



KARNATAKA LEGISLATIVE ASSEMBLY  
SIXTEENTH LEGISLATIVE ASSEMBLY  
SEVENTH SESSION

**THE KARNATAKA SOUHARDA SAHAKARI (AMENDMENT) BILL, 2025**  
**(LA Bill No. 46 of 2025)**

A Bill further to amend the Karnataka Souharda Sahakari Act, 1997.

Whereas, it is expedient further to amend the Karnataka Souharda Sahakari Act, 1997 (Karnataka Act 17 of 2000) for the purposes hereinafter appearing.

Be it enacted by the Karnataka State legislature in the seventy sixth year of the republic of India, as follows:-

**1. Short title and Commencement.-** (1) This Act may be called the Karnataka Souharda Sahakari (Amendment) Act, 2025.

(2) It shall come into force at once.

**2. Amendment of section 2.-** In the Karnataka Souharda Sahakari Act, 1997 (Karnataka Act 17 of 2000) (herein after referred to as the Principal Act) in section 2, after clause (y), the following shall be inserted, namely:-

**“(z) “State Statutory Liquid Reserve”** means as specified in section 17B.”

**3. Amendment of section 17.-** In the Principal Act, in section 17, after second proviso, the following shall be inserted, namely:-

“Provided also that no Souharda Co-operative societies undertaking credit activities shall not utilize the mobilized deposit for non-credit activities other than lending and investments.”

**4. Insertion of new section 17-B.-** In the Principal Act, after section 17A, the following shall be inserted, namely:-

**“17-B. Maintenance of Statutory Liquid Reserve.-** Every souharda cooperative shall mandatorily maintain 20% of the total deposits held by it at the end of each quarter of the co-operative year maintained as State Statutory Liquid reserve as per clause (b) of section 18, except Souharda Cooperative Banks.”

**5. Substitution of section 18.-** In the Principal Act, for section 18, the following shall be substituted, namely:-

**“18. Investment of Funds.-** Such of its funds as are not immediately required for use by a co-operative, shall be invested or deposited outside its business, namely:-

(a) With the Karnataka State Co-operative Apex Bank Ltd. or District Central Co-operative Bank Ltd.; and

(b) With any scheduled bank regulated by the Reserve Bank of India with the prior permission of the Registrar.”

**6. Amendment of section 20B.-** In the Principal Act, in section 20B, in clause (c), after sub-clause (ii), the following sub-clause shall be inserted, namely:-

“(iii) Notwithstanding anything contained in this Act or Bye-laws made thereunder, in the Election of the Board of Secondary Co-operative or Federal Co-operative or Apex Co-operative to the reserved seats, irrespective of any class of voters of the said Cooperatives they shall be entitled to exercise their votes, in the manner as may be prescribed.”

**7. Amendment of section 23.-** In the Principal Act, in section 23, in sub section (3), after clause (k-3) the following clause shall be inserted, namely:-

“(k-4) Review of the list of board of directors who have borrowed loans from the cooperative and other top twenty defaulting borrowers.”

**8. Amendment of section 24.-** In the Principal Act, in section 24, for the beginning paragraph and clause (1) and the entries relating thereto, the following shall be substituted, namely:-

“ (1) The Board of Souharda Co-operative Society shall consists of not less than thirteen members excluding the Chief Executive, but not exceeding the number of members as may be prescribed.

Provided that, one seat shall be reserved in favour of members belonging to the scheduled castes and one seat for the members belonging to the scheduled tribes, two seats shall be reserved in favour of women members and two seats shall be reserved in favour of members belonging to backward classes as may be notified by the State Government, on the board of every primary, secondary or union and apex co-operative society.

Provided further that, respective Co-operative shall make provisions in the bye-laws with previous approval of the Registrar to increase the number of seats in the Board of secondary or union and apex co-operative society if their number of board of directors exceeds the limit as specified in sub-section (1) of section 24.

Provided also that, every co-operative shall co-opt persons having experience in the field of banking, management, finance or specialization in any other field relating to the objects and activities undertaken by the co-operative, as members of the board of such co-operative and such co-opted members shall not have the right to vote in any election of the co-operative in their capacity as such member or to be eligible to be elected as office bearers of the board.

Provided also that, the number of such co-opted members shall not exceed two in addition to twenty one directors specified in sub-section (1).

