Multi-State Cooperative Societies (Amendment) Bill, 2022

Why in news?

The Bill to amend the Multi-State Cooperative Societies (MSCS) Act, 2002, was introduced in the Lok Sabha.

What are Cooperatives?

- Cooperatives are people-centered enterprises jointly owned and democratically controlled by and for their members to realise their common economic, social and cultural needs and aspirations.
- This definition for cooperatives is given by the International Cooperative Alliance (ICA).

What are Multi-State Co-operatives?

- Multi-State cooperatives are societies that have operations in more than one state.
- Such MSCSs are registered under the Multi-State Co-operative Societies Act 2002, and their regulation lies with the Central Registrar.
- The board of directors are from all the States these collectives operate in and controls all finances and administration function.
- There are close to 1,500 MSCSs registered in India, the highest number being in Maharashtra. A large number of MSCSs are credit societies, while agro-based societies, dairies and banks are sizeable in number.

What is the history of India's Cooperative Movement?

- India's cooperative movement was formalised at the end of the 19th century, inspired by the German model of agricultural credit banks.
- The Cooperative Credit Societies Act, 1904 enacted by the British government in India dealt solely with the extension of credit. But, in 1912, the sector was opened up to other activities.
- In 1919, administrative reforms transferred cooperatives to provincial control.
- After Independence, the framers of the Constitution placed cooperatives in the State list. States made their own laws to regulate cooperatives within their jurisdiction.
- In 1984, Multi-State Co-operative Societies Act (amended in 2002) was enacted by Parliament to consolidate different laws at the central level.

What are the issues with the cooperative sector?

- As envisioned by the constitution of India, independent and autonomous character of cooperative societies was crucial to their functioning.
- Studies point out that as government and legislative control of cooperatives increased

over the years, there were increasing reports of mismanagement and corruption.

- In 2021, the Institute of Rural Management, Anand (IRMA) pointed out that the inclusion of cooperative in the planning process as development instruments has made the sector the supporters of ruling political parties
- Contributing to the share capital of cooperatives and providing various forms of financial assistance enabled State governments to directly intervene in the working of cooperatives which are legally autonomous.
- **Issues with MSCSs** - MSCSs were formed to ease the operation of collectives throughout the country. But MSCSs are facing trust issues.
- MSCSs were, therefore, brought under the Prevention of Money Laundering Act, 2002 in 2018, and all urban and MSCS banks were brought under the radar of the Reserve Bank of India in 2020.
- These developments have brought MSCSs under multiple controls from the Centre.

In 1991, the Choudhary Brahm Perkash Committee of the planning commission made recommendations to reorganise MSCSs, but wasn't done.

What does the Multi-State Cooperative Societies (Amendment) Bill, 2022 seek to change?

- The amendments to the MSCS Act 2002 have been introduced to improve governance, reform the electoral process, strengthen monitoring mechanisms and enhance transparency and accountability.
- The Bill seeks to improve the composition of the board and ensure financial discipline, besides enabling the raising of funds in MCSCs.
- **Central Co-operative Election Authority** - The Bill provides for the creation of a central Co-operative Election Authority to supervise the electoral functions of the MSCSs.
- The Authority will have a chairperson, vice-chairperson, and up to three members appointed by the Centre.
- The Authority can override the board of directors of the society and the appointment of an administrator, not necessarily a member of collective.
- **Section 17** - The Bill seeks to amend Section 17 of the principal act to allow the merger of any State cooperative society with an existing MSCS.
- **Fund** - The Bill envisages the creation of a Co-operative Rehabilitation, Reconstruction and Development Fund for the revival of sick MSCSs.
- This Fund will be financed by existing profitable MSCSs which will have to deposit either Rs. 1 crore or 1% of their net profit.
- **Governance** - In order to make the governance of these societies more democratic and accountable, the Bill has provisions for appointing a Cooperative Information Officer and a Cooperative Ombudsman.
- Provisions relating to the representation of women and SC/ST members on MSCS boards have been included.
- The Bill makes only members eligible to be elected to the board or as office bearers of the cooperative society.
- Active members have been defined as those who are availing a minimum level of

services from the society or have attended at least 3 consecutive general meetings.
- The Bill also increases the penalty amount for violation of the law to Rs. 1 lakh and potential imprisonment from six months to a year.

Reference

1. The Hindu Explained | India's cooperative sector and the Multi-State Cooperative Societies (Amendment) Bill, 2022

India's Cooperative Sector

- Cooperatives in India range from those providing credit to those producing, procuring, or marketing products like fertilizers, milk, etc
- Indian Farmers Fertilisers Cooperative (IFFCO) has a third of the market share in fertilizers, while Gujarat's Amul is a highly profitable dairy cooperative.
- According to the Ministry of Cooperation, there are 8.5 lakh cooperatives in India, with about 1.3 crore people directly attached to them.
- As per NCUI data (2018), the percentage of cooperative members in proportion to the total population increased from 3.8% in 1950-51 to 22.2% in 2016-17.

Article 43B of the Constitution says that "states shall endeavour to promote voluntary formation, autonomous functioning, democratic control and professional management of cooperative societies".

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