

REPORT OF THE JOINT COMMITTEE**THE MULTI-STATE CO-OPERATIVE SOCIETIES (AMENDMENT) BILL,
2022****CHAPTER 1 : GENESIS AND FEATURES OF THE MULTI-STATE COOPERATIVE
SOCIETIES ACT, 2002 AND ITS AMENDMENT BILL, 2022**

The Multi-State Cooperative Societies Act, 2002 governs cooperative societies with members from multiple states. **The Act aims to facilitate democratic functioning of cooperatives and promote their economic and social betterment. The Act was enacted to replace the Multi-State Cooperative Societies Act, 1984. However, the Constitution (97th Amendment) Act, 2011 brought provisions related to cooperative societies under Part IXB of the Constitution.** This necessitated amendments to the Multi-State Cooperative Societies Act, 2002 to align it with the constitutional provisions.

The Ministry of Cooperation felt the need to amend the Act to plug loopholes, strengthen governance and implement reforms. Issues have been reported in some multi-state cooperatives related to financial embezzlements, election delays, lack of member participation etc. The proposed Multi-State Cooperative Societies (Amendment) Bill, 2022 aims to amend certain provisions of the Act. **Key changes proposed include reforming the board composition, establishing a Cooperative Election Authority, establishing a fund for reviving sick cooperatives, introducing concurrent audits, appointing Ombudsmen to handle member complaints, increasing penalties and filing documents electronically.**

CHAPTER 2 : EXAMINATION ON THE MULTI-STATE CO-OPERATIVE SOCIETIES (AMENDMENT) BILL, 2022

The bill proposes several amendments to the Multi-State Cooperative Societies Act, 2002 with the aim of strengthening governance, promoting ease of doing business and ensuring transparency. Key proposals include:

Inserting definitions of new terms like 'Authority' and 'Cooperative Ombudsman' in line with the Constitution. Prudential norms for liquidity, exposure and capital are proposed for thrift and credit societies to ensure financial discipline. Timelines for registration of societies are reduced to promote ease of doing business. Email addresses are also to be included as part of the address of societies for faster communication.

The bill also proposes to allow the merger of state cooperative societies into existing multi-state cooperative societies subject to state cooperative laws. However, some stakeholders have suggested placing restrictions on mergers to only those in the same line of business. While the Ministry feels this could restrict flexibility, it has agreed to examine the suggestion further.

While welcoming most of the proposed amendments, the Reserve Bank of India has highlighted the need for corresponding changes to the Banking Regulation Act to avoid contradictory provisions, especially with regards to regulation of multi-state cooperative banks. The Ministry has clarified that provisions of the Banking Regulation Act will continue to apply for cooperative banks in addition to the Multi-State Cooperative Societies Act.

In summary, the proposed amendments aim to strengthen governance and transparency in multi-state cooperative societies while promoting ease of doing business. However, further changes to other relevant acts may be required to ensure coherence in the overall regulatory framework.

Clause 8-clause 17

The key proposals in the bill aim to reform the composition, meetings and membership of cooperative societies. An important proposal is the establishment of a Cooperative Election Authority in line with the Constitution to ensure timely and impartial conduct of elections. The Authority will consist of a Chairperson, Vice-Chairperson and Members appointed by the Central Government.

Some stakeholders have expressed concerns that the proposals may infringe on the autonomy of cooperatives and go against cooperative principles. However, the Ministry of Cooperation argues that the Election Authority will strengthen governance and democratic functioning. The bill also proposes restrictions on recruitment of relatives of sitting directors to reduce nepotism. Disqualification criteria for board members are being expanded to strengthen governance.

There are suggestions to clarify the roles and powers of RBI regarding multi-state cooperative banks. The Ministry has stated that appropriate changes will be made in consultation with DFS and RBI to address any ambiguities. Some stakeholders have also made suggestions to modify certain provisions relating to the Election Authority and representation of SC/ST communities in the board.

In summary, the key aim of the bill appears to be improving governance and transparency in cooperative societies through electoral reforms and restrictions on interested party transactions. However, there are concerns regarding some provisions allegedly infringing on the autonomy of cooperatives. The government will need to balance these issues while finalizing the amendments.

Clause 20-35

The proposed amendments to the Multi State Cooperative Societies Act aim to strengthen governance, transparency and monitoring mechanisms in multi state cooperative societies. Key provisions include prescribing age limits and fit and proper criteria for CEOs, allowing flexibility in borrowing limits, appointment of auditors from panels approved by Central Registrar, setting standards for auditing and accounting, empowering Central Registrar to conduct inquiries,

setting up of Cooperative Ombudsman for grievance redressal and provisions for rehabilitation and winding up of sick societies.

While most stakeholders support the amendments to improve governance, some have raised concerns about certain provisions impacting the autonomy of cooperative societies. The Ministry of Cooperation has clarified that the amendments aim to ensure better compliance, prevent misuse and fraud while still allowing cooperative societies to function autonomously within the overall regulatory framework. The amendments related to multi state cooperative banks aim to bring clarity on the dual regulation by RBI and the Cooperative Societies Act. RBI has also highlighted some inconsistencies and suggested carving out cooperative banks from some general provisions. The Ministry has stated that the concerns of RBI will be taken into account while framing the relevant rules and notified criteria.

In summary, the proposed amendments aim to improve governance and transparency in multi state cooperative societies while balancing the need for autonomy and regulation. The Ministry and stakeholders are engaged in discussions to refine some provisions based on the concerns raised.

The proposed amendments to the Multi-State Cooperative Societies Act aim to strengthen governance, transparency and monitoring mechanisms in multi-state cooperative societies. The key changes proposed include:

- Requiring multi-state cooperative societies to file annual reports disclosing details of non-unanimous board decisions to improve transparency.
- Mandating the appointment of a Cooperative Information Officer to provide information to members and specifying a mechanism for members to appeal information requests. This is meant to improve information disclosure and accountability.
- Enabling the filing of returns and documents electronically to promote ease of doing business.
- Clarifying that the provisions of the Banking Regulation Act will also apply to multi-state cooperative banks in addition to the MSCS Act. This is to address the issue of dual regulation of cooperative banks.
- Expanding the definition of 'specified multi-state cooperative societies' for which the government can supersede boards to include societies with any government shareholding, loans, guarantees, etc. This is to strengthen monitoring and control.
- Expanding the scope of rules the government can make under the Act to implement the proposed amendments.

In summary, the proposed amendments aim to improve governance, transparency and monitoring of multi-state cooperative societies in line with the Constitution while balancing functional autonomy and cooperative principles.