officio until the winding up is completed. We would recommend
S. 647. an amendment of this section as follows:—

"Where the winding up of a company which commenced before the date of the coming into force of this Act is pending on that date—

(*i*) sections 471, 472, 552 and 555 shall apply in respect of any moneys paid into the Companies Liquidation Account, whether before or after such commencement;

(*ii*) the further proceedings in liquidation after the order for winding up made by the Court may, on an application made to the Court by the Registrar or any person interested, stand transferred to the Official Liquidator appointed under this Act;

(*iii*) in other respects the company shall be wound up in the same manner and with the same incidents as if this Act had not been passed."

Nidhis and Benefit Societies

208. We have now to advert to a class of companies which are *sui juris* and which present peculiar features. There are a large number of concerns in South India variously styled as Nidhis, Mutual Benefit Societies, Permanent Funds etc. They are companies incorporated and registered under the Act of 1913 or the earlier Companies Acts. Their objects *inter alia* are to enable the members to save money, to invest their savings, and to secure loans at favourable rates of interest. They inculcate the idea of thrift and compulsory saving in the minds of the poor and middle class people. These companies have a fixed capital consisting of shares of one rupee each. The shares are not offered to the public for subscription but allotted to those who desire to take advantage of the benefits offered for depositing or borrowing money. These companies have transactions only with the members and not with the public. They help the members to save money by receiving from them recurring deposits of small sums every month and repaying the accumulated sum at the end of 4, 5, 6 or 7 years, as the case may be, with interest calculated on the amount standing to the credit of the depositor each month. Loans are granted to members on the security of their recurring deposits or of jewels or house property repayable with a moderate

rate of interest during a period of 4 to 7 years in monthly instalments. For instance, a member who subscribes one rupee every month for a period of 7 years gets Rs. 100 at the end of the period, the rate of interest working out at 6 per cent. Similarly, a member who borrows Rs. 500 on the security of his recurring deposit or other security has to pay Rs. 5 every month at the rate of one rupee for every Rs. 10 of loan and, if he continues to pay the same for 7 years, the total amount he will pay will come to Rs. 420 but the loan of Rs. 500 is automatically discharged at the end of 7 years, the difference of Rs. 80 representing the interest contributed by the company on the monthly instalment of 5 rupees paid by the member. As these companies deal only with their members and their business is restricted to receiving deposits from and lending money to members, their main source of income or profits is the difference between the interest paid to and earned from the members. They do not open current accounts. Some of these companies by reason of thrifty management have built up reserves and acquired assets in the shape of buildings, Government securities etc. To take the case of Mylapore Hindu Permanent Fund Ltd., Madras, the authorised capital is Rs. 1,00,00,000 and the paid up capital is Rs. 30,000. The membership of the company fluctuates and in 1956 it was 30,000. Each member is allotted one share of the face value of Re. 1. The annual dividend declared in 1956 was one anna six pies per share. The shares are not quoted on any Stock Exchange or dealt in on the market, but are transferable. There are twelve directors, of whom one is styled the President and another is the internal auditor. The annual remuneration of all the twelve directors is Rs. 10,000 and they are not paid any sitting fees. The company was established in 1872 and its reserves are about Rs. 10,00,000. The other Nidhis and Benefit Societies are of the same general pattern and function in different parts of the City of Madras or in the urban areas in the mofussil. They are not co-operative societies but are run on the same principles and their number is appreciable.

It has been represented to us that the application of some of the provisions of the Companies Act, 1956 to companies of the aforesaid type has resulted in considerable hardship to them and seriously crippled their slender resources.

Section 53 of the Act relating to service of documents on members individually involves considerable expenditure by way of stationery, printing and postage in the case of these Nidhis whose membership runs into several thousands. Publication on the notice board of the company and an advertisement in a local daily newspaper in one or two issues should be deemed to be sufficient.

Nidhis whose membership is generally unwieldy have to be exempted from the obligation to file every year a return of members, past and present, under section 159. The compiling of such a list comprising thousands of names is a laborious task involving a huge amount of clerical work with no corresponding advantage. It is enough if the changes in membership that have taken place during the year are alone returned.