Provided also that, not more than three functional directors if necessary of a cooperative shall also be the members of the board and such members shall be

excluded for the purpose of counting the total number of directors specified in the sub-section (1).”

**9. Amendment of section 25.-** In the Principal Act, in section 25, in sub section (1) after clause (f), the following new clause shall be inserted, namely:-

“(g) If he/she fails to declare and submit his/her family assets and liabilities statement by end of every cooperative year.

**Explanation-** For the purpose of this clause “family” means “Director and his/her spouse, unmarried daughter and undivided son.”

**10. Amendment of section 26.-** In the Principal Act, in section 26,-

(i) after sub-section (1), the following shall be inserted, namely:-

“(1A) Every candidate contesting for the Election of the Board shall, at the time of filing his nomination, file a declaration of his/her and his/her family’s assets and liabilities in the manner as may be prescribed.

(1B) Every elected director of the Board shall submit a declaration of assets and liabilities of his/her and his/her family for each financial year of his tenure in the manner as may be prescribed.

**Explanation-** For the purpose of this clause “Family” means Candidate, his/her Spouse, Unmarried Daughter and Undivided Son.”

(ii) for sub-section (2) the following shall be substituted, namely:-

“(2) Subject to provisions of this Act, the procedure and guidelines for conducting elections to Souharda Co-operative Societies by the Co-operative Election Authority as may be prescribed.”

**11. Amendment of section 27.-** In the Principal Act, in section 27, after clause (j), the following clauses (k) (l) and (m) shall be inserted, namely:-

“(k) Every elected director of the Board shall submit a declaration of assets and liabilities of his/her and his/her family for each financial year of his/her tenure as in the manner as may be prescribed.

(l) to collect and review the assets and liabilities of Chief Executive of the souharda co-operative society.

(m) if the Chief Executive fails to submit the assets and liabilities to the Board, the Board shall take disciplinary action on Chief Executive such manner as may be prescribed.

**Explanation:** For the purpose of this clause “family” means Candidate/Chief Executive Officer/Director and his/her Spouse, Unmarried Daughter and Undivided Son.”

**12. Amendment of section 28.-** In the Principal Act, in section 28,-

(i) for sub-section (1), the following shall be substituted, namely:-

"(1) The Chief Executive shall within fifteen days from the date of constitution or deemed constitution of the Board after a general election and immediately before the expiry of the term of office of the President or Chairperson, Vice-President or Vice-Chairperson and any other office-bearers, convene a meeting in the manner as may be prescribed of all members of the committee for the purpose of electing President or Chairperson, Vice-President or Vice-chairperson and such any other office bearers as are required to be elected under the bye-laws of the souharda co-operative society. One of the members who is not a candidate for the election of President or Chairperson, Vice-president or Vice-Chairperson or any office bearer shall be chosen to preside over such meeting:

Provided that, the Members of the first Board elected in the first general election held after the registration of a co-operative, shall elect the President or Chairperson, Vice-President or Vice-Chairperson and other office bearers in such manner as may be prescribed.

(2) The Chief Executive shall, as and when there is a casual vacancy in the office of the President or Chairperson, Vice-President or Vice-Chairperson or other office bearers convene a meeting of the members of the Board for the purpose of filling up the casual vacancy and the provisions of sub-section (1) shall mutatis mutandis apply.

(3) The Chief Executive shall, within three days from the date of the meeting, forward to the Registrar and Co-operative election authority a copy of the notice convening the meeting and also a copy of the proceedings of the meeting.

(4) If the Chief Executive fails to convene the meeting in accordance with sub-section (1) and (2), the Co-operative election authority or any officer authorized by it to do so shall convene a meeting for the purposes specified in the said sub-sections."; and

(ii) After sub-sections (1), (2) (3) and (4) as so substituted, the existing sub-sections (2) and (3) shall be re-numbered as (5) and (6).

**13. Amendment of section 29.-** In the Principal Act, in section 29,-

(i) for the words " may fill" the words "shall fill" be substituted; and

(ii) the words "if the remaining term of office of the board is less than half of its original term" shall be omitted.

**14. Amendment of section 31.-** In the Principal Act, in section 31, in sub-section (2) after clause (i-6) the following clause (i-7) shall be inserted, namely:-

"(i-7) If he/she fails to submit every financial year the declaration of assets and liabilities of his/her and his/her family.

