



**KARNATAKA LEGISLATIVE ASSEMBLY
SIXTEENTH LEGISLATIVE ASSEMBLY
SEVENTH SESSION**

THE KARNATAKA CO-OPERATIVE SOCIETIES (AMENDMENT) BILL, 2025
(LA Bill No. 49 of 2025)

A Bill further to amend the Karnataka Co-operative Societies Act, 1959.

Whereas, it is expedient further to amend the Karnataka Co-operative Societies Act, 1959 (Karnataka Act No.11 of 1959) 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 Co-operative Societies (Amendment) Act, 2025.

(2) It shall come into force at once.

2. Amendment of section 2.- In the Karnataka Co-operative Societies Act, 1959 (Karnataka Act No.11 of 1959) (herein after referred to as the Principal Act) in section 2,-

(i) for clause (a-1-1),the following shall be substituted, namely:-

“(a-1-1) “Assisted Society” means a co-operative society which has received the assistance from the Central Government or State Government or Zilla Panchayat / Taluka Panchayat, Gram Panchayat, City Corporations, City Municipal Council, Town Municipal Council, Town Panchayat and Corporations / Boards / Authorities established by the State Government or Central Government, in the form of Share Capital or loan or grant including the grant from the Member of Parliament and Member of State Legislature or guarantee for loan or rebate in repayment of loan or interest or any fund at concessional rate of interest or interest subsidy or incentive from State Government or Central Government or National Bank for Agriculture and Rural Development (NABARD) to the society or to the member of the society or tax rebate or concession in purchasing of site or land or obtained site or land on lease basis.”

(i) in clause (e-1-a) for the word “ Director” the word “ Member” shall be substituted;

(ii) after clause (e-2-1) the following shall be inserted, namely:-

“(e-2-2) “District Co-operative Union” means District Level Federal Co-operative whose objective is to impart co-operative education, training and publicity to the members and staff of various types of co-operative societies in the district.”

3. Amendment of section 18-B.- In the principal Act, in section 18-B, after clause (iv) the following shall be inserted, namely:-

“(v) he ceases to be a member under sub clause (a) of section 18-A.”

4. Amendment of section 20.- In the principal Act, in section 20, in sub-section (2), in clause (b) in sub-clause (v), in the explanation,-

- (i) for the words "twenty one days" the words "twenty days" shall be substituted; and
- (ii) For the words "forty five days" the words "thirty days" shall be substituted.

5. Amendment of section 21.- In the principal Act, in section 21, after sub-section (3), the following shall be inserted, namely:-

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

6. Amendment of section 28A.- In the principal Act, in section 28A,-

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

"(2) The Board of a Co-operative Society shall consist of not less than thirteen members excluding the Chief Executive, but not exceeding the number of members as may be prescribed.

(2-A) Subject to the number of the members of the Board specified under sub-section (2), the bye-laws of a Co-operative Society shall provide for the composition of the Board of that Society to include within the permissible limits,-

(a) in case of assisted society, Government nominee as specified in sub-section (4-B) of section 28A;

(b) in case of Government nominee as specified in section 53-A, such nominated persons are not eligible either to vote or to contest in election of office bearers; and

(c) in case of all Co-operative Societies other than non-agricultural credit Co-operative Societies, if necessary, an ex-officio member and nominee from financing or the credit agency.

- the remaining members of the Board shall be filled only through election subject to the provisions of section 29-E."

- (ii) in sub-section (3),-

(i) for the words "In the Board of every Co-operative Society there shall be reserved", the words "In the Board of every Primary, Secondary, Federal and Apex Co-operative Society there shall be reserved", shall be substituted; and

- (ii) after the proviso, the following provisos shall be inserted, namely:-

"provided further that, respective Co-operative Societies shall make provisions in the bye-laws with previous approval of the Government to increase the number of seats in the Board of Secondary Co-operative societies, Federal Co-operative societies and Apex Co-operative societies if the number of the Board members exceeds the limit, as specified in clauses (i) and (ii) of sub-section (2) and such other procedure as may be prescribed.

Provided also that, in the Board of secondary cooperative societies, forty percent of the remaining seats shall be reserved for the representatives of the co-operative societies after reserving the seats as specified in the sub-clauses (a) and (b) of clause (iii) of sub-section (2)."

