and Facilities to Association or Society

38. **Exemptions and facilities to association or society:** (1) Notwithstanding anything contained in the prevailing law, the association or society shall be entitled to the following exemptions and facilities:

- (a) The association or society shall not be required to have registration pass of any instrument relating to its transaction, other than an instrument relating to immovable property.
- (b) No revenue stamp fee or registration fee shall be charged on a document or any kind of instrument related with the purchase and sale or exchange of an immovable property as carried out by the association or society.
- (c) -----◇
- (d) No local tax shall be levied on the goods traded by the association or society.

(2) Government of Nepal may, by a notification in the Nepal Gazette and pursuant to the prevailing law, exempt fully or partly from chargeable customs tariff or sales tax such machineries, industrial and agro-machines, equipment, spare parts, raw materials, office equipment and means of transport as are imported by an association or society for its use.

(3) Government of Nepal may, by a notification in the Nepal Gazette and pursuant to the prevailing law, exempt fully or partly from chargeable excise duty or sales tax the goods produced by any association or society.

(4) An association or society doing industrial business shall also be entitled to such other exemptions, facilities and protection as the industries are entitled to pursuant to the law, in addition to the exemptions mentioned in Sub-sections (1), (2) and (3).

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◇ Deleted by Some Nepal Acts Amendment Act, 2057 (2000).

39. **Recovery of dues of association or society:** Any association or society itself or the Registrar on recommendation of the association may recover the loans borrowed by any person from the association or society or any amounts due and payable to the association or society, the amount of such property of the association or society as has been embezzled as well as interest chargeable in such amounts by auctioning the assets of such person by fulfilling the procedures as prescribed.
40. **Preference of association or society:** If any member does not pay to the association or society any amount payable by such member, the association or society shall have preference to the amounts that remain after setting aside the amount for payment of a right or claim, if any, of Government of Nepal over the assets of such member.

#### Chapter-10

#### **Dissolution of, and Cancellation of Registration of, Association or Society**

41. **Dissolution of, and cancellation of registration of, association or society:** (1) A two-thirds majority of the total number of members of the general meeting of an association or society may decide to liquidate the association or society.
- (2) On receipt of an application accompanied by the decision as referred to in Sub-section (1), the Registrar or person authorized by him/her may cancel the registration of such association or society.
- (3) If, in holding inquiry pursuant to Sub-section (2) of Section 35 or making inspection pursuant to Section 36, any association or society is found remaining inoperative being failed to carry on any transaction for two consecutive years or any association or society is found to have acted contrary to its objectives, the Registrar or person authorized by him/her may cancel the registration of such association or society. In the event of such cancellation of registration, the association or society shall be dissolved and the certificate of registration shall *ipso facto* be void.

42. **Appointment of liquidator:** (1) If any association or society is dissolved pursuant to Section 41, the Registrar or person authorized by him/her may appoint one liquidator to implement matters pertaining thereto.

(2) The functions, duties and powers and remuneration of the liquidator shall be as prescribed.

## **Chapter-11**

### **Punishment**

43. **Imposition of fine for failure to submit information:** A fine not exceeding One Thousand Five Hundred Rupees shall be imposed, by order of the Registrar, on any association or society which fails to submit a report pursuant to Section 34 or information as referred to in Sub-section (3) of Section 35.

44. **Imposition of fine on person carrying on trade by using the word cooperative:** A fine not exceeding Two Thousand Rupees shall be imposed, by order of the Registrar, on a person, other than an association or society registered pursuant to this Act, who carries on trade and business in violation of Section 46. If such person who has once been punished with fine is held to have again carried on trade and business in violation of that Section, such person shall be liable to a fine not exceeding Five Thousand Rupees for each instance following the second instance.

45. **Appeal:** The concerned association or society or person who is not satisfied with the cancellation of registration of such association or society made by the Registrar or person authorized by him/her pursuant to Sub-section (3) of Section 41 or with an order made by the Registrar pursuant to Section 43 or 44 may make an appeal to the Court of Appeal within thirty-five days.

## **Chapter-12**

### **Miscellaneous**

46. **Restriction on the use of word cooperative (or translation thereof):** Any person, firm or organization, other than any association or society registered pursuant to this Act shall be entitled to carry on trade or business by adding the word cooperative (or its English translation) to its name.



47. **Companies Act, 2021(1964)<sup>△</sup> not to apply:** The Companies Act, 2021 (1964) shall not apply to the association or society registered under this Act.
48. **Powers to frame Rules:** (1) In order to implement the objectives of this Act, Government of Nepal may frame necessary Rules.
- (2) Without prejudice to the generality of the powers conferred by Sub-section (1), Rules may be framed particularly on the following matters:
- (a) Prescription of the format of application for the registration of the association or society and of certificate.
  - (b) Making provisions on the powers and procedures of the general meeting and extra-ordinary general meeting of the association or society.
  - (c) Provisions of financial source of the association or society and mobilization thereof.
  - (d) Monitoring and supervisions of the association or society.
49. **Repeal and saving:** (1) The Common Association (*Sajha Snastha*) Act, 2041 (1984) is hereby repealed.
- (2) Any association or society registered under the Common Association (*Sajha Snastha*) Act, 2041 (1984) shall be deemed to have been registered pursuant to this Act.

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<sup>△</sup> The Companies Act, 2053 (1996), which has repealed the Companies Act, 2021(1964), has come into force on 2053.11.22 (5 March 1997).