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SECRETARIAT OF THE KERALA LEGISLATURE

NOTIFICATION

No. 21878/Legn.3/2022/Leg.

Dated, Thiruvananthapuram, 4th December, 2022.

The Kerala Co-Operative Societies (Third Amendment) Bill, 2022 together with the Statement of Objects and Reasons, Financial Memorandum and the Memorandum Regarding Delegated Legislation is published under Rule 69 of the Rules of Procedure and Conduct of Business in the Kerala Legislative Assembly.

A. M Basheer,
Secretary.



**THE KERALA CO-OPERATIVE SOCIETIES
(THIRD AMENDMENT) BILL, 2022**

A

BILL

further to amend the Kerala Co-operative Societies Act, 1969.

Preamble.- WHEREAS, it is expedient further to amend the Kerala Co-operative Societies Act, 1969 (Act 21 of 1969) for the purposes hereinafter appearing;

BE it enacted in the Seventy-third Year of the Republic of India as follows:-

1. *Short title and commencement.-* (1) This Act may be called the Kerala Co-operative Societies (Third Amendment) Act, 2022.

(2) It shall come into force at once.

2. *Amendment of section 2.-* In section 2 of the Kerala Co-operative Societies Act, 1969 (Act 21 of 1969) (hereinafter referred to as the principal Act),-

(i) in clause (ab), the following sentence shall be added at the end, namely:-

“It includes the verification of accounts through software solutions, auditing of information system and migration of data, in the case of societies whose accounts are computerized;”;

(ii) after clause (ac), the following clause shall be inserted, namely:-

“(ad) “administrative audit” means a close assessment of all affairs of the society, including constitution, management and establishment, maintenance of books and accounts and other records and internal control systems of the society and the extent to which its activities were useful in promoting the economic welfare of the members in accordance with the co-operative principles, and it includes Compliance Audit, Performance Audit as well as IT Audit;”;

(iii) after clause (da), the following clauses shall be inserted, namely:-

“(db) “common software for primary co-operative societies” means an effective software solution that covers the complete day-to-day functionality of primary co-operative societies through a centralised architecture. The software shall be implemented by the Registrar through a



system integrator with the participation and support of primary co-operative societies, after getting approval from the State Government;

(dc) “consortium” means a formal association of co-operative societies formed based on a common objective for establishing a new entity for raising funds for providing financial assistance for public purpose with the approval of Registrar or State Government;”;

(iv) for clause (ib), the following clause shall be substituted, namely:-

“(ib) “Federal Co-operative Society” means a society having more than one district as its area of operation and having the State Government, individuals and other co-operative societies as its members. But the number of individual members in the society shall not exceed twenty five per cent of the total membership in the society:

Provided that the condition regarding number of individual members shall not be applicable to societies which are in existence before the commencement of the Kerala Co-operative Societies (ThirdAmendment) Act, 2022;”;

(v) for clause (oaa), the following clause shall be substituted, namely:-

“(oaa) “Primary Agricultural Credit Society” means a service co-operative society, service co-operative bank, a farmers' service co-operative bank or a rural bank having its area of operation confined to a Village, Panchayath, or Municipality and the primary object or principal business of which is to provide financial accommodation to its members for agricultural purposes or allied agricultural activities, the rate of interest on such loans and advances and area of operation shall be fixed by the Registrar:

Provided that the restriction regarding area of operation shall not apply to societies or banks which are in existence on 1st January, 2000.”;

(vi) for clause (ob), the following clause shall be substituted, namely:-

“(ob) “Primary Credit Society” means a co-operative society other than Primary Agricultural Credit Society, the primary object or principal business of which is to accept deposit from its members for the purpose of lending to its members or investments and the bye-laws of which do not permit admission of any other co-operative society as its member;”;

(vii) for clause (od), the following clause shall be substituted, namely:-

“(od) “Primary Co-operative Society” means a society having jurisdiction over any specified area in one revenue district or more than one districts in the State and having individuals, other societies, State Government and Local Self Government as its members;”;



(viii) in clause (oe), for the words “having its area of operation confined to a Taluk and”, the symbol “,” shall be substituted;

(ix) in clause (p), for the words “any person” the words “any other officer of the State Government” shall be substituted;

(x) after clause (qb), the following clause shall be inserted, namely:-

“(qbb) “social co-operative societies” mean primary co-operative societies formed for the welfare of social classes like differently abled persons, age-old persons, depressed persons or mentally challenged persons;”;

(xi) in clause (ra), before the words “State Co-operative Agricultural Rural Development Bank” the word “Kerala” shall be inserted;

(xii) after clause (u), the following clause shall be added, namely:-

“(v) “Youth Co-operative Societies” mean co-operative societies which are registered to promote entrepreneurship, new technology, innovations and start-ups with the objective to generate employment and income and the welfare of youth and having its area of operation within one district.”.