7. Amendment of section 28B.- In the principal Act, in section 28B, in sub-section (3), the proviso shall be omitted.

8. Amendment of section 28C.- In the principal Act, in section 28C, in sub-section (2), after clause (t), the following shall be inserted, namely:-

“(u) 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 in the manner as may be prescribed.

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

(v) The Chief Executive Officer of the co-operative society shall declare the statement of assets and liabilities at the end of the every financial year of his/her tenure in the manner as may be prescribed.

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

9. Amendment of section 29C.- In section 29C of the Principal Act, in sub-section (1), after clause (p), the following shall be inserted, namely:-

“(q) 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 “Candidate and his/her Spouse, Unmarried Daughter and Undivided Son.”

10. Amendment of section 29E.- In the principal Act, in section 29E,-

(i) the first proviso shall be omitted;

(ii) for the second proviso, the following shall be substituted, namely:-

“Provided further that, the board shall fill up casual vacancy of the board by nomination, out of the same class of members in respect of which the casual vacancy has arisen.”; and

(iii) the third proviso shall be omitted.

11. Amendment of section 29F.- In the principal Act, in section 29F,-

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

“(1-A) Subject to the order of the Registrar of Co-operative Societies there shall be reserved, such number of President and Vice- president of Primary Agriculture Cooperative Society (PACS), Milk Producers Cooperative Society (MPCS) and other Primary Assisted Society in the State for the Scheduled Castes and Scheduled Tribes, Other Backward Class and Woman on rotation basis in the manner as may be prescribed.”

(ii) for sub-sections (5) and (6), the following shall be substituted, 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, Vice-Chairperson convene a meeting of all the members of the committee in such manner as may be prescribed 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 co-operative society. 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 society shall elect the President or Chair person, Vice-President or Vice-Chairperson and other office bearers 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.”

12. Amendment of section 29G.- In the principal Act, in section 29G, in sub-section (4), after clause (j), the following clause shall be inserted, namely:-

“(j-1) He/She shall submit at the end of 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.”

13. Amendment of section 29H.- In the principal Act, in section 29H,-

- (i) in sub-section (1), the words “of the elected”, shall be omitted;
- (ii) in sub-section (2), the word “elected”, shall be omitted; and
- (iii) after sub-section(2), the following shall be inserted, namely:-

“Provided that, the professional and functional directors as specified in sub-section (4A) of section 28A shall not be part of the no-confidence motion.”

14. Amendment of section 30.- In the principal Act, in section 30, in sub-section (2), the first proviso shall be omitted.

15. Amendment of section 31.- In the principal Act, in section 31, in sub-section(1), the proviso shall be omitted.

16. Insertion of new section 39AB.- In the principal Act, after section 39AA, the following section shall be inserted, namely:-

“39AB Declaration of Assets and Liabilities (1) Every candidate contesting to the election of the board shall submit the declaration of assets and liabilities of his/her and his/her family during filing the nomination.

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

17. Insertion of new section 53A.- In the principal Act, after section 53 the following section shall be inserted, namely:-

“53A Nomination of members of committee by the State Government in certain cases.- The State Government may nominate three persons as its representatives from among the members of co-operative society, of which one shall be a person belonging to the Scheduled Caste, one

shall be from the Scheduled Tribe and one shall be from General Category, out of which, one shall be a woman in the Committee of every Assisted Society. Such nominated persons are not eligible either to vote or to contest in election of office bearers:

Provided that, the Government shall consider the members of such class or group of community who are not represented in the board of said society while nominating its representative.

Provided further that, the person so nominated shall hold the office as member of board during the pleasure of the State Government.”

18. Amendment of section 57.- In the principal Act, in section 57, in sub-section (2-A), the second proviso shall be omitted.

19. Amendment of section 57-A.- In the principal Act, in section 57-A, after sub-section (1), the following sub-section shall be inserted namely:-

“(1-A) All Co-operative Societies which may be registered after commencement of the Karnataka Co-operative Societies (Amendment) Act, 2025 shall become the member of the respective District Co-operative Union as defined in section 2(e-2-2).

(1-B) All the Co-operative Societies which are already registered under this Act shall become the member of the respective District Co-operative Union within ninety days from the date of commencement of the Karnataka Co-operative Societies (Amendment) Act, 2025.”

