

Bill No. 48 of 2006

**THE CONSTITUTION (ONE HUNDRED AND SIXTH
AMENDMENT) BILL, 2006**

further to amend the Constitution of India.

BE it enacted by Parliament in the Fifty-seventh Year of the Republic of India as follows:—

1. (1) This Act may be called the Constitution (One Hundred and Sixth Amendment) Act, 2006. Short title and commencement.

5 **(2)** It shall come into force on such date as the Central Government may, by notification, in the Official Gazette, appoint.

Insertion of
Part IXB.

2. After Part IXA of the Constitution, the following Part shall be inserted, namely:

'PART IXB

THE CO-OPERATIVE SOCIETIES

Definitions

243ZH. In this Part, unless the context otherwise requires,-

(a) "authorised person" means a person referred to as such in article 5
243ZQ;

(b) "board" means the board of directors or the governing body of a co-
operative society, by whatever name called, to which the direction and control of
the management of the affairs of a society is entrusted to;

(c) "co-operative society" means a society registered or deemed to be 10
registered under any law relating to co-operative societies for the time being in
force in any State;

(d) "multi-State co-operative society" means a society with objects not
confined to one State and registered or deemed to be registered under any law
for the time being in force relating to such co-operatives; 15

(e) "office bearer" means a President, Vice-President, Chairperson, Vice-
Chairperson, Secretary or Treasurer of a co-operative society and includes any
other person to be elected by the board of any co-operative society;

(f) "Registrar" means the Central Registrar appointed by the Central
Government in relation to the multi-State co-operative societies and the Registrar 20
for co-operative societies appointed by the State Government under the law
made by the Legislature of a State in relation to co-operative societies;

(g) "State Act" means any law made by the Legislature of a State;

(h) "State level co-operative society" means a co-operative society having
its area of operation extending to the whole of a State and defined as such in any 25
law made by the Legislature of a State.

Incorporation
of co-operative
societies.

243ZI. Subject to the provisions of this Part, the Legislature of a State may, by
law, make provisions with respect to the incorporation, regulation and winding up of
co-operative societies based on the principles of voluntary, democratic member- control,
member-economic participation and autonomous functioning. 30

Number and
term of
members of
board and its
office bearers.

243ZJ. (1) The board shall consist of such number of directors as may be provided
by the Legislature of a State, by law:

Provided that the maximum number of directors of a co-operative society shall
not exceed twenty-one, except in the case of a State level co-operative society.

(2) The term of office of elected members of the board and its office bearers shall 35
be five years from the date of election and the term of office bearers shall be co-
terminus with the term of the board:

Provided that the board may fill a casual vacancy on the board by nomination
out of the same class of members in respect of which the casual vacancy has arisen, if
the term of office of the board is less than half of its original term. 40

(3) The Legislature of a State shall, by law, make provisions for co-option of
persons to be members of the board having experience in the field of banking,
management, finance or specialisation in any other field relating to the objects and
activities undertaken by the co-operative society as members of the board of such
society: 45

Provided that the number of such co-opted members shall not exceed two in addition to twenty-one directors specified in the proviso to clause (1):

5 Provided further that such co-opted members shall not have the right to vote in any election of the co-operative society in their capacity as such member or to be eligible to be elected as Vice-Chairman or Vice-President, Chairman or President of the board.

10 243ZK. (1) Notwithstanding anything contained in any law made by the Legislature of a State, the election of a board shall be conducted before the expiry of the term of the board so as to ensure that the newly elected board assumes office immediately on the expiry of the term of the outgoing board: Election of members of board

Provided that in case the co-operative society has failed to conduct such elections in time the Registrar or an authority or officer authorised by the Registrar shall cause the elections to be conducted within a period of sixty days after the expiry of the term of the outgoing board at the cost of the co-operative society.

15 (2) The superintendence, direction and control of the preparation of electoral rolls for, and the conduct of, all elections to a co-operative society shall vest in the general body of the co-operative society:

Provided that the Legislature of a State may, by law, provide for the procedure and guidelines for the conduct of such elections.

