

Multi state cooperative society(amendment) bill 2022

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In news— The Bill to amend the Multi-State Cooperative Societies (MSCS) Act, 2002, was introduced in the Lok Sabha recently.

Key features of the bill-

- To plug the “loopholes” in the MSCS Act, the Centre introduced a Bill seeking to amend the 2002 law for more “transparency” and increase the “ease of doing business”.
- The amendments have been introduced **to improve governance, reform the electoral process**, strengthen monitoring mechanisms and enhance transparency and accountability.
- The **Bill also seeks to improve the composition of the board and ensure financial discipline**, besides enabling the raising of funds in MSCSs.
- The **Bill provides for the creation of a central Co-operative Election Authority** to supervise the electoral functions of the MSCSs.
- The Authority will have a chairperson, vice-chairperson, and up to three members appointed by the Centre.
- **Another provision makes it possible to override the board of directors of the society and the appointment of an administrator**, not necessarily a member of the collective.
- **The Bill seeks to amend Section 17 of the principal act to allow the merger of any State cooperative society with an existing MSCS. Opposition members argued that this was beyond the Centre’s legislative competency as State cooperatives are not its domain.**
- It envisages the **creation of a Co-operative Rehabilitation, Reconstruction and Development Fund** for

the revival of sick MSCSs , financed by existing profitable MSCSs which will have to deposit either Rs. 1 crore or 1% of their net profit.

- In order to make the governance of these societies more democratic, transparent and accountable, the **Bill has provisions for appointing a Cooperative Information Officer and a Cooperative Ombudsman.**
- To promote equity and inclusiveness, **provisions relating to the representation of women and Scheduled Caste/Scheduled Tribe members on MSCS boards** have been included.
- The **Bill makes only members eligible to be elected to the board** or as office bearers of the cooperative society.
- Active members have been defined as those who are availing a minimum level of services from the society or have attended at least three consecutive general meetings.
- The Bill also increases the penalty amount for violation of the law to Rs. 1 lakh and potential imprisonment from six months to a year.

Apex Court on MSCSs-

- Notably, the **constitutional domain of States in regulating cooperative societies was upheld by the Supreme Court** in 2021 when **it struck down a part of the 97th Constitution Amendment.**
- The **court held that the Centre required the ratification of the Amendment by 50% of the state legislatures as it sought to give a framework for State legislation on cooperative societies.**
- The top court upheld only the part of the amendment that related to MSCSs, for which Parliament was competent to enact laws.

What are MSCSs?

- **Multi-State cooperatives are societies that have operations in more than one state-** for instance, a farmer-producers organisation which procures grains from farmers from multiple States. Such MSCSs are **registered under the Multi-State Co-operative Societies Act 2002, and their regulation lies with the Central Registrar.**
- The board of directors are from all the States these collectives operate in and controls all finances and administration function.
- There are close to 1,500 MSCSs registered in India, the highest number being in Maharashtra. A large number of MSCSs are credit societies, while agro-based societies, dairies and banks are also sizeable in number.
- **According to the International Cooperative Alliance (ICA), cooperatives are people-centred enterprises jointly owned and democratically controlled** by and for their members to realise their common economic, social and cultural needs and aspirations.
- **Article 43B of the Constitution inserted by the 97th Amendment** says that “states shall endeavour to promote voluntary formation, autonomous functioning, democratic control and professional management of cooperative societies”.
- Cooperatives in India range from those providing credit to those producing, procuring, or marketing products like fertilisers, milk, sugar, and fish.
- **Indian Farmers Fertilisers Cooperative (IFFCO) has around a third of the market share in fertilizers,** while Gujarat’s Amul is a highly profitable dairy cooperative.
- According to the Ministry of Cooperation, **there are around 8.5 lakh cooperatives in India,** with about 1.3 crore people directly attached to them.
- As per NCUI data from 2018, the percentage of cooperative members in proportion to the total population increased from 3.8% in 1950-51 to 22.2% in 2016-17.

History of India's cooperative movement-

- **India's cooperative movement originated in the agriculture and related sectors** as a means for farmers to pool their resources to prevent exploitation by money lenders.
- **India's cooperative movement was formalised at the end of the 19th century, inspired by the German model** of agricultural credit banks.
- **In 1904, the British government in India enacted the Cooperative Credit Societies Act.**
- **Agricultural Credit Cooperative Society, of Kanaginahal village of Gadag District in Karnataka** was the **first cooperative Society** formed under First Cooperative law of India.
- While this Act dealt solely with the extension of credit, the sector was opened up to other activities in 1912. **Administrative reforms in 1919 transferred cooperatives to provincial control.**
- **After Independence, the framers of the Constitution placed cooperatives in the State list.** They came to be considered instruments of socio-economic development and became an essential focus of the initial Five-Year Plans.
- States made their own laws to regulate cooperatives within their jurisdiction, but in 1984, the Multi-State Co-operative Societies Act (amended in 2002) was enacted by Parliament to consolidate different laws at the central level.