3. *Amendment of section 3.*- In section 3 of the principal Act,-

(i) in sub-section (1), for the words “a person” the words “an officer of the State Government” shall be substituted;

(ii) in sub-section (2), for the words “any person” the words “any officer of the State Government” shall be substituted.

4. *Amendment of section 7.*- In section 7 of the principal Act,-

(i) in sub-section (1),-

(a) after clause (e), the following clause shall be inserted, namely:-

“(f) that the proposed credit societies have collected two lakhs and fifty thousand rupees and non-credit co-operative societies have collected one lakh rupees as the minimum share capital:

Provided that this clause shall not be applicable to co-operative societies of SC/STs, fisheries, vanitha and traditional industrial co-operative societies.”.

(b) for the words “ninety days” the words “sixty days” shall be substituted;

(ii) in sub-section (2), for the words “seven days” the words “fifteen days” shall be



substituted;

(iii) in sub-section (3), for the words “ninety days” the words “sixty days” shall be substituted.

5. *Amendment of section 8A.*- In sub-section (2) of section 8A of the principal Act, for the words “sixty days” wherever it occurs, the words “forty five days” shall be substituted.

6. *Amendment of section 13A.*- To section 13A of the principal Act, the following provisos shall be added, namely:-

“Provided that if the Registrar is convinced that the society has not amended its bye-laws in compliance with the amendments made in this Act and the rules made thereunder, he shall direct the society to amend its bye-law within a period as prescribed:

Provided further that if the Registrar is convinced that the economic viability of the society is in jeopardy, he shall direct the society to amend the bye-laws within a period as prescribed. If the society fails to comply the direction, the Registrar shall be competent to amend the bye-law of the society considering public interest.”.

7. *Amendment of section 14.*- In section 14 of the principal Act,-

(i) in sub-section (1),

(a) after the words and symbol “A society may,” the words “with the prior approval of the Registrar” shall be inserted;

(b) for the words “two third” the word “simple” shall be substituted;

(ii) after sub-section (7), the following sub-section shall be added, namely:-

“(8) Detailed scheme for the transfer shall be issued by the Registrar.”.

8. *Amendment of section 14AA.*- In section 14AA of the principal Act, after sub-section (3), the following sub-sections shall be added, namely:-

“(4) The share capital of the subsidiary institution shall be met from the net profit of the society, and any further investment in subsidiary institutions from the society/bank other than share capital shall be released as loan as per the norms;

(5) Any society/bank which had availed any financial assistance from Government, shall include nominees of Government of Kerala in the board of directors of the subsidiary institutions, as may be prescribed;



(6) The Registrar shall conduct audit, inspection and verification of records in the subsidiary institutions, as may be prescribed;

(7) Any share capital contribution or financial assistance to the subsidiary institutions from the society/bank shall be provided with the prior approval of the Registrar based on the resolution passed by the general body of the society/bank concerned;

(8) Transferring funds or leasing of assets of the holding society to its subsidiary institutions shall be made with the prior approval of the Government based on the resolution passed by the general body of the holding society/bank;

(9) No subsidiary institutions shall be promoted under this section on or after the commencement of the Kerala Co-operative Societies (Third Amendment) Act, 2022 and the existing subsidiary institutions registered and working immediately before the commencement of the Kerala Co-operative Societies (Third Amendment) Act, 2022 are allowed to continue its operation as per the provisions as may be prescribed.”.

9. *Amendment of section 14B.*- In section 14B of the principal Act,-

(i) the existing sub-section (2) shall be renumbered as sub-section “(6)”;

(ii) before sub-section (6), so renumbered, the following sub-sections shall be inserted, namely:-

“(2) Detailed project report for the formation of such partnership of co-operative societies shall be prepared by the societies concerned and the same shall be submitted to the general bodies of the societies concerned, for approval.

(3) The project report approved by the general bodies of the societies shall be submitted to the Government through the Registrar, for the approval of the formation of such partnership of co-operative societies, as may be prescribed.

(4) The Registrar shall conduct audit, inspection and verification of records in such societies, as may be prescribed.

(5) Government shall order for such partnership of co-operative societies for raising funds for public purpose, as may be prescribed.”.

10. *Amendment of section 16.*- In section 16 of the principal Act, after the existing proviso to item (i) of clause (a) of sub-section (1), the following proviso shall be added, namely:-

“Provided further that maximum age limit for seeking membership in youth co-operative



societies shall be forty five years and on attaining the age of forty five years, A class membership of such members shall cease to exist and they shall become associate members of the society.”.

11. *Amendment of section 18.*- In section 18 of the principal Act, in sub-section (1), after the words “associate member” the words and symbols “for enjoying various services, including credit facilities, provided by the societies” shall be added.

12. *Amendment of section 19.*- In section 19 of the principal Act,-

- (i) the existing section shall be numbered as sub-section (2);
- (ii) before sub-section (2), so numbered, the following sub-section shall be inserted, namely:-

“(1) If the general body of a society has decided to enhance the share value, the right of a member to continue his/her membership will remain for five years from the date of enhancement of value of share and he/she shall be allowed to exercise his/her rights as a member only upon remitting the enhanced value of the shares held.”.

