

## Amendments to the Co-operative Societies Act: Proposed Several Important Changes

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Paper - II  
(Indian Polity)

- ❖ The Bill proposes a number of key changes in how multi-state co-operative societies function, which the Oppn has alleged infringes on states' powers.

The Lok Sabha on Tuesday referred the Multi-State Co-operative Societies (Amendment) Bill 2022 to a joint committee of Parliament. The Bill was introduced on December 7, when Opposition members argued that it seeks to “take away” state governments’ rights, and demanded that it be sent to the standing committee. The Bill is aimed at overhauling the existing law, which was enacted 20 years ago.

### Why amend the existing law?

The Multi-State Co-operative Societies (Amendment) Bill, 2022, piloted by Home and Cooperation Minister Amit Shah, was introduced by his deputy, BL Verma, in Lok Sabha. The existing law—the Multi-State Co-operative Societies Act, 2002, was enacted by the then Atal Bihari Vajpayee government. Since then, many changes have taken place in the field of cooperatives.

At that time, Cooperation was a department under the Ministry of Agriculture. However, on July 6, 2021, the government carved out a separate Cooperation Ministry and Shah became the first Cooperation Minister of the country. Soon after taking charge of the Ministry, he announced the bringing in of a new National Co-operative Policy.

The Statement of Objects and Reasons of the Bill said, “The Multi-State Co-operative Societies Act, 2002 (the Act) was enacted to consolidate and amend the law relating to co-operative societies, with objects not confined to one State and serving the interests of members in more than one State, to facilitate the voluntary formation and democratic functioning of co-operatives as people’s institutions based on self-help and mutual aid and to enable them to promote their economic and social betterment and to provide functional autonomy and for matters connected therewith or incidental thereto.”

“Part IXB was inserted in the Constitution, vide the Constitution (Ninety-seventh Amendment) Act, 2011. In view of insertion of the said Part, it has become imperative to amend the Act. Further, developments

over the years also necessitated required changes in the Act so as to strengthen the co-operative movement in the multi-State co-operative societies,” it added.

### **New rules for merger**

The Bill provides for the merger of “any co-operative society” into an existing multi-state co-operative society. “Any co-operative society may, by a resolution passed by majority of not less than two-thirds of the members present and voting at a general meeting of such society, decide to merge into an existing multi-State co-operative society,” it read. At present, only multi-state cooperative societies can amalgamate themselves and form a new multi-state co-operative society.

### **Co-operative Election Authority**

Also, the Bill seeks to establish a “Co-operative Election Authority”, with a view to bring “electoral reforms” in the co-operative sector. As per the proposed amendment, the authority shall consist of a Chairperson, a Vice-Chairperson and members not exceeding three to be appointed by the Centre.

### **Who can be appointed the chairperson of the authority?**

As per the proposed amendments, a person shall not be qualified for appointment as Chairperson of the Authority unless he has held the post of Additional Secretary to the Government of India or equivalent rank; Vice-Chairperson of the

### **Co-operative committee**

- ↳ A cooperative is an autonomous association of individuals voluntarily pursuing their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled property. The need for profitability is balanced by the needs of the members and the wider interest of the community.

### **Cooperative Movement Development in India**

- ↳ For the first time, the Indian Famine Commission (1901) had inspired to set up a committee under the chairmanship of Sir Edward Law to report on the beginning of cooperatives in India. After this, it was further improved through various acts and committees.
- ↳ After independence, in 1958 the National Development Council (NDC) recommended a national policy for cooperatives and personnel training and establishment of cooperative marketing societies. Subsequently, the Government of India announced a National Policy on Cooperatives in 2002. After this, it was included in the constitution by the 97th Constitutional Amendment Act 2011 and a new cooperative ministry was established in 2021.