20 243ZL. (1) Notwithstanding anything contained in any law for the time being in force, no board shall be superseded or kept under suspension for a period exceeding six months: Supersession of board and interim management

Provided that the board may be superseded in case –

- 25 (i) of its persistent default; or
- (ii) of negligence in the performance of its duties; or
- (iii) the board has committed any act prejudicial to the interests of the co-operative society or its members; or
- (iv) there is a stalemate in the constitution or functions of the board; or
- 30 (v) the general body has failed to conduct the elections as per the provisions of article 243ZK:

Provided further that the board of any such co-operative society shall not be superseded where there is no Government shareholding of loan or financial assistance or any guarantee by the Government:

10 of 1949. 35 Provided also that in case of a co-operative society doing the business of banking, the provisions of the Banking Regulation Act, 1949 shall also apply:

Provided also that in case of a co-operative society, other than a multi-State co-operative society, doing the business of banking, the provisions of this clause shall have the effect as if for the words "six months", the words "one year" had been substituted.

40 (2) In case of supersession of a board, the administrator appointed to manage the affairs of such co-operative society shall arrange for conduct of elections within the period specified in clause (1) and hand over the management to the elected board.

(3) The Legislature of a State may, by law, make provisions for the conditions of service of the administrator.

Audit of
accounts of
co-operative
societies

243ZM. (1) The Legislature of a State may, by law, make provisions with respect to the maintenance of accounts by the co-operative societies and the auditing of such accounts at least once in each financial year.

(2) The Legislature of a State shall, by law, lay down the minimum qualifications and experience of auditors and auditing firms that shall be eligible for auditing the co-operative societies. 5

(3) Every co-operative society shall cause to be audited by an auditor referred to in clause (2) appointed by the general body of the co-operative society.

(4) The accounts of every co-operative society shall be audited before the expiry of a period of six months of the financial year to which such accounts relate. 10

Convening of
the general
body meetings.

243ZN. The Legislature of a State may, by law, make provisions that the annual general body meeting of every co-operative society shall be convened within a period of six months of close of the financial year to transact the business as may be provided in such law.

Right of a
member to get
information.

243ZO. (1) The Legislature of a State may, by law, provide for access to every member of a co-operative society to the books, information and accounts of the co-operative society kept in regular transaction of its business with such member. 15

(2) The Legislature of a State may, by law, make provisions to ensure the participation of members in the management of the co-operative society providing minimum requirement of attending meetings by the members and utilising the minimum level of services as may be provided in such law. 20

(3) The Legislature of a State may, by law, provide for co-operative education and training for its members.

Returns.

243ZP. Every co-operative society shall file returns, within six months of the close of every financial year, to the authority designated by the State Government amongst others, the following, namely:-- 25

(a) annual report of its activities;

(b) its audited statement of accounts;

(c) plan for surplus disposal as approved by the general body of the co-operative society; 30

(d) list of amendments to the bye-laws of the co-operative society; if any;

(e) declaration regarding date of holding of its general body meeting and conduct of elections when due; and

(f) any other information required by the Registrar in pursuance of any of the provisions of the State Act. 35

Offences and
penalties

243ZQ. (1) The Legislature of a State may, by law, make provisions for defining the offences relating to co-operative societies and penalties for such offences.

(2) A law made by the Legislature of a State under clause (1) shall include the commission of the following act or omission as offences, namely: -

(a) a co-operative society or an officer or member thereof wilfully making a false return or furnishing false information, or wilfully not furnishing any information required from him by a person authorised in this behalf; 40

(b) any person wilfully or without any reasonable excuse disobeys any summons, requisition or lawful written order issued under the provisions of the State Act; 45

(c) any employer who, without sufficient cause, fails to pay to a co-operative society amount deducted by him from its employee within a period of fourteen days from the date on which such deduction is made;

(d) any officer or custodian who wilfully fails to hand over custody of books, accounts, documents, records, cash, security and other property belonging to a co-operative society of which he is an officer or custodian, to an authorised person; and

(e) whoever, before, during or after the election of members of the board or office bearers, adopts any corrupt practice.

10 243ZR. The provisions of this Part shall apply to the multi-State co-operative societies subject to the modification that any reference to "Legislature of a State", "State Act" or "State Government" shall be construed as a reference to "Parliament", "Central Act" or "the Central Government" respectively. Application to multi-State co-operative societies

15 243ZS. The provisions of this Part shall apply to the Union territories and shall, in their application to a Union territory, having no Legislative Assembly as if the references to the Legislature of a State were a reference to the administrator thereof appointed under article 239 and, in relation to a Union territory having a Legislative Assembly, to that Legislative Assembly. Application to Union territories.