20. Amendment of section 58.- In section 58 of the Principal Act,-

- (i) the clauses (a), (b) and (c) shall be omitted;
- (ii) in clause (d), for the words “with any co-operative bank or” the words and letters “with Karnataka State Co-operative Apex Bank Ltd. or District Central Co-operative Bank Ltd.” shall be substituted;
- (iii) in clause (e), the words “and approved by the general body of that society till the date of the next annual general body meeting” the words “with the prior permission of the Registrar” shall be substituted; and
- (iv) the second proviso shall be omitted.

21. Amendment of section 63.- In the principal Act, in section 63, after sub-section (1), the following shall be inserted, namely:-

“(1-A) Notwithstanding anything contained in sub-section (1), except Co-operative Banks governed by the Banking Regulation Act, 1949 (Central Act 10 of 1949), once in every three years, every co-operative society shall get its accounts audited by the Director of Co-operative Audit ”

22. Amendment of section 72.- In the principal Act, in section 72, after sub-section (3), the following shall be inserted, namely:-

“(3-A) The Registrar in his order for the cancellation of winding up of cooperative society, Liquidator shall be re designated as an Administrator to the said co-operative society to conduct the election”.

23. Amendment of section 98Q.- In the principal Act, in section 98Q, in sub section (1), for the words “within two months from the date of supersession”, the words “before expiry of the term of administrator”, shall be substituted.

STATEMENT OF OBJECTS AND REASONS

It is considered necessary further to amend the Karnataka Co-operative Societies Act, 1959 (Karnataka Act No. 11 of 1959) to,-

- (1) re-define the word “Assisted Society” and to define the word “District Co-operative Union”;
- (2) appoint a member, instead of the director of a Co-operative society by the Board to represent that Co-operative society in other Co-operative society;
- (3) increase the number of members of the board from not less than thirteen to not less than fifteen and to revise the number of members of the board in Taluk and District level;
- (4) prescribe the manner to exercise the votes by the voters of the society in the Election for the reserved seats of the Board of Secondary Co-operation Societies, Federal Co-operative Societies and Apex Co-operative Societies.
- (5) provide social justice and representation to the deprived and unrepresented sections of the society in Co-operative sector;
- (6) provide submission of assets and liabilities by the candidate contesting to the election of the board, Director and Chief Executive officer of Co-operative society and to disqualify any member if he fails to submit assets and liabilities every financial year;
- (7) provide reservation to the scheduled castes and scheduled Tribes, other Backward Classes and women in election process to president and vice-president of Primary Agriculture Co-operative Society, Milk Producers Co-operative Society and other Primary Assisted Society in the State;
- (8) provide the manner to convene the meeting of the board after constitution of the board in general election;
- (9) provide nomination of three persons as representation from among the members of co-operative societies by the Government; and
- (10) certain other consequential amendments are also made.

Hence, the Bill.

FINANCIAL MEMORANDUM

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

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause: 5	sub-section (4) of section 21 proposed to be inserted by clause 5, empowers the State Government to prescribe such manner to exercising the vote in the election of the board.
Clause -6	(i) sub-section (2) of section 28A proposed to be substituted by clause 6 empowers the State Government to prescribe the manner for consisting of maximum number of members in the Board of Co-operative society. (ii) second proviso to sub-section (3) of section 28A proposed to be substituted by clause 6, empowers the State Government to
Clause-8	In sub-section (2) of section 28C,- (i) Clause (u) proposed to be inserted empowers the State Government to prescribe the manner regarding of submission of declaration of assets and liabilities by the elected director of the board and (ii) Clause (v) proposed to be inserted empowers the State Government to prescribe the manner to declare the statement of assets and liabilities by the Chief Executive Officer of the co-operative society.
Clause-11	(i) Sub-section (1-A) of section 29F, proposed to be inserted by clause 11, empowers the State Government to prescribe the procedure for reservation of Schedule Castes, Schedule Tribes, other Backward Class and women in such co-operative societies on the basis of rotation. (ii) Sub-section (5) of section 29F, proposed to be substituted by clause 11, empowers the State Government to prescribe the manner to convene the meeting of the board for election of president or chairperson, vice president, vice chairperson and such others.