13. *Amendment of section 19B.*- In section 19B of the principal Act,-

- (i) in clause (e), the word “and” shall be omitted;
- (ii) in clause (f), the word “and” shall be inserted at the end;
- (iii) after clause (f), the following clause shall be inserted, namely:-

“(g) summary of defects included in the latest statutory audit report along with the rectification report approved by the Board of Directors and general body of the society.”.

14. *Amendment of section 20.*- In section 20 of the principal Act, in clause (d), after the word “election” the words “and removal” shall be inserted.

15. *Amendment of section 26.*- In section 26 of the principal Act, in clause (a) of sub-section (1), for the words “on the date on which he ceased to be a member” the words “continue for a period of two years on cessation of membership” shall be substituted.

16. *Amendment of section 28.*- In section 28 of the principal Act,-

- (i) in the third proviso to sub-section (1),-

(a) for the words “the committees of the” the words “the committees of all Primary Agricultural Credit Societies and all primary” shall be inserted;

(b) for the words “any society” the words “such society” shall be substituted;

- (ii) provisos to sub-section (1A) shall be omitted;



(iii) in sub-section (1C), for the words “ten thousand rupees” the words “twenty five thousand rupees” shall be substituted;

(iv) for clause (iii) of sub-section (1E), the following clause shall be substituted, namely:-

“(iii) such bifurcation shall be completed within a period of one year.”;

(v) in sub-section (1G),-

(a) for the words “having experience in the field of banking” the words and symbols “members who are or were in paid service of a commercial bank, Kerala State Co-operative Bank, an Urban Co-operative Bank or a Service Co-operative Bank in the managerial cadre” shall be substituted;

(b) for the words “in any other field” the words, symbols and brackets “in co-operation/co-operative management, agriculture, economics, commerce, public finance, rural development and Information Technology (IT)” shall be substituted;

(c) for the existing third proviso, the following proviso shall be substituted, namely:-

“Provided also that if the committee does not co-opt the persons as specified within a period of six months from the date on which the committee is constituted, the Registrar or the Government shall make such nominations as specified in the sub-section.”

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

(a) in the proviso, the words “or more than two societies of different types, as may be prescribed:” shall be added at the end;

(b) after the existing proviso, the following proviso shall be added, namely:-

“Provided further that no member of the Board of Directors of a society shall be eligible for election to the committee for more than two consecutive terms.”.

17. *Amendment of section 28AB.*- In section 28AB of the principal Act, in sub-section (2), after the words “or any other officer of the committee”, the words “or a delegate of the society who has been appointed by the committee” shall be inserted.

18. *Amendment of section 28B.*- In sub-section (1) of section 28B of the principal Act, the following sentence shall be added at the end, namely:-

“The elections to the State Co-operative Union and Circle Co-operative Unions shall be conducted by the State Co-operative Election Commission, as may be prescribed”.



19. *Amendment of section 29.*- In section 29 of the principal Act,-

(i) in sub-section (1),-

(a) in clause (cc), for the the word “accounts” the words “audited accounts” shall be substituted;

(b) for clause (ce), the following clause shall be substituted, namely:-

“(ce) detailed list of all liabilities of Director Board members and their close relatives and employees and their close relatives, due to the society on corresponding year, as may be prescribed”.

(ii) in sub-section (2), for the words “The Registrar or any other person deputed by him” the words “The Registrar and the Director of Co-operative Audit or any other person deputed by them” shall be substituted.

20. *Amendment of section 31.*- In sub-section (3) of section 31 of the principal Act, after the words “take part” the words “in the voting for the election of office bearers and” shall be inserted.

21. *Amendment of section 32.*- In section 32 of the principal Act,-

(i) in sub-section (1),-

(a) in clause (d), the third proviso and Explanation I shall be omitted;

(b) in clause (e), for the words “two consecutive terms” the words “one term” shall be substituted;

(ii) in sub-section (4), the following words shall be added at the end, namely:-

“including enrollment of members, provided such members shall not have voting rights unless an elected committee ratifies the membership.”.

22. *Insertion of new section 32A.*- In the principal Act, after section 32, the following section and proviso shall be inserted, namely:-

“32A. *Suspension of the committee.*- (1) If the Registrar, after a preliminary enquiry by himself or through his subordinates or on the report of enquiry conducted by the State Government, or on the report of the enquiry conducted by the financing bank or on the report of the Vigilance and Anti-corruption Bureau or the Police as per section 68A or otherwise, is satisfied that the committee of any society,-

(a) persistently makes default or is negligent in the performance of the duties imposed



on it by this Act or the rules made thereunder or the bye-laws or does anything which is prejudicial to the interests of the society; or

(b) willfully disobeys or fails to comply with any lawful order or direction issued under this Act or the rules made thereunder; or

(c) misappropriates or destroys or tampers with the records or causes the destruction of records to cover up any misconduct or malpractice; or

(d) the continuation of such committee may affect the free and fair enquiry and which may also affect the better interest of the society,

he may, after giving the committee an opportunity to state its objections, if any, by order in writing, suspend the committee and appoint in its place, an administrator or an administrative committee consisting of not more than three persons, one among them as convener, who need not be members of the society, to manage the affairs of the society for a period not exceeding six months:

Provided that the Registrar shall issue a final order before the expiry of such suspension period either to re-instate the suspended committee or issue an order under section 32, considering the final report under section 64 or an enquiry report under section 65 or an inspection report under section 66 or report submitted by the Vigilance and Anti-corruption Bureau under section 68A or report from State Police Department.”.