**Explanation:-** For the purpose of this clause “family” means “Chief Executive Officer and his/her Spouse, Unmarried Daughter and Undivided Son.”

**15. Amendment of section 33.-** In the Principal Act, in section 33, after sub-section (1), the following shall be inserted, namely:-

“(1-A) Notwithstanding anything contained in sub-section (1), except urban co-operative banks, once in an every three years every co-operative shall get its accounts audited by the Director of Co-operative Audit.”

**16. Amendment of section 38.-** In the Principal Act, in section 38, in sub-section (1), second proviso shall be omitted.

**17. Amendment of section 38A.-** In the Principal Act, in section 38A, after sub-section (4), the following sub-section shall be inserted, namely:-

“(5) The Federal Cooperative shall appoint a Special Officer to conduct the elections of the Souharda Cooperative Society as provided under sub-section (6-A) of section 48.”

**18. Amendment of section 48.-** In the Principal Act, in section 48, after sub-section (6), the following sub-section shall be inserted, namely:-

“(6-A) After issuing the Order for cancelling the order issued by the registrar Co-operative society for winding up of the society, the Federal Co-operative shall appoint a special officer to conduct the election of the Co-operative Society.”

**19. Amendment of section 53.-** In the Principal Act, in section 53, in sub-section (7), after clause (u) the following clauses shall be inserted, namely:-

“(v) The Board of directors or employees of any Souharda Cooperatives commits any irregularities or misappropriation or fraudulence reported under sections 33 or 35 or clause (u) or sub-section (7) of section 53, the Souharda Federal shall file a criminal case against the persons involved in the said reports.

(w) The Souharda Federal shall issue circulars/directions in respect of working of member Cooperatives under the provisions of this Act and rules made thereunder.”

**20. Amendment of section 54.-** In the Principal Act, in section 54, in sub-section (2) after third proviso, the following shall be inserted, namely:-

“(2-A) The provisions of section 24 related to the Maximum number of board members and reservation of seats in the Board shall mutatis-mutandis apply to the Federal Co-operative.”

**21. Amendment of section 55.-** In the Principal Act, in section 55, in sub-section (2) after clause (e) the following clause shall be inserted, namely:-

“(f) If he/she fails to submit every financial year the declaration of assets and liabilities of his/her and his/her family.

**Explanation:-** For the purpose of this clause “family” means “Director and his/her Spouse, Unmarried Daughter and Undivided Son.”

**22. Amendment of section 58.-** In the Principal Act, in section 58,-

- (i) in sub-section (1), the words “and the office of the office bearers” shall be omitted; and
- (ii) after sub-section (4), the following shall be inserted, namely:-

“(5) The Chief Executive shall, within fifteen days from the date of constitution or deemed constitution of the Board after a general election and immediately before the expiry of the term of office of the President or Chairperson, Vice-President or Vice-Chairperson, convene a meeting in the prescribed manner of all the members of the committee for the purpose of electing President or Chairperson, Vice-President or Vice-chairperson and such others as are required to be elected under the bye-laws of the federal co-operative. One of the members who is not a candidate for the election of President or Chairperson, Vice-president or Vice-Chairperson, shall be chosen to preside over such meeting:

Provided that, the Members of the first Board elected in the first general meeting held after the registration of a co-operative shall elect the President or Chairperson, Vice-President or Vice-Chairperson and others in such manner as may be prescribed.

(6) The Chief Executive shall, as and when there is a casual vacancy in the office of the President or Chairperson, Vice-President or Vice-Chairperson or others, convene a meeting of the members of the Board for the purpose of filling up the casual vacancy and the provisions of sub-section (5) shall mutatis mutandis apply.

(7) The Chief Executive shall within three days from the date of the meeting, forward to the Registrar and Co-operative Election Authority a copy of the notice convening the meeting and also a copy of the proceedings of the meeting.

(8) If the Chief Executive fails to convene the meeting in accordance with sub-sections (5) and (6), the Co-operative Election Authority or any officer authorized by it to do so, shall convene a meeting for the purposes specified in the said sub-sections.

**23. Amendment of section 59.-** In the Principal Act, in section 59, the proviso shall be omitted.

**24. Amendment of section 60.-** In the Principal Act, in section 60, in sub-section (3A) for the words “twenty percent” the words “not less than ten percent or one thousand whichever is less” shall be substituted.

