

Bill Summary

The Karnataka Souharda Sahakari (Amendment) Bill, 2021

- The Karnataka Souharda Sahakari (Amendment) Bill, 2021 was introduced in the Karnataka Legislative Assembly on March 23, 2021. The Bill seeks to amend the Karnataka Souharda Sahakari Act, 1997. The Act regulates the establishment and operation of self-help co-operatives, which are wholly owned, managed, and controlled by members. The Bill amends procedures related to the establishment, membership rights, and closure of co-operatives.
- **Registration of a Co-operative:** To register a co-operative, an application must be made to the Registrar of Co-operatives (appointed by the state government). If the Registrar confirms the registration, he is required to send the certificate of registration and original bye-laws (as adopted by the promoters while setting up the co-operative) to the promoters, and to the Federal Co-operative (FC). The FC is a corporate, governing body of all co-operatives in the state. The Bill proposes that the Registrar must also send the details of the promoters to the FC within 60 days from the date of the registration.
- **Mobilisation of funds by co-operatives:** The Act allows co-operatives, excluding co-operative banks, to mobilise funds through share capital, deposits, debentures, loans, and other contributions from its members. However, they are ineligible for any form of financial assistance from the government. The Bill allows co-operatives to mobilise funds (except in the form of deposits) from other financial institutions also.
- **Area of operation:** Under the Act, the area of operation of a co-operative is the area of jurisdiction: (i) from which its membership is drawn, or (ii) as specified in the bye-laws of the co-operative. The Bill removes the membership criterion.
- **Liquidation of co-operatives:** The Act provides for winding up of a co-operative either through an application by members or by an order of the Registrar. The Registrar may also appoint a liquidator to manage the winding-up process. The Bill proposes that the liquidation of Souharda Co-operatives and Co-operative Banks must be completed within two years. The registrar may extend this period by another year, and the state government may further extend it.
- **Membership:** The Act allows admission of new members to a co-operative if they: (i) require the services of the co-operative and are willing to accept responsibility of membership, and (ii) fulfil other conditions specified in the bye-laws. No person is allowed as a member if he is a member of another co-operative with the same objectives or conducts business in conflict with that of the co-operative. The Bill adds that no person can become or continue as member in a co-operative if he: (i) defaults on payments to the co-operative (as specified), (ii) has applied to be declared as insolvent, (iii) has been sentenced for an offence involving moral turpitude in the last five years, and (iv) is a paid employee of a cooperative or its financing bank or its union or federal co-operative.
- **Limits on shareholding:** The Bill limits shareholding by a member in a co-operative to five percent of total share capital (subject to a share value of Rs 20,000).
- **Voting rights:** The Bill disqualifies members from casting their vote for one year in a general meeting or election of board members of the co-operative. A person will be disqualified if he has: (i) been a member of the co-operative for less than a year before the date of the meeting or election, (ii) defaulted in making payments to the co-operative, and (iii) not participated in the management by attending any two out of last five annual general meetings, and by utilising the services or facilities offered by the co-operative for any two out of the last five years.

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