23. *Amendment of section 33.*- In section 33 of the principal Act, in sub-section (2),-

(a) after the words “any officer of the society” the words “including enrollment of members” shall be inserted;

(b) the following sentence shall be inserted at the end, namely:-

“The members so enrolled shall not have voting rights unless an elected committee ratifies such membership and if the committee does not ratifies any such membership, such denial shall specify the reason thereof.”.

24. *Insertion of new section 34A.*- In the principal Act, after section 34, the following section shall be inserted, namely:—

“34A. *Maintenance of accounts and adoption of common software.*- (1) All co-operative societies shall prepare and keep the books of accounts and financial statements in the form, as prescribed in the generally accepted accounting principle for preparing profit and loss account and balance sheet, which enable double entry book keeping system, as may be prescribed.



(2) The Registrar shall issue necessary guidelines for installation, maintenance and use of common software to all co-operative societies, as may be prescribed.

(3) A technical cell with professional and technical team as prescribed, shall be established in the office of the Registrar, in consultation with the Government, to inspect the security, reliability, data protection and other aspects connected with software and hardware.”.

25. *Amendment of section 36A.*- In section 36A of the principal Act, for the word and figures “10 to 15” the words and figures “9 to 15 and 19 to 28” shall be substituted.

26. *Amendment of section 56.*- In section 56 of the principal Act, in clause (cc), for the words “by the Registrar”, the words “under the Professional Education Fund Scheme, as may be prescribed” shall be substituted;

27. *Amendment of section 56A.*- To section 56A of the principal Act, the following proviso shall be added, namely:-

“Provided that, if the immovable property is to be utilized for activities connected with the objectives of the society, it can seek the approval from the Registrar based on the resolution of the general body of the society.”.

28. *Amendment of section 57.*- In section 57 of the principal Act, the existing section shall be numbered as sub-section (1) and after sub-section (1), so numbered, the following sub-section shall be added, namely:-

“(2) If any violation of sub-section (1) is noticed, the Registrar shall have the power to impose fine, as may prescribed.”.

29. *Amendment of section 59.*- In section 59 of the principal Act, the existing sub-section (3) shall be renumbered as (4) and before sub-section (4), so renumbered, the following sub-section shall be inserted, namely:-

“(3) A society shall not sanction any amount as loans or advances exceeding individual maximum borrowing power fixed by the Registrar and as provided in the bye-laws of the society. The Chief Executive and the Board of Directors of the co-operative society concerned shall be held responsible for the violation of this provision and, the Registrar shall have the power to impose fine, as may be prescribed”.

30. *Insertion of new sections 59A and 59B.*- In the principal Act, after section 59, the following sections shall be inserted, namely:-

“59A. *Valuation of property.*- The valuation of immovable property to be pledged as security



to co-operative society shall be valued by independent qualified valuator / valuers, as may be prescribed. The valuator/valuers shall be selected from the panel of valuator/valuers approved by the Registrar. Appointment of valuator/valuers, loan amount to be valued, qualification, experience and the terms and conditions for appointing the valuator/valuers shall be, as may be prescribed.

59B. *Purchase of movable and immovable properties by the societies.*- Societies shall follow the norms, as may be prescribed, while acquiring movable and immovable properties utilizing the own fund of the society.”.

31. *Amendment of section 63.*- In section 63 of the principal Act,-

(i) in sub-section (4), after the first proviso, the following proviso shall be added, namely:-

“Provided further that in the case of those societies who are liable to file income tax returns, financial statements for that purpose shall be duly certified by the Auditor, within three months from the end of the financial year.”.

(ii) sub-section (7) shall be omitted;

(iii) in sub-section (8), after the word “auditors”, the words “or team of auditors” shall be inserted;

(iv) for sub-section (9) and the proviso thereto, the following sub-section shall be substituted, namely:-

“(9) Every co-operative society shall cause to be audited by a team of auditors appointed by the Director of Co-operative Audit in accordance with the scheme approved and notified by the State Government. The composition, structure of the team, mode of conducting audit, mode of processing and preparing audit report shall be included in the scheme approved by the State Government.”.