	(iii) proviso to sub section (5) of section 29F, proposed to be substituted by clause 11, empowers the State Government to prescribe such manner to elect the president or chairperson, vice president or vice chairperson and others after registration of Co-operative Society.
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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 CO-OPERATIVE SOCIETIES ACT, 1959
(KARNATAKA ACT NO.11 OF 1959)****XXX****XXX****XXX****2. Definitions.- XXX****XXX****XXX**

(a-1-1) Assisted Society' means a co-operative society which has received the 3 Government or State assistance in the form of share capital or loan or grant or guarantee for repayment of loan or interest.

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(e-1-a) —Delegate means a Director of a Co-operative Society appointed by the Board to represent that Co-operative society in other Co-operative Society with power to participate and vote in the general meeting and to contest or propose or second in the election of the Co-operative society to which he is appointed as delegate.

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18-B. Cessation of directorship.- A director of a secondary Co-operative Society or a Federal Society or an Apex Society who is a representative of another co-operative society shall cease to be a director of such co-operative society forthwith if,-

- (i) he ceases to be a director of the primary or secondary Co-operative Society which he represents; or in case of amalgamation or re-organization or division of Co-operative Societies he may continue to represent such society until such amalgamated, reorganized or divided Society withdraws his representation by resolution.
- (ii) the Co-operative Society which nominated him as a representative, withdraws his nomination; or
- (iii) the board of the Co-operative Society of which he is a member has been removed under section 30, or a special officer appointed under section 31; and
- (iv) the Co-operative Society of which he is the representative has been liquidated.

XXX**XXX****XXX****20. Votes of members.-**

(2) The following shall not have the right to vote at a general meeting or an election of the members of the board of the co-operative society in which they are members, namely:—

- (a) a nominal or associate member;
- (a-i) an individual member who is a defaulter;
- (a-ii) members admitted as per clauses (d), (e), (f) and (g) of sub-section (1) of section 16, 2 who are defaulters;]
- (a-iii) a person who has become member of a society not later than twelve months prior to the date of such meeting or election

Provided that, nothing in this clause shall apply to member of a society participating in the first General Body Meeting and the first election of the Board of such society held immediately after its registration.

- (a-iv) a member, a representative or a delegate who has failed to attend at least any two annual general meeting out of the last five annual general meetings duly communicated to him;
- (a-v) a member or a representative who has failed to utilize such minimum services or facilities as may be specified in the Bye-Laws for any two Co-operative years out of the last five Co-operative years;

Provided that, in case of members in sub-clauses (a-iv) and (a-v), such members shall not have the right to vote at a general meeting or an election of members of the board for a period of one year.

(b) a co-operative society,-

- (i) the board of which stands superseded or to which a special officer is appointed under section 31 of the Act;
- (ii) which is 1 ordered to be wound up under section 72;
- (iii) which has not commenced working or has ceased to work;
- (iv) whose principal object is to advance loans and whose percentage of recovery is,-
 - (a) less than fifty percent of its total demand for the Co-operative year immediately preceding the Co-operative year during which the meeting or election is held or;
 - (b) which fails to pass on to the financing bank or the credit agency, as the case may be, fifty percent of the demand or the entire portion of the recovered amount of the demand of the financing bank or credit agency, whichever is higher, at least fifteen days before the date of the general meeting or the date of election, after a notice of not less than thirty days in this regard has been issued to that society.
- (v) other than the society referred to in sub-clause (iv), which is a defaulter.

Explanation.- A member shall be deemed to be a defaulter if he has failed to pay the arrears of any kind due by him to the society as borrower or has failed to pay any other amount due by him to the society at least twenty one days before the date of the general meeting or the date of election of the members of the board after a notice of not less than forty five days in this behalf has been issued to him.

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21. Manner of exercising vote.- XXX XXX XXX

(3) A member once nominated by the board of a Co-operative Society under clause (a) of sub-section (2) to vote on its behalf in any meeting of any other Co-operative Society shall not be changed except by a resolution passed with substantial reasons in a board meeting by a two third majority of the members present and voting in such meeting. However a Co-operative Society shall not nominate or appoint any member of the board to vote on behalf of it in more than two co-operative societies.

Explanation: For the purposes of section 20 and this section and wherever else it occurs, the word delegate means a member of a cooperative society to represent that society in other cooperative societies.

