



Amendments to the Co-operative Societies Act

Prelims: Multistate Cooperatives, Constitution (97th Amendment) Act, 2011, Constitutional Provisions Related to Cooperatives.

Mains: Amendments to the Co-operative Societies Act.

Why in News?

Recently, responding to the demands by the Opposition, the Lok Sabha has referred the **Multi-State Co-operative Societies (Amendment) Bill 2022** to a joint [committee of Parliament](#).

- The Bill is aimed at **overhauling the [Multi-State Cooperative Societies Act, 2002](#)**, which was enacted 20 years ago.

What is a Cooperative Society?

- **About:**
 - Cooperatives are organizations **formed at the grassroots level by people to harness the power of collective bargaining** in the marketplace.
 - This can mean **different kinds of arrangements, such as using a common resource or sharing capital, to derive a common gain** that would otherwise be difficult for an individual producer to get.
 - In agriculture, cooperative dairies, sugar mills, spinning mills etc. are formed with the **pooled resources of farmers who wish to process their produce**.
 - Amul is perhaps the **best-known cooperative society in India**.
- **Jurisdiction:**
 - Cooperatives are **a state subject under the Constitution**, meaning they come under the state governments' jurisdiction, but there are **many societies whose members and areas of operation are spread across** more than one state.
 - For example, most sugar mills along the districts on the **Karnataka-Maharashtra border procure cane from both states**.
 - Cooperatives of more than one state are registered under the **Multi-State Co-operative Societies Act (MSCS) of 2002 Act**.
 - Their board of directors has **representation from all states** they operate in.
 - Administrative and financial control of these societies **is with the central registrar, with the law making it clear that no state government official can wield any control over them**.

What is the Need for Amendment?

- Since 2002, many **changes have taken place** in the field of cooperatives. At that time, Cooperation was a department under the Ministry of Agriculture. However, in July 2021, the government carved out **a separate [Cooperation Ministry](#)**.
- **Part IXB** was inserted in the **Constitution via 97th Constitutional Amendment Act 2011**. In

view of the insertion of Part IXB, it has become imperative to amend the Act.

- **Under 97th Amendment:**
 - The right to form cooperative societies was included as **Right to Freedom (Article 19 (1))**.
 - **Promotion of Cooperation societies** was inserted as one of the DPSPs (**Article 43-B**).
- Further, developments over the years also necessitated changes in the Act so as to strengthen the co-operative movement in the multi-State co-operative societies.

What are the Proposed Amendments?

- **Merger of Cooperatives:**
 - The Bill provides for the **merger of “any co-operative society”** into an existing MSCS by a resolution passed by **majority (at least 2/3rd) of the members present and voting** at a general meeting of such society.
 - **At present, only MSCS can amalgamate** themselves and form a new MSCS.
- **Co-operative Election Authority:**
 - The Bill seeks to establish a **“Co-operative Election Authority”**, with a view to bring **“electoral reforms” in the co-operative sector**.
 - The Authority shall consist of a Chairperson, a Vice-Chairperson and a maximum of 3 more members to be appointed by the Centre.
 - All the members **will hold office for 3 years or until they attain the age of 65 years** (whichever is earlier) and **shall be eligible for re-appointment**.
- **Stricter Punishments:**
 - **The Bill seeks to increase the amount of penalty** for certain offences.
 - If the board of directors or officers receive any unlawful gains while transacting matters related to such society, they will be punishable with imprisonment for a **term which shall not be less than one month but which may extend to one year or with fine**.
- **Cooperative Ombudsman:**
 - The government has proposed to appoint **one or more “Co-operative Ombudsman”** with a territorial jurisdiction for inquiring into the complaints made by the members.
 - The **Co-operative Ombudsman will have the powers of civil court** in summoning and examination.
- **Rehabilitation and Development Fund:**
 - The Bill also seeks the **“establishment of the Co-operative Rehabilitation, Reconstruction and Development Fund”** for revival of “sick MSCS”.
 - It also proposes to insert a new section **70A relating to “concurrent audit” for MSCSs** having an annual turnover or deposit of more than the amount as determined by the Central Government.

What are the Criticisms of the Proposed Bill?

- The Opposition members in the Lok Sabha have argued that the bill seeks to **“take away” state governments’ rights**.
- Some of the objections are based on the fact that cooperative societies are a state subject. **Entry 43 of the Union List (7th Schedule) makes it clear that co-operative societies do not come in the Centre’s domain**.
 - **Entry 43 says** - “Incorporation, regulation and winding up of trading corporations, including banking, insurance and financial corporations, **but not including co-operative societies**”.

UPSC Civil Services Examination, Previous Years Question (PYQ)

Mains

Q. “In the villages itself no form of credit organization will be suitable except the cooperative society.” – All India Rural Credit Survey.

Discuss this statement in the background of agricultural finance in India. What constraints and challenges do financial institutions supplying agricultural finance face? How can technology be used to better reach and serve rural clients? **(2014)**

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