**STATEMENT OF OBJECTS AND REASONS**

It is considered necessary to further amend the Karnataka Souharda Sahakari Act 1997 (Karnataka Act No. 7 of 2000) to,-

- (1) maintain 20% of the total deposits as State Statutory Liquid Reserve to manage increasing cases of misappropriation and to define the word “State Statutory Liquid Reserve.”
- (2) provide funds which is not immediately required for use by a Souharda Co-operative to be invested or deposited outside its business;
- (3) prescribe the manner to excise the vote to the reserved seats of Co-operative by class of voters;
- (4) revise reservation of seats of the board in favour of members belonging to the Scheduled Castes, Scheduled Tribes, Women and other Backward Classes;
- (5) compel the candidate contesting for election, the director and the Chief Executive to declare his assets and liabilities end of every year to control the misappropriation and to bring accountability in Co-operative sector;
- (6) avoid unnecessary expenditure and time in conducting election;
- (7) ensure quality audit through the director of Co-operative audit;
- (8) file a criminal case against the person involved in irregularities or misappropriation for fraudulence report; and
- (9) certain other consequential amendments also made.

Hence, the Bill

**FINANCIAL MEMORANDUM**

There is no extra expenditure involved in the proposed legislative measure.



**MEMORANDUM REGARDING DELEGATED LEGISLATION**

Clause: 6	Sub-clause (iii) of clause (c) of section 20B proposed to be inserted by clause 6 empowers the State Government to prescribe the manner to excise the votes irrespective of any class of voters for the reserved seats.
Clause: 8	Sub-section (1) of section 24 proposed to be substituted by clause 8, empowers the State Government to prescribe the manner for consisting of maximum number of members in the Board of souharda Co-operative society.
Clause: 10	<p>(i) sub-section 1A of section 26 proposed to be inserted by clause 10 empowers the State Government to prescribe the manner to file assets and liabilities by the candidate contesting for election of the Board.</p> <p>(ii) sub-section 1B of section 26 proposed to be inserted by clause 10 empowers the State Government to prescribe the manner to file assets and liabilities by the elected director of the Board.</p> <p>(iii) sub-section (2) of section 26 proposed to be substituted by clause 10 empowers the State Government to prescribe the procedure and guidelines for conducting Elections of Co-operative Societies.</p>
Clause:11	<p>clauses (k) and (m) of section 27 proposed to be inserted by clause 11, respectively empowers the State Government to prescribe the procedure,-</p> <p>(a) for submission of a declaration of assets and Liabilities by the elected director of the board for each financial year; and</p> <p>(b) to take disciplinary action against chief executive if he fails to submit the assets and liabilities.</p>
Clause:12	(i) sub section (1) of section 28, proposed to be substituted by clause 12 empowers the State Government to prescribe the manner to convene the meeting of all members of the committee.

	(ii) proviso to sub-section (1) of section 28, proposed to be substituted by clause 12 empowers the State Government to prescribe the manner to elect the president or chairperson, vice president or vice chairperson and others.
Clause-22	<p>(i) sub section (5) of section 58, proposed to be inserted by clause 22 to empowers the State Government to prescribe the manner of convening meeting of all the members before the expiry of term of outgoing board, for the purpose of election of president or chairperson, vice president or vice chairperson and other officers.</p> <p>(ii) proviso to sub-section (5) of section 58, proposed to be substituted by clause 22 empowers the State Government to prescribe the manner to elect the president or chairperson, vice president or vice chairperson and others of the first board.</p>

The proposed delegation of legislative power is normal in character.

**Siddaramaiah**  
Chief Minister

**M.K. VISHALAKSHI**  
Secretary  
Karnataka Legislative Assembly

**ANNEXURE**  
**EXTRACT FROM THE KARNATAKA SOUHARDA SAHAKARI ACT, 1997**  
**(KARNATAKA ACT 17 OF 2000)**

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**17. Mobilisation of Funds.-** A Co-operative may subject to the jurisdiction and such conditions as specified in its bye-laws mobilise funds in the form of share capital, deposits, debentures, loans and other contributions from its members and other than deposits from any other financial institutions and organisations.

Provided that a Co-operative shall not be eligible to receive any loan, subsidy, grant or financial aid in any form from the Government or any guarantee by the Government.