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28A. Management of co-operative societies vest in the board.-

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(2) The board of a co-operative society shall consist of not less than thirteen but not exceeding the number of members specified below excluding XXX the Chief Executive, namely:—

- (i) in case of a primary society and a secondary society whose area of operation extends to,-
 - (a) a part of taluk, thirteen members;
 - (b) whole of taluk, fifteen members;
 - (c) beyond a taluk but not beyond a district, seventeen members:

Provided also, that in case of Urban Cooperative Banks having area of operation not beyond a district the maximum number shall not exceed seventeen members.

- (d) beyond a district, nineteen

(ii) in the case of a federal society, including Apex societies, twenty one members;

Provided that, a member shall not represent more than one constituency in the board of a society.

Provided that, subject to the minimum and maximum number of the members of the board specified in sub-section (2) of section 28A, the bye-laws of a Co-operative Society shall provide for the composition of the board of that society to include within the permissible limits,-

(a) in case of assisted society, Government nominee as specified in sub-section (4-B) of section 28A;

(b) in case of all Co-operative Societies other than non agricultural credit Cooperative Societies, if necessary, an ex-officio member and nominee from financing or the credit agency.

The remaining members of the board shall be filled only through election subject to the provisions of section 29E

(3) In the *board* of every cooperative society there shall be reserved:—

(i) one seat to be filled by election, in favour of the person belonging to the Scheduled Castes and one seat to be filled by election, in favour of the person belonging to the Scheduled Tribes;

(ii) two seats to be filled by election, in favour of women;

(iii) Two seats to be filled by election, in favour of the persons belonging to backward classes in such manner as may be prescribed.

Provided that, such reservation shall be made on the board of every cooperative society consisting of individuals as members and having members from such class or category of persons.

(4) Subject to the provisions of sections 29A and 39A, the term of office of the members of the board shall save as otherwise be five years from the date of election and they shall be deemed to have vacated office as such members of the *board* on the date of completion of the said term:

Provided that, if an election to the *board* of any co-operative society had already been held in accordance with the bye-laws of such society, prior to the commencement of the Karnataka Co-operative Societies (Amendment) Act, 1997, the term of office of the board of such co-operative society shall be three years including the co-operative year in which such election was held.

Provided further that the first general meeting of a society after registration shall be held within one month from the date of its registration to elect the first committee to manage the affairs of the society and the term of office of such committee shall also be five years from the date of election.

Provided also that the first general meeting of the Co-operative Society or Societies formed after amalgamation or reorganization or division in accordance with section 14 shall be held within three months from the date of registration to elect the first *board* to manage the affairs of the Co-operative Society or Societies, and the term of office of such *board* shall also be five years from the date of election.

(4A) The board of a cooperative society, may 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 cooperative society to be the members of the board.

Provided that, the number of such co-opted members shall not exceed two in addition to the maximum number specified in sub-section.

Provided further that such co-opted members shall not have a right to vote in any election of the cooperative society in their capacity as such members or to be eligible for being elected as office-bearers of the board.

Provided also, that the functional directors not exceeding three, if any, shall also be the members of the board in accordance with the byelaws and such members shall be excluded for the purpose of counting the total number of directors specified in sub-section.

Provided also, that the professional directors and functional directors shall not form a part of the quorum for the conduct of the board meetings.

Provided also, that if the directors Co-opted to urban Co-operative Banks do not have the requisite knowledge and experience as stipulated by Reserve Bank of India, the board of such banks shall remove such persons within two months from the date of receipt of direction by the Reserve Bank of India after giving such directors an opportunity of being heard.

(4B) (1) The State Government may nominate one person as its representative on the board of every assisted society other than the board of a primary agricultural credit cooperative society. The nominated person can vote in all meetings and elections of the co-operative society; and also can contest in all the elections of the Co-operative Society. The ex-officio members and nominee from financial or credit agency shall have the voting right but are not eligible to contest as office bearer.

Provided that, the person so nominated as a member of a cooperative society shall hold office as such member during the pleasure of the State Government.

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28B. board to arrange for election.- XXX XXX XXX

(3) The Administrator who shall assume charge under sub-section (5) of section 28A, shall, as early as possible but within a period of six months arrange for the constitution of a new *board* of the society in accordance with the Act, rules and the bye-laws.

Provided that, the Administrator so appointed shall not continue for a period beyond three months in respect of a society in cooperative credit structure.

