



Standing Committee Report Summary

The Multi-State Co-operative Societies (Amendment) Bill, 2010

- The Parliamentary Standing Committee on Agriculture (Chairperson: Basudeb Acharya) submitted its 41st Report on the Multi-State Co-operative Societies (Amendment) Bill, 2011 on December 20, 2012.
- The Bill amends the Multi-State Co-operative Societies Act, 2002, which regulates multi-state cooperative societies i.e., cooperatives which serve the interest of members in more than one state. Some key amendments to the Act pertain to the time limit for disposal of applications for registration, distribution of shares, constitution of an interim board, and holding of elections.
- The Committee found that some provisions of the Bill contravened the Constitution. The Bill empowers the Central Registrar to declare a multi-state co-operative society to be sick under certain conditions. A society is declared sick if it “has at the end of any financial year accumulated losses equal to or exceeding the total of its paid-up capital, free reserves and surpluses and has also suffered cash losses in such financial year and the financial year immediately preceding such financial year.” Once a society has been declared sick, the central government, on the recommendation of the Central Registrar, can supersede the board of directors and appoint an interim board for a period of up to five years. This provision was found to contravene Article 243ZL of the Constitution.
- Article 243ZL of the Constitution provides that the board of a multi-state co-operative may be superseded or kept in suspension only in the following conditions: (a) persistent default; (b) negligence in performance of duties; (c) the board has committed any act prejudicial to the interests of the co-operative society or its members; (d) stalemate in the constitution or functions of the board; or (e) the authority provided by Parliament has failed to conduct elections in accordance with the Act. Moreover, Article 243ZL provides that a board can be superseded for a maximum of six months or one year (in case of a co-operative society that carries on the business of banking).
- The Committee found that the Bill contravened the Constitution in the following ways. First, the Bill allows for the supersession of a board of a co-operative society if it is declared sick under certain conditions. Article 243ZL lays out five conditions under which a board can be suspended. The Committee found that the conditions under the Bill do not appear to be the same as any of the five cases permitted by the Constitution. Therefore, it felt that this provision exceeded the limits set out in the Constitution.
- Second, the length of time for which a board may be superseded in the Bill (maximum of five years) is longer than that allowed for in Article 243ZL (maximum six months or one year).
- In light of these findings, the Committee returned the Bill to the Department of Agriculture and Cooperation and suggested that it review the Bill to ensure it does not contravene the Constitution.

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