Provided further that nothing contained in the first provision shall apply to a Co-operative Bank.

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**18. Investment of Funds.-** Such of its funds as are not immediately required for use by a Co-operative, may be invested or deposited outside its business, namely:-

- (a) in any of the securities approved by the Government; or
- (b) with any Co-operative bank or scheduled bank.

Provided that in the case of a Co-operative Bank, such investment shall be made in accordance with the instructions and directives issued by the Reserve Bank from time to time.

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**20B. Right of members to vote.-** (1) A Member shall be disqualified to vote for one year in the general meeting or in an election of the members of the board of a co-operative,-

(a) who is admitted as member not less than one year before the date of General meeting or election as the case may be;

(b) who is defaulter for any dues to co-operative;

(c) who has not participated in the management,-

(i) by attending any two out of the last five annual general meetings;

(ii) by utilizing such minimum services or facilities offered by the co-operative as may be specified in the Bye-Laws for any two co-operative years out of the last five co-operative years:

Provided that, the restriction in clause (a) shall not apply to member of a co-operative participating in the first general meeting or first election of newly register co-operative held immediately after its registration.

**XXX****XXX****XXX****23. General Body.- XXX****XXX****XXX**

(3) Subject to the other provisions of this Act, rules and the bye-laws, the following matters shall be dealt with by the general body namely:-

(a) consideration of the annual report of the preceding cooperative year submitted by the board;

(b) appointment and removal of the auditor and internal auditor for the audit of accounts of the current year;

(c) consideration of the audit report and audited financial statements for the preceding cooperative year;

(d) consideration and decision on the compliance report submitted by the board regarding the rectification of defects and remedying the irregularities pointed out in the audit report of the preceding cooperative year;

(e) disposal of the surplus or net profits of the preceding cooperative year

(f) review of operational deficit, if any;

(g) approval of the long term perspective plan and the annual operational plan;

(h) approval of the annual budget for the next cooperative year

(i) creation of specific reserves and other funds as specified in the bye-laws;

(j) review of actual utilisation of reserve and other funds;

(k) review of the use of the services of the cooperative by the directors of the board;

(k-1) consideration of the loans and advances made to the directors and their relatives, the defaults, if any, and the action taken for recovery thereof;

(k-2) amalgamation, division, merger, transfer of assets and liabilities;

(k-3) decision on bad debts considered as irrecoverable;

**24. Constitution of the Board.-** The Board of every cooperative shall consist of not less than thirteen but not exceeding the number of elected members specified below excluding the chief executive namely:-

(1) in case of a primary co-operative and a secondary co-operative whose area of operation extends to,-

(a) a part of taluk, thirteen members;

(b) whole of taluk, fifteen members;

(c) beyond a taluk, seventeen members;

(d) in the case of a union co-operative, nineteen members

(e) in the case of an apex co-operative including the federal co-operative, twenty one members.

Provided that, one seat shall be reserved in favour of members belonging to the scheduled castes and one seat for the members belonging to the scheduled tribes, two seats shall be reserved in favour of women members and two seats shall be reserved in favour of members belonging to backward classes as may be notified by the State Government, on the board of every co-operative consisting of individuals as members and having members from such class or category of persons.

Provided further that every co-operative shall co-opt persons having experience in the field of banking, management, finance or specialization in any other field relating to the objects and activities undertaken by the co-operative, as

members of the board of such co-operative and such co-opted members shall not have the right to vote in any election of the co-operative in their capacity as such member or to be eligible to be elected as office bearers of the board.

Provided also that the number of such co-opted members shall not exceed two in addition to twenty one directors specified in sub-section (1).

Provided also that not more than three functional directors if necessary of a cooperative shall also be the members of the board and such members shall be excluded for the purpose of counting the total number of directors specified in the sub-section (1).

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**25. Disqualification for being elected or continued as director.-** (1) A person shall be disqualified 5[for being elected or continued as director of the Co-operative for a maximum period of five years from the date of incurring disqualification if such person,-

(a) has at any time lost the right to vote as a member or to continue as such; or

(b) has incurred any other disqualifications as specified in the bye-laws; or

(c) absents himself from three consecutive board meetings without leave of absence; or

(d) is convicted for an offence involving moral turpitude under any law for the time being in force, or for an offence under this Act; or

(e) is in default to that cooperative or any other cooperative or cooperative society in respect of any dues from him as borrower or has been a surety for a borrower who has defaulted in repaying his loan continuously for three installments.

