



## Perspective: The Multi-State Co-operative Societies (Amendment) Bill, 2022

**For Prelims:** [The Multi-State Co-operative Societies \(Amendment\) Bill, 2022](#), [Cooperative Societies, Constitutional Amendment](#), [Ease of Doing Business](#), Cooperative Election Authority, Rehabilitation Fund, Cooperative Ombudsman, [Cooperative movement](#)

**For Mains:** Issues related to the development and functioning of cooperative societies, Issues related to the multi-state cooperative societies.

### What is the Context?

Recently the [Multi-State Cooperative Societies \(Amendment\) Bill 2022](#) was passed by the Parliament. The bill aims to **bring about transparency, accountability, and [ease of doing business](#) in the cooperative sector**, with provisions including the **establishment of a Cooperative Election Authority, creation of a Cooperative Rehabilitation Reconstruction and Development Fund, appointment of cooperative ombudsman and information officers, and representation of women and SC/ST members on cooperative society boards.**

The bill also highlights the **importance of inclusivity and member centrality in the [cooperative movement](#)**, with efforts to empower weaker sections and encourage their participation in decision-making. The government is taking steps to strengthen the cooperative sector and its contribution to India's development.

### What are Highlights of the Multi-State Cooperative Societies (Amendment) Bill 2022?

- **Proposes Electoral Reforms and Financial Assistance:**
  - The Bill **amends the Multi-State Co-operative Societies Act, 2002**. It **establishes the Co-operative Election Authority** to conduct and supervise elections to the boards of multi-state co-operative societies.
  - A multi-state co-operative society will require prior **permission from government authorities before the redemption of their shareholding.**
  - A **Co-operative Rehabilitation, Reconstruction, and Development Fund** will be established **for the revival of sick multi-state co-operative societies**. The Fund will be financed through contributions by profitable multi-state co-operative societies.
    - A company constituted under the [Companies Act, 2013](#) is not required to contribute towards the revival of sick companies.
  - The Bill **allows state co-operative societies to merge into an existing multi-state co-operative society**, subject to the respective state laws.
- **Provisions for Board Member Composition and Transparency:**
  - To ensure **representation of women and SC/ST on the board** of cooperative societies.
  - **Appointment of Cooperative Ombudsmen and Cooperative Information Officer** to

improve transparency, accountability, and grievance redressal.

- The Ombudsman can enforce attendance and call for documents.
- Time-bound decision-making on the grievance.
- Dissatisfied members can appeal to the Central Register of Cooperative Societies.
- Multi-State Cooperative **Societies with substantial financial turnover will be subjected to concurrent audits** for enhanced financial transparency.
- **To Ensure Ease of Doing Business in the Cooperative Sector:**
  - Provides time-bound registration and digital processes to ease doing business.
  - The [Ministry of Cooperation](#) is spearheading the regeneration and revival of cooperatives to attract new entrepreneurs.
  - The **introduction of electronic (digital) filing and authentication for applications, returns, statements, and other relevant documents.**
- **The National Cooperative Database (NCD) to Capture Data of Cooperatives:**
  - The **National Cooperative Database (NCD)** has mapped 2.5 lakh primary agricultural, dairy, and fishery societies and over five lakh societies in the remaining sectors.
  - The database is available to all stakeholders including, federations, and ministries.
- **For inclusivity in decision-making in the cooperative sector:**
  - The **National Institute of Cooperative Management and Cooperative Education Fund** caters to the training and education needs of the cooperative sector.

## What are the Key Issues with the Bill?

- **Sick multi-state co-operative societies will be revived** by a Fund that will be financed through contributions by profitable multi-state co-operative societies. This effectively **imposes a cost on well-functioning societies.**
- Giving the **government the power to restrict the redemption of its shareholding in multi-state co-operative societies** may go against the cooperative principles of autonomy and independence.

## What are Cooperatives?

- **About:**
  - Co-operatives are voluntary, democratic, and autonomous organisations controlled by their members who actively participate in their policies and decision-making.
    - **Multi-state cooperative societies** are cooperative societies that have members and **activities in more than one state of India.**
  - Its aim is to serve the interest of the poorer sections of society through the principle of self-help and mutual help.
  - These operate in various sectors such as agriculture, textile, poultry, and marketing.
- **Efforts to promote them:**
  - **After independence, the [first five-year plan \(1951-56\)](#) emphasised the adoption of co-operatives** to cover various aspects of community development.
  - **[97th Constitutional Amendment Act 2011:](#)**
    - It established the right to **form cooperative societies as a [fundamental right \(Article 19\).](#)**
    - It included a **new [Directive Principle of State Policy](#)** on the Promotion of Cooperative Societies **(Article 43-B).**
    - It **added a new [Part IX-B](#)** to the Constitution titled "**The Co-operative Societies**" **(Articles 243-ZH to 243-ZT).**
    - It authorizes the **Parliament to establish relevant laws in the case of [multi-state cooperative societies \(MSCS\)](#)** and state legislatures in the case of other cooperative societies.
    - The **Union Ministry of Cooperation was formed in 2021**, its mandate was looked after by the Ministry of Agriculture before.
    - The **Multi-State Co-operative Societies (Amendment) Bill, 2022 passed by parliament in 2023** for better regulation of Multi-State Co-operative Societies.

## What are Issues Faced by the Cooperatives?

- **Inadequacies in Governance:** Cooperatives often suffer from poor governance practices, such as lack of transparency, accountability, participation, and democratic control.
- **Politicisation and the Excessive Role of the Government:** Cooperatives are often influenced by political parties and government agencies, which interfere with their autonomy and self-reliance.
- **Inability to Ensure Active Membership:** Cooperatives face challenges in attracting and retaining active members who are willing to contribute to their capital, management, and operations.
- **Lack of Efforts for Capital Formation:** Cooperatives often face difficulties in mobilising adequate capital to meet their operational and investment needs.
- **Inability to Attract and Retain Competent Professionals:** Cooperatives often lack skilled and qualified professionals who can manage their affairs effectively and efficiently.

## What could be the Way Forward?

- **Strengthening the autonomy and democratic functioning of co-operatives** by reducing the interference and control of the government and political parties.
- **Enhancing the capital formation and resource mobilization of co-operatives** by enabling them to access various sources of funds such as equity, debt, grants, and subsidies.
- **Promoting the professionalization and capacity building of co-operatives** by attracting and retaining competent managers, staff, and members.
  - This may also involve providing training, education, and awareness programs for co-operatives.
- **Encouraging the innovation and diversification of co-operatives** by supporting them to adopt new technologies, products, services, and markets.
  - This may also involve creating linkages and networks among co-operatives and other stakeholders such as farmers, consumers, banks, and **NGOs**.

The Multi-State Cooperative Societies (Amendment) Bill, 2022, aims to modernize the legal framework governing Multi-State Cooperative Societies in India. These proposed amendments are geared towards improving governance, transparency, and efficiency within the cooperative sector while aligning with constitutional principles and emerging digital trends. It is crucial for stakeholders to remain updated on these potential changes and engage in informed discussions around the bill's provisions.

## UPSC Civil Services Examination, Previous Year Question (PYQ)

### **Mains**

**Q.** "In the villages itself no form of credit organization will be suitable except the cooperative society." - All India Rural Credit Survey.

**Q.** Discuss this statement in the background of agricultural finance in India. What constraints and challenges do financial institutions supplying agricultural finance face? How can technology be used to better reach and serve rural clients? **(2014)**