(v) in sub-section (10),-

(i) after the words “all apex societies”, the words “and all urban co-operative banks” shall be inserted;

(ii) the words “from among the panel approved by the Director of Co-operative Audit as may be prescribed” shall be omitted;

(iii) the following sentences shall be added at the end, namely:-

“If the audit discloses any misappropriation or fraud or defalcation of money or property or assets of the society, audit team shall prepare a special report and forward the same to the Director of Co-operative Audit and the Registrar. The Registrar or Director of Co-operative Audit shall



forward the special report to the Vigilance Officer appointed under section 68A for detailed inquiry”.

(vi) after sub-section (12), the following sub-section shall be inserted, namely:-

“(12A) No auditor or auditing firms or team of auditors shall be entrusted with the audit of a co-operative society for more than two consecutive audits”.

32. *Amendment of section 64.*- In section 64 of the principal Act,-

(i) to sub-section (1), the following provisos shall be added, namely:-

“Provided that in the case of co-operative societies whose accounts are prepared using a common software or any other software approved by the Registrar, the audit includes the audit of information system and evaluation of software as well as hardware:

Provided further that if during the audit of information system and evaluation of software and hardware, any manipulation of records or manipulation in the working of the software or hardware is revealed, the auditor/auditors shall inform the manipulations to the Director of Co-operative Audit and the Registrar:

Provided also that the Director of Co-operative Audit or the Registrar shall inform the manipulations in the system to the Police or Vigilance, as the case may be, provided under section 68A, for investigation.”;

(ii) in sub-section (4A), for the words “fifteen days” the words “one month” shall be substituted;

(iii) in sub-section (4B), for the words “three months” the words “forty five days” shall be substituted;

(iv) in sub-section (5),-

(a) after the words “The auditor” the words “or team of auditors” shall be inserted;

(b) for the words “four months” the words “ninety days” shall be substituted;

(v) after sub-section (5), the following sub-section shall be inserted, namely:-

“(5A) On completion of audit and before submission of audit report to the Director of Co-operative Audit, the auditor or team of auditors shall discuss the audit findings with the Managing Committee of the society concerned and get their reply.”;

(vi) in sub-section (9), the following shall be added at the end, namely:-

“If the result of the audit held under this section discloses any defect in the working of



the society, the Board of Directors shall take steps to rectify the defects and remedying the irregularities pointed out in the audit report and place the audit report along with the action taken report before the general body meeting to be held every year and explain therein the said defects or the irregularities. The Board of Directors shall continue to take steps for rectification of all the defects and remedying of all the irregularities in the audit report and appraise the general body meetings every year till all the defects are rectified and the irregularities are remedied. The Board of Directors shall send report of action taken to the Director of Co-operative Audit and to the Registrar within fifteen days from the date of the general body meeting.”;

(vii) to sub-section (10), the following proviso shall be added, namely:-

“Provided that if the Director of Co-operative Audit or the person authorized by him to carry out the audit of the society is of the opinion that any person have attempted to destroy or to tamper the records or documents to evade legal action on the mischief committed in the society shall report the matter to the Police or the Vigilance as provided under section 68A.”.

33. *Amendment of section 65.*- In section 65 of the principal Act,-

(i) in sub-section (1),

(a) clause (b) shall be omitted;

(b) clauses (c), (d), (e), (f) shall be re-lettered as clauses (b), (c), (d), (e) respectively;

(c) for clause (c), so re-lettered, the following clause shall be substituted, namely:-

“(c) on an application by the majority of the members of the committee of the society or by not less than one third of the total members of the society or the number of members required for quorum for the General Body meeting, whichever is less;

(d) after the words “by a person” the words “or persons” shall be added;

(ii) in sub-section (2), after clause (c), the following clause shall be added, namely:-

“(d) The person/persons related to or involved in the enquiry shall be issued a notice, indicating the matter of enquiry and he/they shall be provided an opportunity of being heard, with proper notice by registered post or in person”;

(iii) after sub-section (2), the following sub-section and proviso shall be inserted, namely:-

“(2A) When an enquiry made under this section reveals any defect, the Registrar or the person or the persons authorized by him to conduct the enquiry, shall prepare a detailed enquiry



report regarding the defects, amount of misappropriation and other losses to the society, with the quantification of individual liability:

Provided that if the enquiry reveals any offence comes under section 94, the enquiry officer shall prepare a special report and submit it to the Registrar and he shall forward at the same time to Police or Vigilance, as the case may be, provided in section 68A, for further detailed investigation.”;

(iv) in sub-section (5), for the words “six months” the words “four months” shall be substituted;

(v) in sub-section (6), for the words and figure “provisions of section 32” the words “law after giving the affected parties concerned an opportunity of being heard” shall be substituted;

(vi) after sub-section (6), the following sub-section shall be added, namely:-

“(7) If any inquiry reveals any irregularity, misappropriation or fraud or defalcation of money or property or assets of the co-operative society or that any loss is incurred to the society, the officers concerned shall take immediate necessary steps to recover the misappropriated or defalcated money or property or assets of the society through lawful actions after assessing the loss.”.