(f) incurs any disqualification as specified in sub-section (2).

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**26. Election to the board.-** (1) The election to a board shall be conducted immediately before the expiry of the term of the outgoing board so as to ensure that the newly elected members of the board assume office immediately on the expiry of the term of office of the members of the outgoing board.

(2) The cooperative election authority shall conduct the election to the board of every cooperative.

(3) The newly elected directors of the board shall assume office immediately on the expiry of the term of the outgoing board.

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**27. Powers and functions of the board.-** Subject to the provisions of this Act, rules and bye-laws, the board shall have powers,-

(a) to admit and remove members;

(b) to elect and remove the office bearers;

(c) to appoint and remove the Chief Executive;

(d) to fix staff strength;

(e) to frame policies concerning the organisation and services to members;

- (f) to frame regulations regarding,-
- (i) custody and investment of funds;
- (ii) maintenance of accounts;
- (iii) mobilisation, utilisation and investment of various funds;
- (iv) appropriate management information systems including filing of statutory returns;
- (v) such other matters as may be necessary for the effective performance of the Co-operative;
- (g) to place the annual report, annual financial statements, annual plan and budget for the approval of the general body;
- (h) to consider audit and compliance reports and place them before the general body;
- (h-1) to consider the inquiry report, if any, take action for rectification of the irregularities pointed out, if any, in the inquiry, cause compliance report and place the report before the general body;
- (h-2) to cause the completion of the audit of accounts for the preceding cooperative year within the first day of September every year and obtain the audit report thereon.
- (h-3) to convene annual general meeting within twenty fifth day of September every year.
- (h-4) to convene special general meeting as and when necessary or on requisition.
- (h-5) to file returns and information to the Registrar and federal cooperative before thirtieth day of September every year.
- (i) to review membership in other Co-operatives;
- (j) to perform such other functions as may be delegated by the general body or as specified in the bye-laws.

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**28. Election of office bearers.-** (1) The co-operative election authority shall take action to conduct election to the office of the President or Chair person, Vice president or Vice Chair person and any other office-bearers to be elected in accordance with the bye-laws within fifteen days from date of election of the board.

(2) The President or Chairperson or in his absence, the Vice President or Vice-Chairperson shall,-

- (a) preside over meetings of the Board and the general body;
- (b) have only a casting vote in the event of equality of votes on any matters being decided upon by the Board except election to the office bearers:

Provided that in the event of equality of votes in the election of office bearers, the election shall be by drawing lot; and

- (c) exercise such other powers as are specified in the bye-laws or as may be delegated by the Board.

(3) The term of office of the President or chair person, vice president or vice chair person and any other office-bearers shall be five years from the date of election and shall be co-terminus with the term of the board.

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**29. Filling up of casual vacancies.**— The board may fill up 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 remaining term of office of the board is less than half its original term.

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**31. Employees.**— **XXX**

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(2) The Chief Executive shall be the Chief Administrative Officer of the Co-operative and shall, subject to the general control and superintendence of the Board,-

(a) be in-charge of the overall control and supervision of the day-today affairs of the Co-operative;

(b) sign documents, enter into agreements and contracts and institute and defend suits and other legal proceedings on behalf of the Co-operative;

(c) have powers to endorse, sign, negotiate cheques and other negotiable instruments and operate the bank accounts of the Co-operative;

(d) be responsible to assist the board in matters relating to recruitment, performance and discipline of the employees;

(e) arrange to maintain proper records and accounts of the Co-operative;

(f) present the draft annual report and financial statements for the approval of the board within thirty days from the close of the cooperative year

(g) assist to convene the board meetings, general meetings and the special general meeting in accordance with the bye-laws;

(h) assist the board in the formulation of policies and programmes;

(i) furnish to the board information necessary for monitoring the performance of the Co-operative; and

(i-1) furnish the financial statements, schedules and other statements with the approval of the board and the related books of accounts, records and other documents necessary for the annual audit of accounts of the cooperative to the auditor within the thirty days from the close of the cooperative year.

(i-2) place before the board the action to be taken for rectification of defects pointed in the audit report, obtain approval of the board and take action accordingly.