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28C- Powers and functions of the board.- XXX XXX XXX

(2) Without prejudice to the generality of the foregoing powers, such powers and duties shall include the following:-

- (a) to admit members;
- (b) to dispose of applications for allotment of shares;
- (c) to mobilize resources and invest funds;
- (d) to provide services or facilities including sanction of loans and advances to the members and determination of the security to be taken;
- (e) to elect the chairperson and other office bearers under the superintendence of Cooperative Election Authority.
- (f) to acquire or dispose of moveable and immoveable property required for achieving the objectives of the society;
- (g) to determine the cadre strength of the establishment of the society, qualifications, pay scales and other allowances admissible to each employee and other conditions of service of the employees 3 [as prescribed in the rules]
- (h) to appoint the chief executive and such other employees as are not required to be appointed by the chief executive of the society subject to the provisions of section 29G;
- (i) to lay down conduct and discipline rules, initiate disciplinary action against the delinquent employees and impose penalties proportionate to the gravity of the charges subject to the provisions of the bye-laws of the society;
- (j) to set up specific goals to be achieved towards the organizational objectives;
- (k) to approve the expenditure necessary for the business of the society subject to the provisions of annual budget;
- (l) to cause the audit of accounts of the society within the specified time limit and obtain the audit report within the said period;
- (m) to consider the audit report, take action for rectification of the defects and remedying the irregularities pointed out, if any, in the audit, cause compliance report and place the reports before the general body;
- (n) to consider the enquiry or inspection reports, if any, take action for rectification of the irregularities pointed out, if any, in the enquiry or inspection, cause compliance report and place the reports before the general body; 73

- (o) to place the annual report, annual financial statements, annual plan and budget for the approval of the general body;
- (p) to institute, defend or compromise legal proceedings;
- (q) to initiate civil, criminal and disciplinary action, as the case may be, against any person who may have incurred civil or criminal liability by way of misappropriation or causing loss to the society;
- (r) to convene annual general meeting in time and special general meetings whenever necessary and on requisition;
- (s) to frame regulations necessary for the proper and effective functioning of the society;
- (t) to take such other measures or to do such other acts as may be required under this Act, the rules or as may be specified in the byelaws or as may be delegated by the general body.

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29C. Disqualification for membership of the board.— (1) No person shall be eligible for being elected or appointed or continued as a member of the board of any co-operative society, if,—

(a) he is in default to that society or any other co-operative society or Souhardha co-operative in respect of any dues from him as borrower;

(b) he is interested directly or indirectly in any contract made with such co-operative society or in the sale or purchase made by such co-operative society privately or in auction or in any contract or transaction of the co-operative society (other than investment and borrowing) involving financial interests in that contract, sale, purchase or transaction;

(c) he carries on a business of the kind carried on by such co-operative society or by a co-operative society of which such co-operative society is a member;

(d) he is employed as legal practitioner on behalf of such co-operative society or accepts employment as legal practitioner against such co-operative society;

(e) he is a paid employee other than the chief executive of such co-operative society or of its financing bank;

(f) he is a near relation of a paid employee of such co-operative society.

Explanation.—For the purpose of this clause 'near relation' means,—

(i) husband, wife and unmarried daughter;

(ii) father, mother, undivided son, undivided brother and unmarried sister; and

(iv) such other relations as may be prescribed to be a near relation.

(g) he was a paid employee of a co-operative society and was dismissed, removed or compulsorily retired from service of a co-operative society;

(h) he is disqualified to be a member of the society or to vote as such member;

(i) he has been convicted for an offence punishable under section 153A or section 171E or section 171F or sub-section (2) or sub-section (3) of section 505 of the Penal Code, 1860 (Central Act 45 of 1860) or under section 39J or clause (b) of sub-section (2) of section 39K of this Act, unless a period of six years has elapsed from the date of such conviction;

(j) he has been convicted by a Court in India for any offence and sentenced to imprisonment for a term of not less than two years, unless a period of five years has elapsed from the date of his release;

(k) he is found guilty of corrupt practice within the meaning of section 39C unless a period of six years has elapsed from the date on which he was found guilty;

(l) he has failed to remit to any co-operative society any amount (other than a loan) retained by him in contravention of the provisions of this Act, rules or bye-laws;

(m) he is a representative of a co-operative society which is in default to a financing bank or to any co-operative society in respect of any dues by the co-operative society which he represents, for a continuous period of one year;

Provided that the disqualification under this clause for being continued as a member of the *board* shall apply to a co-operative society which has defaulted in payment of an amount exceeding thirty percent of such dues;

(n) he was a member of the 'board' which failed to make arrangement for election within the time limit specified in section 39A.

