



Multistate Cooperatives

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

For Mains: Loopholes in the Multi State Cooperative Societies (MSCS) Act, 2002.

Why in News

The Centre has decided to amend the **Multi State Cooperative Societies (MSCS) Act, 2002** to “plug the loopholes in the Act”.

- Earlier, a new [Ministry of Cooperation](#) was formed.

Key Points

- **About the Multi State Cooperative Societies (MSCS) Act, 2002:**
 - **Multi State Cooperative Societies:** Although **Cooperatives is a state subject**, there are **many societies** such as those for sugar and milk, banks, milk unions etc 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.
 - **Maharashtra has the highest number of such cooperative societies** at 567, followed by Uttar Pradesh (147) and New Delhi (133).
 - The **MSCS Act** was passed to govern such cooperatives.
 - **Legal Jurisdiction:** 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 on them.
 - The exclusive control of the central registrar was meant **to allow smooth functioning of these societies, without interference of state authorities**.
- **Associated Concerns:**
 - **Lack of Checks and Balances:** While the system for state-registered societies includes **checks and balances at multiple layers** to ensure transparency in the process, these layers do not exist in the case of multi state societies.
 - The **central registrar can only allow inspection of the societies** under special conditions.
 - Further, inspections can happen only after prior intimation to societies.
 - **Weak Institutional Infrastructure of Central Registrar:** The on-ground infrastructure for central registrar is thin — there are **no officers or offices at state level**, with most work being carried out either online or through correspondence.
 - Due to this, the **grievance redressal mechanism has become very poor**.
 - This has led to several instances when credit societies have launched **ponzi schemes** taking advantage of these loopholes.

▪ **Possible Reforms/Amendments:**

- **Strengthening Institutional Infrastructure:** The Centre government after consultation with various stakeholders should strengthen necessary institutional infrastructure to ensure better governance of the societies. For example:
 - Increasing the manpower.
 - Technology shall be used to bring in transparency.
- **Involving States:** The administrative control of such societies should be vested in the state commissioners.

Cooperatives in India

▪ **Definition:**

- The **International Cooperative Alliance** (ICA) defines a **Cooperative** as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”

• **Examples of Successful Cooperatives in India:**

- [**National Agricultural Cooperative Marketing Federation of India \(NAFED\).**](#)
- [**Indian Farmers Fertilisers Cooperative Limited \(IFFCO\)**](#)
- AMUL

▪ **Constitutional Provisions:**

- The [**Constitution \(97th Amendment\) Act, 2011**](#) added a **new Part IXB** regarding the cooperatives working in India.
 - The word “**cooperatives**” was added after “**unions and associations**” in Article 19(1)(c) under Part III of the Constitution.
 - This enables all the citizens to form cooperatives by giving it the status of **fundamental right** of citizens.
 - A **new Article 43B** was added in the [**Directive Principles of State Policy**](#) (Part IV) regarding the “promotion of cooperative societies”.

▪ **Supreme Court Judgement:**

- In July, 2021, the Supreme Court **struck down certain provisions of the 97th Amendment Act, 2011.**
 - As per the SC, **Part IX B (Articles 243ZH to 243ZT)** has “significantly and substantially impacted” State legislatures’ “exclusive legislative power” over its co-operative sector.
 - Also, the provisions in the 97th Amendment were passed by Parliament without getting them **ratified by State legislatures** as required by the Constitution.
 - The SC held that states have exclusive power to legislate on topics reserved exclusively to them (cooperatives are a part of State list).
 - The 97th Constitutional Amendment required ratification by at least one-half of the state legislatures as per Article 368(2).
 - Since the ratification was not done in the case of the 97th amendment, it was liable to strike it down.
 - It **upheld the validity of the provisions of Part IX B which are related to Multi State Cooperative Societies (MSCS).**
 - It said that in case of MSCS with objects not confined to one state, the legislative power would be that of the Union of India.

[**Source: IE**](#)