In view of the large membership of these companies the provisions of section 166 might be relaxed so as to allow the holding of annual general meetings at places other than the company's registered office and on holidays. Section 207 also requires to be relaxed in these cases. The requirement of posting dividend warrants to members should not apply to these companies with a share capital of nominal value and declaring a paltry sum of a few naye paise as dividend, in view of the expense involved in postage which exceeds the amount of the dividend. The dividend should be made payable at the counter on demand by the shareholder or credited to his account with the company. The requirement of section 219 as regards the supply of copies of the balance sheet and profit and loss account to each of the members might be relaxed and it might be provided that their publication on the notice board of the company and in one or two local newspapers shall be sufficient and any shareholder who applies to the company in writing for a copy of these documents shall be entitled to receive a copy at the office of the company. Since these companies are carrying on business of a more or less sterotyped character, they might be exempted from the provisions of section 280 relating to the age limit of directors. In view of the petty nominal value of the shares, the provision in section 270 allowing a time limit for the acquisition of the share qualification of a director might be abrogated and the companies might be allowed to provide by their articles that no person who does not possess the requisite share qualification shall be eligible for election as a director. In view of the fact that loans are advanced to members only on the security of their recurring deposits or gold, jewellery or house property, the restrictions imposed by section 295 in regard to loans to directors or their relatives might be relaxed and such loans might be permitted in conformity with the articles. There is no justification for exempting these companies from the operation of section 314, particularly when we are fixing a minimum salary limit for the office in the amendment proposed by us. The filing fee of Rs. 5 laid down in Schedule X, subsequently increased to Rs. 10 in the case of companies having an authorised capital of rupees one lakh and above, in respect of the return of allotments to be filed under section 75(*1*) of the Act works serious hardship in the case of these companies. Before the present Act they were paying only 4 annas for each allotment of the value of Rs. 1 to 25. In the case of joint stock companies other than Nidhis, further allotment of shares after the initial allotment is made occasionally. In the case of Nidhis, the membership is increasing monthly and the number of shares allotted in a month may not, in most cases, exceed 25 shares of Re. 1 each. Even if one share is allotted in a month, the company has to pay Rs. 10 a month, which is forty times the rate charged under the Act of 1913 and is incidentally ten times the amount of the capital involved. It is necessary that in the case of Nidhis, the fee leviable in respect of the return of allotments, to be filed under section 75(*1*) should be considerably reduced so as to enable them to extend their usefulness and service to the poor and the lower middle class people. The Central Government might reduce the fee in the exercise of its powers under section 613 of the Act.

The S.N.D.P. Yogam, which is a non-profit making concern, has made a representation that it should be exempted from the operation of certain provisions of the Act, in view of its large membership of over 12,000, its numerous branches numbering 1270 and its social and educational activities. As regards the requirements of sections 53, 166 and 172 regarding notices, venue, date and hours of the annual general meeting, from which the Yogam wants to be exempted, the considerations that apply to the case of Nidhis which we have adverted to above, apply also to the

Yogam. The same is the position with regard to the applicability of sections 280 and 314. If, as stated before as, the so-called branches of the Yogam are autonomous bodies having separate constitutions and memberships and acquiring properties and disposing of them in their own right without reference to the Yogam, then they are not, strictly speaking, branches of the company and there is no need for any special exemption from section 209. They have to get themselves registered as companies. We are of the opinion that Nidhis and Benefit Societies of the type mentioned above should confine their business activities to the State wherein they are registered and should be governed by appropriate State legislation.

Acknowledgement

209. We wish to express our warm appreciation of the work done by Shri F. N. Sanyal, our Secretary, who analysed and collated a mass of notes and memoranda received from different quarters and also rendered us valuable assistance in the preparation of our report. Our Administrative Officer, Shri V. K. Venkataraman, performed the tasks assigned to him with comendable thoroughness and promptitude. The small staff of the Committee consisting of two assistants and two typists have willingly worked overtime and got ready our draft and fair reports without delay. We conclude our report with the hope that our recommendations may serve to achieve the objects of our enquiry.

(A. V. Visvanatha Sastri)
Chairman.

(G. Basu)

(J. D. K. Brown)

(C. C. Shah)

(K. R. P. Aiyangar)

(F. N. Sanyal)
Secretary.

NEW DELHI :
Dated the 9th November, 1957