20 Provided that the President may, by public notification, direct that the provisions of this Part shall not apply to any Union territory or part thereof as he may specify in the notification.

25 243ZT. Notwithstanding anything in this Part, any provision of any law relating to co-operative societies in force in a State immediately before the commencement of the Constitution (One Hundred and Sixth Amendment) Act, 2006, which is inconsistent with the provisions of this Part, shall continue to be in force until amended or repealed by a competent Legislature or other competent authority or until the expiration of one year from such commencement, whichever is less. Continuance of existing laws.

STATEMENT OF OBJECTS AND REASONS

The co-operative sector, in spite of its voluminous growth and its contribution to various sectors of national economy, have left much to be desired from the point of view of safeguarding the interests of the members and fulfilment of objects for which these institutions were organised. Elections are often postponed indefinitely and nominated office bearers or administrators take over, thereby reducing the accountability of the management of co-operative societies to their members. Unprofessional management has led to poor services and low productivity. Therefore, there is a need to initiate fundamental reforms to revitalise these institutions in order to ensure their contribution in the economic development of the country and to serve the interests of members and public at large and also to ensure their autonomy, democratic functioning and professional management.

2. The "co-operative societies" is a subject enumerated in Entry 32 of the State List of the Seventh Schedule of the Constitution and the State Legislatures have accordingly enacted legislations on co-operative societies. Within the framework of State Acts, growth of co-operatives on large-scale was envisaged as part of the efforts for securing social and economic justice and equitable distribution of the fruits of development. It has, however, been experienced that in spite of considerable expansion of co-operatives, their performance in qualitative terms has not been up to the desired level. Viewing the need for reforms in the Co-operative Societies Acts of the States, consultations with the State Governments have been held at several fora and in the conferences of State Co-operative Ministers. One view that has emerged is for amending the Constitution so as to keep the co-operatives free from unnecessary outside interferences and also to ensure their autonomous organisational set up and their democratic functioning.

3. The Central Government is committed to ensure that the co-operative societies in the country are functioning in a democratic, professional, autonomous and economically sound manner. With a view to bring the necessary reforms, it is proposed to incorporate a new Part in the Constitution so as to provide for certain provisions covering the vital aspects of working of co-operative societies like democratic, autonomous and professional functioning. The proposed new Part in the Constitution, *inter alia*, seeks to empower the Parliament in respect of multi-State co-operative societies and the State Legislatures in case of other co-operative societies to make appropriate law laying down the following matters, namely:—

(a) provisions for incorporation, regulation and winding up of co-operative societies based on the principles of democratic member-control, member-economic participation and autonomous functioning;

(b) specifying the maximum number of directors of a co-operative society to be not exceeding twenty-one members;

(c) providing for a fixed term of five years from the date of election in respect of the elected members of the board and its office bearers;

(d) providing for a maximum time limit of six months during which a board of directors of a co-operative society could be kept under suspension;

(e) providing for independent professional audit;

(f) providing for right of information access to the members of the co-operative societies;

(g) empowering the State Governments to obtain periodic reports of activities and accounts of co-operative societies;

(h) providing for offences relating to co-operative societies and penalties in respect of such offences.

4. It is expected that these provisions will not only ensure the autonomous and democratic functioning of co-operatives, but also ensure the accountability of management to the members and other stakeholders and also to provide for deterrence for violation of the provisions of the law.

5. The Bill seeks to achieve the above objects.

SHARAD PAWAR.

NEW DELHI:
15th May, 2006.

LOK SABHA

A

BILL

further to amend the Constitution of India.

*(Shri Sharad Pawar, Minister of Agriculture and Consumer Affairs, Food and
Public Distribution)*

LOK SABHA

CORRIGENDUM

to

THE CONSTITUTION (ONE HUNDRED AND SIXTH
AMENDMENT) BILL, 2006

[To be/As introduced in Lok Sabha]

Page 1, after the title, -

insert “A
Bill”

NEW DELHI;

May 19, 2006
Vaisakha 29, 1928 (Saka)