34. *Insertion of new section 65A.*- In the principal Act, after section 65, the following section shall be inserted, namely:-

“65A. *Enquiry by the State Government.*- Government may order an enquiry, on public interest by constituting a special investigation team, on the working, financial condition, utilization of Government assistance of the society, *suo moto* or based on the application from the financing bank or on application of majority of members of the society or based on the recommendation from the Registrar or the Director of Co-operative Audit. If the inquiry by special team reveals any fraud, misappropriation or fabrication of document, the Government shall report the same to the Police or Vigilance, as the case may be, as provided in section 68A. Based on the report of the special team, the Government shall prepare scheme/plan of action if necessary, to restructure the activity of the society, in consultation with the Registrar and the financing bank.”.

35. *Amendment of section 66.*- In section 66 of the principal Act,-

(i) to sub-section (1), the following provisos shall be added, namely:-

“Provided that the Registrar may authorize special team of officers under his control for the inspection of apex, central and federalco-operative societies and all other primary co-operative societies, as may be prescribed:

Provided further that the report of such inspections shall be communicated to the apex,



central and federal societies and all primary co-operative societies concerned, within a period of fifteen days and the Board of Directors and the chief executive shall be under an obligation to file a para-wise satisfactory compliance report before the Registrar within a period of thirty days from the date of communication.”;

(ii) sub-section (6) and the proviso thereto shall be omitted.

36. *Amendment of section 66A.*- To section 66A of the principal Act, the following proviso shall be added, namely:-

“Provided that Government shall prepare a scheme for the revival/restructure of co-operative societies which are not functioning properly, if necessary, and also issue necessary direction to all co-operative societies facilitating the implementation of Government policies, improving the service delivery of the society to ensure transparency and equality in their services”.

37. *Amendment of section 66B.*- In section 66B of the principal Act,-

(i) after the word, figures and letter “section 68A” the words, figures and letter “or on the report of the special investigation team constituted under section 65A” shall be inserted;

(ii) the following provisos shall be added, namely:-

“Provided that if the committee fails to implement the direction issued by the Registrar within thirty days of such direction, the Registrar shall suspend such officers by issuing an order:

Provided further that based on the recommendations of Police or Vigilance, the Government shall issue directions to the Registrar to suspend the officers”.

38. *Amendment of section 66C.*- In section 66C of the principal Act,-

(i) the existing clause (f) shall be re-lettered as clause (g);

(ii) before clause (g), so re-lettered, the following clause shall be inserted, namely:-

“(f) the rectification reports approved by the Board of Directors on audit report and the resolution of the General Body of the society.”;

(iii) after clause (g), so re-lettered, the following clause shall be added, namely:-

“(h) every co-operative society shall submit quarterly returns on the credit activities, duly certified by the chief executive of the co-operative society, which will be duly reviewed by the Registrar and the rectification report shall be done on the basis of the report evaluated by the Registrar after each quarter. If any society fails to submit the returns on time the Registrar shall have the power to impose fine, as may be prescribed.”.



39. *Amendment of section 68.*- In section 68 of the principal Act,-

(i) in sub-section (1), after the words “winding up of the society” the words, figures and letters “or in the report of the Police or Vigilance, as the case may be, provided in section 68A and enquiry and inspection by the Government under section 65A” shall be inserted;

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

(a) after the word “restored”, the words “within a period of sixty days” shall be inserted;

(b) the following proviso shall be added, namely:-

“Provided that such period may, at the discretion of the Registrar and for reason to be recorded in writing, be extended from time to time, however that the extended period shall not exceed sixty days.”.

40. *Amendment of section 68A.*- In section 68A of the principal Act,-

(i) for sub-sections (1) and (2), the following shall be substituted, namely:-

“(1) The Government or the Registrar may forward the cases of misappropriation or irregularities or corruption noticed in the society which comes under the provisions of the Indian Penal Code, 1860 or of the Prevention of Corruption Act, 1988, to the Police or Vigilance and Anti-corruption Bureau, as the case may be, for investigation and further action.”;

(ii) the existing sub-section (3) shall be renumbered as sub-section (2).

41. *Amendment of section 69.*- In section 69 of the principal Act, in sub-section (1), after clause (h), the following clauses shall be added, namely:-

“(i) between the holding co-operative society and subsidiaries formed by the society under section 14AA; or

(j) between the members of the partnership formed under section 14B”.

42. *Amendment of section 69A.*- In section 69A of the principal Act, in sub-section (1), the words “dealing with banking business” shall be omitted.

43. *Amendment of section 70.*- In section 70 of the principal Act, in sub-section (6), after the words “pass an award” the words “within a period of one year” shall be inserted.

44. *Amendment of section 70A.*- In section 70A of the principal Act, for



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

“(2) No person shall be appointed as the presiding officer of the Arbitration Court unless he is or has been holding the post of not below the rank of a Munsiff-Magistrate in the judicial service.”.

