

No.5/11/1/2/RCS/PLG/M/2015/143  
GOVERNMENT OF PUDUCHERRY  
CO-OPERATIVE DEPARTMENT

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Puducherry, the 12 JUN 2015

**CIRCULAR**

Sub: Service benefits to the employees of co-operative societies – Provision for provident fund, employees' state insurance and gratuity – Instructions – Issued.

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The employees of co-operative societies are entitled to service benefits like contributory provident fund, medical allowance and gratuity. The contributory provident fund is regulated by Section 72 of the Puducherry Co-operative Societies Act, 1972 read with Rule 55 of the Puducherry Co-operative Societies Rules, 1973. The gratuity is as provided under Section 73 read with Rule 56. It is imperative on the part of the society to frame regulations for contributory provident fund and gratuity in accordance with the model regulations communicated by this office. When the strength of the employees increases, the societies adopt the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (Central Act 19 of 1952).

2. The employees receive medical benefits by way of fixed medical allowance as prescribed from time to time by the pay committee or by way of settlement between the management and the employees' union. The larger societies adopt the provisions of Employees' State Insurance Act, 1948 (Central Act 34 of 1948).

3. The societies frame regulations for payment of gratuity and the provisions are by and large in tune with the Payment of Gratuity Act, 1972 (Central Act 39 of 1972).

4. Even though the regulations provide that the contributory provident fund established by a society shall not be used in the business of the society and shall be invested in the financing bank, instances have been noticed that the management of the societies do not invest the provident fund, being the contribution from the employees and the employer, separately and use the funds in the business of the societies contrary to Section 73 (2) of the Act.

5. The Employees' State Provident Fund organization has brought to the notice of this Department that quite a good number of societies have defaulted in payment of contributions and the period of default is quite alarming. Due to non-remittance of dues by the societies, the Employees' State Provident Fund Organization is unable to extend the social security benefits envisaged under the Act and the schemes in the form of provident fund, pension and insurance of the workers, which is defeating the very objective of the Act.

6. Similarly, though the regulations for payment of gratuity for the employees provide that during the closure of every financial year, the society shall determine the amount of gratuity payable to the employees and the same shall be deposited in a separate bank account opened for the purpose or remitted to LIC of India under the Group Gratuity Scheme, it is not uncommon that the gratuity fund is not deposited separately and is used in the business. So is the case even with regard to medical benefits under the Employees' State Insurance Act.

7. In view of non-payment of contributions under the above said schemes, when the society reaches the dormant stage or under liquidation, the employees are the worst affected. They are driven from pillar to post to get their legitimate claims. When they are already out of employment, this acts insult to injury.

8. Some of the employees have approached judicial / quasi-judicial forum to claim their benefits, like provident fund and gratuity, even by impleading the Registrar of Co-operative Societies as one of the respondents to stake their claims. It is the primary responsibility of the management to make timely deposit of provident fund, gratuity and employees' state insurance contributions. When the management fail to make such contributions and do not invest the funds separately, such managements are guilty of violation of statutory provisions and acting against the interest of the employees. The officers at the helm of affairs during the relevant period of default shall be personally liable for non-deposit of contributions separately and utilizing the same in the business of the society.



9. Instructions are, therefore, issued to the societies to invest the contributions towards provident fund, gratuity and employees' state insurance separately, as envisaged under the relevant Acts / subsidiary regulations. They shall take all endeavours that there is no default on their part in the better interest of the employees of the societies.

10. These instructions shall be followed in letter and spirit and any violation will expose the defaulted managements to be dealt in the manner known to law.

11. The receipt of the circular shall be acknowledged.

  
(Dr. A.S. SIVAKUMAR)  
REGISTRAR OF CO-OP. SOCIETIES

To

All the co-operative societies in the  
Union territory of Puducherry.

Copy to :

1. The Secretary to Govt. (Co-operation), — for kind information  
Puducherry.

2. All Branch / Regional Officers

3. The Deputy Registrar (Audit),  
Co-operative Department,  
Puducherry.

} with a request to circulate this to all  
the auditors. Any violation in this  
regard should be reported in the  
schedule of defects in the Final  
Audit Memorandum

4. Web editor.