(i-3) place before the board the action to be taken for rectification of defects pointed in the inquiry report, if any, obtain approval of the board and take action accordingly.

(i-4) render necessary information and assistance to the cooperative election authority for conduct of elections before the term of expiry of the board.

(i-5) furnish to the Registrar and Federal cooperative within the thirtieth day of September every year, the returns and information to be submitted as per section 34 to the Registrar and the Federal cooperative.

(i-6) report any information on any vacancy in the board to the 2[cooperative election authority.

(j) perform any other functions as specified in the bye-laws or as decided by a resolution of the board meetings or general meetings.

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**33. Audit of Co-operatives .-** (1) Every Cooperative shall get its accounts audited at least once in a year before the first day of September following the close of the cooperative year by an auditor or an auditing firm appointed by the general body of the cooperative from a panel of auditors or auditing firms approved by the Director of cooperative audit;

Provided that, the Director of co-operative audit shall be the authority competent to prepare and maintain a list of auditors and auditing firms who satisfy the prescribed qualification and experience for undertaking the audit of accounts of the co-operatives in the state

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**38. Supersession.-** (1) If, in the opinion of the Federal Co-operative, the Board of a Co-operative,-

(i) persistently makes default or is negligent in performance of the duties imposed on it under this Act or rules or the bye-laws; or

(ii) has committed any act which is prejudicial to the interests of the Co-operative or its members; or

(iii) is not functioning properly on account of the number of members of the board falling short of the required number to form quorum due to disqualification, resignation, death or removal of directors; or

(iv) is not functioning in accordance with the provisions of this Act or rules or the bye-laws or

(v) fails to conduct the annual general meeting within the six months of the close of year but within the twenty fifth day of September every year; or

(v-a) has committed grave financial irregularities or fraud which have been detected; or

(v-b) has a stalemate in its constitution or its functions; or

(v-c) fails to provide necessary assistance to the cooperative election authority and as a result or otherwise the cooperative Election authority has not conducted election immediately before the term of expiry of the outgoing board; or

(v-d) fails to get the audit of accounts done within first day of September every year and present the said audit report before the general meeting; or

(vi) is otherwise not functioning properly.



may supercede the Board and appoint an administrator to manage the affairs of the Co-operative for such period not exceeding six months, as may be specified by the Federal Co-operative:

Provided that the Federal Co-operative shall not supersede or suspend the board unless the board has been given an opportunity of being heard in the matter.

Provided further that the board of any such cooperative shall not be superseded or kept under suspension where there is no Government shareholding or loan or financial assistance or any guarantee by the government;

Provided also that in case of a cooperative carrying on the business of banking, the provisions of the Banking Regulation Act, 1949 shall also apply and the provisions of this clause shall apply as if for the words "six months", the words "one year" had been substituted.

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### **38A. Appointment of Special Officer.- XXX XXX XXX**

(4) As soon as the elections are held and the number of directors to form the quorum are available, the Special Officer shall handover the management to the board and the office of the Special officer shall be deemed to have been vacated.

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### **48. Winding up by the Registrar.- XXX XXX XXX**

(6) The Registrar may cancel an order for the winding up of a Co-operative, at any time, in any case, where in his opinion, the Co-operative should continue to exist.

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### **53. Constitution, functions and management of Federal Co-operative.-**

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(7) The Federal Co-operative shall perform the following functions, namely:-

(a) promote and organise Co-operative and for this purpose frame model bye-laws and issue guidelines for framing various policies for Co-operatives in accordance with co-operative principles;

(b) provide co-operative training, education and information and propagate co-operative principles;

(c) undertake research and evaluation and assist in the preparation of perspective development plans for the member Co-operatives;

(d) promote harmonious relations between member Co-operatives;

(f) provide management development services to member Co-operatives including participation in board meetings when required;

(g) evolve code of conduct for member Co-operatives;

(h) evolve viability norms for member Co-operatives;

(i) provide legal assistance and advice to member Co-operatives;

(j) provide any other services at the behest of member Co-operatives;

- (k) promote new forms of Co-operative enterprises;
- (l) constitute and maintain a Co-operative education fund;
- (m) undertake experimental projects towards the application of Co-operative ideology;
- (n) liaison on behalf of and amongst Co-operatives;
- (o) serve as data bank of Co-operatives;
- (p) represent the interest of member Co-operatives;
- (q) ensure conduct of audit, elections and general body meetings of its member Co-operatives within the time stipulated;
- (r) undertake business and services on behalf of the member Co-operatives;
- (s) convene the special general body meeting where a member Co-operative fails to convene such a meeting under sub section (2) of section 30;
- (u) have the power of inspection of the member Co-operatives;

Provided that in the case of a Co-operative Bank, no action under this clause shall be taken unless it has the approval of the Reserve Bank.