45. *Amendment of section 73.*- In section 73 of the principal Act, in sub-section (2A), after the Explanation, the following provisos shall be added, namely:-

“Provided that if the winding up proceedings cannot be completed within a period of three months from the date of appointment of liquidator under sub-section (1) of section 72, the liquidator shall submit a report to the Government through the Registrar stating the procedural barriers which prevent him to complete the process and can issue the final order with the permission of the Government, as may be prescribed:

Provided further that Government shall prepare a scheme for the removal of name of society from the register, if society is not functioning.”.

46. *Amendment of section 74C.*- In section 74C of the principal Act,-

(i) the existing section shall be numbered as sub-section “(1)”;

(ii) after sub-section (1), so numbered, the following sub-section shall be added, namely:-

“(2) The Registrar shall suggest remedial action to Government to restructure the activities if necessary, based on the report”.

47. *Amendment of section 76.*- In section 76 of the principal Act, after the words, figures and brackets “sub-section (2) of section 68”, the words, figures and letter “or under section 69A” shall be inserted.

48. *Amendment of section 80.*- In section 80 of the principal Act,-

(i) to sub-section (3), the following proviso shall be added, namely:-

“Provided that the appointment shall be regularised only after verifying his/her character and antecedents on subsequent police verification, as may be prescribed.”.

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

(a) after the words “servants of the societies” the words “except the chief executive of the societies” shall be inserted;

(b) the following proviso shall be added, namely:-

“Provided that appointment of chief executive of apex societies shall be made by the



Government after fixing qualifications, considering the specific nature of work.”;

(iii) in sub-section (5),-

(a) for the words "three per cent" the words "four per cent" shall be substituted;

(b) after the existing proviso, the following proviso shall be added, namely:-

“Provided further that the unit of appointment for the purpose of this provision shall be twenty, of which the fourth and fourteenth turn shall be reserved for SC/ST candidates and tenth turn shall be reserved for differently abled candidates. All establishments to which this provision is applicable shall maintain a register to ensure the rotation mandatorily.”.

(iv) to sub-section (8), the following proviso shall be added, namely:-

“Provided that the rules 67, 69, 70 and 71 of the Kerala Government Servants’ Conduct Rules, 1960 shall be made applicable to the employees of co-operative societies until the Government frame uniform service rules and conduct rules for this purpose.”.

49. *Amendment of section 80A.*- In section 80A of the principal Act, in sub-section (1), after the words “in this Act” the words “and Co-operative Unions in the State” shall be inserted.

50. *Amendment of section 80B.*- In section 80B of the principal Act, for sub-section (1), the following shall be substituted, namely:-

“(1) Notwithstanding anything contained in this Act or the rules made thereunder or in the bye-laws of any society relating to the recruitment of officers and servants thereof, the Government shall, by notification in the Gazette, constitute a Co-operative Examination Board for the conduct of written examination for all direct recruitment to the posts of and above the category of Junior Clerks in all co-operative societies, Boards and other institutions under the control of the Registrar.”.

51. *Amendment of section 88.*- In section 88 of the principal Act, for clause (e) of sub-section (1), the following clause shall be substituted, namely:-

“(e) the Assistant Director of Co-operative Audit having jurisdiction over the circle, *ex-officio*.”.

52. *Amendment of section 88B.*- In clause (iii) of section 88B of the principal Act, after the words “an officer” the words “or an administrator or an administrative committee consisting of not more than three persons, one among them shall be the convener” shall be inserted.

53. *Amendment of section 89.*- In section 89 of the principal Act, in sub-section (4),-



(i) in clause (d), for the word, letter and brackets “clause (c)” the word, letter and brackets “clause (b)” shall be substituted;

(ii) in clause (e), for the word, letter and brackets “clause (d)” the word, letter and brackets “clause (c)” shall be substituted;

(iii) in clause (f), for the word, letter and brackets “clause (e)” the word, letter and brackets “clause (d)” shall be substituted.

54. *Amendment of section 89B.*- In clause (iii) of section 89B of the principal Act, after the words “Co-operative Department” the words “not below the rank of Additional Registrar or an administrator or an administrative committee consisting of three persons, one among them shall be the Convener” shall be inserted.

55. *Amendment of section 91.*- In section 91 of the principal Act, in clause (c) of sub-section (1), before the words “to spread” the words “to establish educational institutions and” shall be inserted.

56. *Amendment of section 94.*- In section 94 of the principal Act,-

(i) in sub-section (2), for the words “two thousand” the words “five thousand” shall be substituted;

(ii) in sub-section (3), for the words “two thousand” the words “five thousand” shall be substituted;

(iii) in sub-section (4), for the words “five thousand” the words “ten thousand” shall be substituted;

(iv) in sub-section (4A), for the words “five thousand” the words “ten thousand” shall be substituted;

(v) in sub-section (4B), for the words “one thousand” the words “five thousand” shall be substituted;

(vi) in sub-section (5), in clause (b), for the words “five thousand” the words “ten thousand” shall be substituted;

(vii) in sub-section (6), for the words “five thousand” the words “ten thousand” shall be substituted;

(viii) in sub-section (7), for the words “five thousand” the words “ten thousand” shall be substituted;

(ix) after sub-section (7), so modified, the following sub-sections shall be inserted, namely:-



“(7A) If the chief executive acts in contravention of the provisions of section 57, he/she shall be punishable with a fine of twenty five thousand rupees.