### **Importance of Co-operative Societies:**

- ↳ Rural cooperatives are important to the agriculture sector.
  - ↳ Consumer societies meet their consumption needs at subsidized rates.
  - ↳ Marketing societies help farmers get remunerative prices.
  - ↳ Cooperative processing units help in value addition to raw products. They also help in storage, warehousing, cold storage, construction of rural roads, and providing facilities like irrigation, electricity, transport, education, and health.
  - ↳ They play a vital role in reducing poverty, promoting women's empowerment, and improving literacy rates and skill development.
  - ↳ Many cooperatives have successfully promoted rural development.
1. National Cooperative Development Corporation (NCDC)
  2. National Agricultural Cooperative Marketing Federation of India (NAFED)
  3. AMUL and Cooperative Rural Development Trust (CORDET)

Authority unless he held the post of Joint Secretary to the Government of India or equivalent rank; and Member unless he fulfils such qualification and experience as may be prescribed. The Chairperson, Vice-Chairperson or Member of the Authority will hold office for three years or until they attain the age of 65 years, whichever is earlier, and they shall be eligible for re-appointment, according to the proposed Section 45(4).

### **What was the Constitution (Ninety Seventh Amendment) Act, 2011?**

Through the 97th constitutional amendment, Part IXB (The Co-Operative Societies) was inserted in the Constitution. The right to form cooperative societies was included as Right to Freedom under article 19 (1), Part-3 of the Constitution. In addition to this, Article 43-B (Promotion of Cooperation societies) was also inserted as one of the Directive Principles of State Policy under Part 4 of the Constitution of India.

### **Stricter punishments**

Clause 37 of the Bill seeks to amend section 104 of the Act to increase the amount of penalty for certain offences. “Where the board of directors or officers of the multi-State co-operative society receive any unlawful gains while transacting matters related to such society or utilise any assets of the society for personal unlawful gains, such directors or officers concerned shall 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 which shall not be less than five thousand rupees but may extend to one lakh rupees or with both and the proceeds of such unlawful gains shall be recovered from them and deposited in such manner as may be prescribed,” said the proposed sub section (6) of the Section 104 of the principal Act.

### **Ombudsman to have powers like Civil Court**

The government has proposed to insert a new Chapter IXA relating to “redressal of complaints”. Under this new chapter, 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. For this, a new section 85 will be added in the law.

According to the proposed amendments, the Co-operative Ombudsman shall, on receipt of a complaint, complete the process of inquiry and adjudicate within three months. The Ombudsman may issue necessary directions to the society during the course of inquiry and the society shall be bound to comply with the same within a period of one month. The Co-operative Ombudsman will have powers of civil court in summoning and examination.

### **Fund for revival of sick co-operative societies**

The Bill also seeks to insert a new section 63A in the principal Act, relating to “establishment of the Co-operative Rehabilitation, Reconstruction and Development Fund” for revival of “sick multi-State co-operative societies”. It also proposes to insert a new section 70A relating to “concurrent audit” for multi-state co-operative societies having an annual turnover or deposit of more than the amount as determined by the Central Government.

## Cooperative societies are state subjects

Some of the Opposition's objections to the Centre's Bill were based on the fact that cooperative societies are a state subject.

The subject 'cooperative societies' is mentioned in the entry 32 of the State List under the Seventh Schedule of the Constitution. "Incorporation, regulation and winding up of corporations, other than those specified in List I, and universities; unincorporated trading, literary, scientific, religious and other societies and associations; co-operative societies," reads entry 32 of the State List.

Besides, Entry 43 of the Central List under the Seventh Schedule of the Constitution also makes clear that co-operative societies do not come in the Centre's domain. "Incorporation, regulation and winding up of trading corporations, including banking, insurance and financial corporations, but not including co-operative societies," states the entry 43 of the Central List.

### Expected Question

**Que. Consider the following-**

1. Fundamental rights
2. Fundamental duties
3. Directive Principles of State Policy

In which of the above is/are cooperative societies included?

- (a) 1 and 2                      (b) Only 2  
(c) 1 and 3                      (d) Only 3

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**Answer : C**

### Mains Expected Question & Format

**Que.:** What provisions have been made regarding cooperative societies in the Indian Constitution? Especially throwing light on the role of cooperatives in rural development.

**Answer Format :**

- ❖ State the provisions related to cooperative societies in the Indian Constitution.
- ❖ Explain the role of cooperatives in rural development.
- ❖ Give a balanced conclusion stating the importance of cooperatives.

**Note:** - The question of the main examination given for practice is designed keeping in mind the upcoming UPSC mains examination. Therefore, to get an answer to this question, you can take the help of this source as well as other sources related to this topic.