(p) he has absented himself for three consecutive meetings of the board of such society, without leave of absence.

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29E. Filling up of casual vacancy in the office of members of the board.— Any vacancy in the office of members of the 'board' of a co-operative society by reason of death, resignation, removal or otherwise, shall be filled up in such manner as may be specified in the bye-laws of such society.

Provided that, the cooperative election authority shall conduct the election to fill up any vacancy in the office of the director of the board if the remaining term of office of the board is more than half of its original term.

Provided further that the board may fill up casual vacancy of the board by nomination out of the same class of members in respect of which the casual vacancy has arisen till the election is held for such vacancy.

Provided further that 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 of its original term.

Provided also that, if the board fails to fill up such casual vacancy within three months of the date of occurrence, the Registrar shall fill up through nomination.

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29F. Election of President, Chairperson, Vice-President, or Vice-Chairperson, etc.,-

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(5) The co-operative election authority shall conduct elections to the board and also to the office of President or Chair person, Vice President or Vice-Chairperson and such other office-bearers as are required to be elected as per the bye-laws of the cooperative society within fifteen days from the date of constitution or deemed constitution of the board after a general election.

(6) The co-operative election authority shall conduct elections within sixty days from the date it being notified about the occurrence of any casual vacancy in the office of a director or any office bearer of a co-operative society to fill up such casual vacancy.

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29G. Appointment of Chief Executive.— XXX XXX XXX

(4) The Chief Executive shall be the Chief Administrative Officer of the society and shall, subject to the general supervision and control of the *board* and such other conditions and restrictions as may be specified in the bye-laws,—

(a) be responsible for general supervision and control over the employees of the society and be responsible for the day-to-day management and business of the society;

(b) carry on the authorized and normal business of the society;

(c) make arrangement for repayment of loans due to the State Government and loans obtained on Government guarantee and other loans, and shall send report to the Registrar in this behalf;

(d) be responsible for operating the bank accounts in accordance with the provisions of the bye-laws and shall make arrangements for safe custody of cash:

(e) sign and authenticate all documents of the co-operative society for and on behalf of the society;

(f) be the custodian of all records and documents of the co-operative society and shall make arrangements for the correct maintenance of accounts and various books and records of the society and for the correct preparation and timely submission of periodical statements and returns in accordance with the provisions of the Act, rules and bye-laws and as directed by the Registrar or the Director of Co-operative Audit;

(g) be responsible for convening the meeting of the general body, the *board* of management and the sub-*board* in consultation with the President or Chairperson and recording and maintaining minutes of such meetings;

(h) assist the *board* in the formulation of policies and objectives and planning;

(i) provide necessary information to the *board* and apprise the *board* the functions and operations of the society;

(j) sue and be sued on behalf of the co-operative society;

(k) perform such other duties and exercise such other powers imposed or conferred on him under the Act, rules or bye laws.

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29H. Motion of no-confidence against office-bearer.-(1) A motion of no confidence against an office bearer may be moved only after two years of his assumption of office. In case, the motion of no confidence is once defeated, a fresh motion shall not be introduced within one year thereafter. No motion of no confidence shall be moved unless there is a request from not less than one-third of the elected members of the board of a Co-operative Society concerned.

(2) An office bearer of a Co-operative Society shall be deemed to have vacated his office forthwith if a resolution expressing want of confidence in him is passed by a majority of two third of the total number of elected directors of a Co-operative Society at a meeting specially convened for the purpose. The procedure for no confidence motion shall be as prescribed.

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30- Supersession or suspension of the board.-(**XXX** **XXX** **XXX**)

(2) If in the opinion of the Registrar, the board of a cooperative society-

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

(ii) commits any act, which is prejudicial to the interest of the society or its members; or

(iii) where there is a stalemate in the constitution or functioning of the board; or

(iv) has serious financial irregularities or frauds which have been detected; or

(v) fails to provide books and records, necessary information and assistance to the election commission as per the calendar set out by the election commission to conduct elections to the board within the stipulated time and as a result or otherwise, the election commission has failed to conduct elections to the board within the stipulated time;

Registrar, may, after giving the board an opportunity to state objections, if any, by order in writing, supercede or suspend the said board and appoint an administrator to manage the affairs of the society for such period not exceeding six months.