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#### **54. Board of the Federal Co-operative.- XXX XXX XXX**

(2) The strength of the board of the Federal cooperative shall not exceed twenty one excluding the Chief executive;

Provided that the federal cooperative shall co-opt persons having experience in the field of banking management, finance or specialization in any other field relating to the objects and activities undertaken by the Federal cooperative, as members of its board and such co-opted members shall not have the right to vote in any election of the Federal cooperative in their capacity as such members or to be eligible to be elected as office bearers of the board.

Provided further that the number of such co-opted members shall not exceed two in addition to twenty-one directors specified above.

Provided also further that the functional directors not exceeding three of the Federal cooperative shall be also be the members of the board and such members shall be excluded for the purpose of counting the total number of directors specified above.

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#### **55. Disqualification for being elected or continued as director.- XXX XXX XXX**

(2) In addition to such disqualification as may be specified in the bye-laws, the directors of the Federal cooperative shall incur disqualification for being elected or continued as directors of the Federal cooperative or any other cooperative if, during their term of office, they have –

(a) not provided necessary assistance to the cooperative election authority for conducting elections to the board before the term of expiry of the outgoing board;

(b) not conducted the annual general meeting within the twenty fifth day of September every year or have not conducted the special general meeting within the specified time from the date of requisition;

(c) failed to present the audit report along with audited financial statements of the preceding year in the annual general meeting;

(d) failed to submit returns to the Registrar as per section 64A within six months from the date of close of the cooperative year;

(e) committed grave financial irregularities or fraud which have been detected.

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**58. Elections.-** (1) The Cooperative Election Authority shall be responsible for conducting elections to the board and the office of the office bearers of the Federal cooperative.

(2) The election to the board shall be conducted immediately before the expiry of the term of the outgoing board so as to ensure that the newly elected members of the board assume office immediately on the expiry of the term of office of the outgoing board.

(3) The newly elected directors of the board shall assume office immediately on the expiry of the term of the outgoing board.

(4) The provisions of section 26A shall mutatis-mutandis apply in relation to the cooperative election authority.

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**59. Filling up of casual vacancies.-** The board may fill up a casual vacancy on the board by virtue of death, resignation, disqualification or any other reason by nomination out of the same class of members in respect of which the casual vacancy has arisen, if there is a quorum.

Provided that, the board may fill up the casual vacancy through co-option only if the remaining term is less than half of the original term of the board.

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**60. Meetings.- XXX**

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(3A) The quorum for a general meeting shall be as specified in the bye-laws, but shall not be less than twenty percent of the members eligible to vote at the meeting. If there is no quorum at the time of transaction of any business in any general meeting, such business shall not be transacted.

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**(Provisionally admitted)**

**KARNATAKA LEGISLATIVE ASSEMBLY  
(16<sup>th</sup> ASSEMBLY)  
SEVENTH SESSION**

Amendments to the Karnataka Souharda Sahakari (Amendment) Bill, 2025 (L.A. Bill No.46 of 2025), By Shri H.K.Patil, for Law, Justice, Human Rights, Parliamentary Affairs and Legislation and Tourism.

I hereby give notice of my intention to move the following amendment to the Karnataka Souharda Sahakari (Amendment) Bill, 2025 (L.A. Bill No.46 of 2025), namely:-

**Clause-2**

In the said Bill, in clause 2, for the word "Liquid" the word "Liquidity" shall be substituted.

**Clause-4**

In the said Bill, in clause 4,-

- (i) in the heading, for the words "Statutory Liquid" the words "State Statutory Liquidity", shall be substituted; and
- (ii) the words "quarter of the" shall be omitted.

**Clause-8**

In the said Bill, in clause 8, in sub-clause (1), in the fourth proviso, for the words "twenty one directors" the words "maximum number of directors" shall be substituted.

**M.K.VISHALAKSHI  
Secretary**