Provided that, the board of any cooperative society shall not be superseded or kept under suspension where there is no Government share holding or loan or financial assistance or any guarantee by the Government.

Provided further that the supersession or suspension of the board of a cooperative bank shall be done only after consultation with the Reserve Bank of India / National Bank as the case may be and the provisions of Banking Regulation Act, 1949 shall also apply.

Provided also that, no member of the board superseded under sub-section (2) shall, be eligible for being elected as a member of the board of such society or 84 any other Co-operative Society for a period of one year from the date of removal of such board and no such order of disqualification for contesting the election to the Board shall be made unless a reasonable opportunity of being heard, is given to the person against whom such order is made.

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31. Appointment of Special Officer by the Registrar .- (1) Where the Registrar is of the opinion that a co-operative society is not functioning in accordance with the provisions of the Act, rules or bye-laws on account of the number of members of the board falling short of the required number to form a quorum due to disqualification, resignation or death or removal of a member the Registrar may, notwithstanding anything contained in this Act, rules or bye-laws, by order appoint a Special Officer for such co-operative society, for such period not exceeding six months.

The Registrar may for the reasons to be recorded in writing extend the period of such appointment for a further period of six months at a time and in any case such extension shall not exceed one year in the aggregate.

Provided that, the Special Officer so appointed shall not continue for a period beyond three months in respect of a society in cooperative credit structure.

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57. Net profits and their disposal.- XXX XXX XXX XXX

(2A) A Co-operative Society shall, from out of the balance of its net profits, contribute two percent to the Co-operative Education Fund to be administered by the Karnataka State Co-operative Federation Limited, Bangalore.

Provided, urban Co-operative Banks shall contribute one percent of its net profit to the Karnataka State Co-operative Urban Banks Federation in addition to the two percent as prescribed in sub-section (2A).

Provided further that, out of the total contribution made by a Co-operative society to the account of the Co-operative education fund, every year one fourth shall be remitted to the account of the Sahakara Academy (Reg.), Mysore, registered under the Karnataka Societies Registration Act, 1960 and sponsored by the State Government for the purpose of carrying out co-operative education, training and research.

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57A- Cooperative Education and Training.-(1) The cooperative education fund shall be utilized for the purpose of promotion of the cooperative movement in the State and for providing education to the members, directors and cooperators of the cooperative societies and the general public and training to the employees of the cooperative societies.

(2) Every co-operative society shall pay its contribution to the Karnataka State Cooperative Federation within thirty days from the date of its annual general meeting.

(3) All contributions made by the cooperative societies towards co-operative education fund, grants received from the Government of India or the State Government and donations, if any, made by any person shall be credited to the cooperative education fund.

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58. Investment of funds.- A co-operative society may invest or deposit its funds,—

- (a) in a Government Savings Bank; or
- (b) in any of the securities specified in section 20 of the Indian Trusts Act, 1882 (Central Act II of 1882); or
- (c) in the shares or securities of any other co-operative society; or

- (d) with any Co-operative Bank; or
- (e) with any scheduled bank regulated by the Reserve Bank of its choice and approved by the general body of that society till the date of the next annual general body meeting.

Provided that, if a Co-operative Society invest or deposit outside the area of operation of the such society prior permission shall be obtained from the Registrar.

Provided further 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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63. Audit.-(1) Every Cooperative society shall get its accounts audited at least once in a year before the first of September following the close of the cooperative year by an auditor or an auditing firm appointed by the general body of the cooperative society 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 co-operative societies in the state.

Provided further that, the National Bank shall prepare a list of auditors and auditing firms who satisfy, the prescribed qualification and experience for undertaking the audit of accounts of State Co-operative Bank and District Central Co-operative Banks.

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72. Winding up of co-operative societies.- **XXX** **XXX** **XXX**

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

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98Q. Elections.-(1) The election to the *board* of a co-operative society under the Co-operative Credit Structure shall be conducted in accordance with the provisions of the sub-section (2) of section 39 and in case of supersession of the *board* of such cooperative society, the election shall be conducted within two months from the date of supersession:

Provided that in circumstances beyond control, the State Government may allow holding of such elections within a period not exceeding six months from the date of supersession.

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