(7B)If the Board of Directors and Chief Executive of those societies did not file a compliance report under the provisions of sub-section (1) of section 66, it/he/she shall be punishable with a fine of ten thousand rupees.”.

(x) to sub-section (8), the following proviso shall be added, namely:-

“Provided that if any violation is noticed, the chief executive of the society shall be punishable with a fine of rupees five thousand”.

57. *Amendment of Schedule I.*- In the Schedule I of the principal Act, after serial number 15, the following serial numbers and entries shall be added, namely:-

- | | | |
|-----|---|--|
| “16 | – | Kerala State Women Co-operative Federation Limited (VANITHAFED) |
| 17 | – | Kerala State Co-operative Tourism Federation Limited (TOURFED) |
| 18 | – | Kerala State Labour Co-operative Federation Limited (LABOURFED) |
| 19 | – | Kerala State Co-operative Hospital Federation Limited (HOSPITALFED).”. |

STATEMENT OF OBJECTS AND REASONS

The Kerala Co-operative Societies Act, 1969 (Act 21 of 1969) was enacted in 1969. Thereafter so many amendments were made in this Act for development and sustainability of the co-operative sector.

2. Now, co-operative sector in Kerala has achieved tremendous progress. The deposits in the co-operative societies have increased up to rupees two lakh crores. Number of societies and their activities increased many fold. At the same time, sporadic incidents of undesirable practices are also noticed from this sector.

3. Now, Government consider that detailed revamping of co-operative sector is inevitable to meet the challenges and to guide institutions to new direction. A prudent scheme for the effective management of deposits in the societies and transparent reporting system are the need of the hour. More healthy interference of Government is necessary to ensure growth and development in the sector.



4. Hence Government have decided to make necessary amendments in the Kerala Co-operative Societies Act, 1969.

5. The Bill seeks to achieve the above objects.

FINANCIAL MEMORANDUM

The Bill, if enacted and brought into operation, would not involve any recurring or non-recurring additional expenditure from the Consolidated Fund of the State.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 6 of the Bill seeks to empower the Registrar to prescribe the period to amend bye-laws in confirmity with the amendments made in the Act or the Rules.

2. Clause 8 of the Bill seeks to empower the Government to make rules to include nominees of the Government in the Board of Directors of the subsidiary institutions, make provisions for the continuation of the subsidiary institutions registered before the commencement of the Kerala Co-operative Societies (Third Amendment) Act, 2022 and to empower the Registrar to conduct audit, inspection and verification of records in the subsidiary institutions.

3. Clause 9 of the Bill seeks to empower the Government to make rules for the preparation of detailed project report of the formation of partnership firms of co-operative societies and empower the Registrar to make rules for the conduct of audit, inspection and verification of records in such societies and also to empower the Government to make rules for the raising of funds for public purpose, by the partnership firms.

4. Clause 16 of the Bill seeks to empower the Government to make rules for specifying the types of societies in which a member is restricted to be elected as President or Chairman.

5. Clause 18 of the Bill seeks to empower the Government to make rules for the conduct of election in the State Co-operative Union and Circle Co-operative Union by the State Co-operative Election Commission.

6. Clause 19 of the Bill seeks to empower the Government to make rules for the preparation of detailed list of liabilities of Director Board members and their close relatives, employees and their close relatives due to the societies on corresponding year.

7. Clause 24 of the Bill seeks to make rules to prepare the forms of books of accounts and financial statements and empower the Registrar to issue necessary guidelines for installation of common software and also constitute technical cell to inspect the security, reliability, data protection



and other aspects connected with software and hardware.

8. Clause 26 of the Bill seeks to empower the Government to prepare a scheme under the professional education fund.

9. Clause 28 of the Bill seeks to empower the Government to make rules for the imposition of fine for the violation of the provision of sub-section (1) of section 57.

10. Clause 29 of the Bill seeks to empower the Government to make rules for the imposition of fine if the society sanctioned an amount of loan in excess of the individual maximum borrowing power fixed by the Registrar.

11. Clause 30 of the Bill seeks to empower the Government to make rules for the appointment of valuator, loan amount to be valued, qualification, experience and the terms and conditions for appointing the valuator and also to issue norms to be followed by the societies while acquiring movable and immovable properties utilising the own fund of the society.

12. Clause 35 of the Bill seeks to empower the Government to make rules for the Registrar to authorise special team of officers under his control for the inspection of apex, central and federal co-operative societies.

13. Clause 38 of the Bill seeks to empower the Government to make rules for prescribing fine if any society fails to submit the return on time.

14. Clause 45 of the Bill seeks to empower the Government to make rules for preparing a report by the liquidator stating the procedural barriers to complete the winding up process.

15. Clause 48 of the Bill seeks to empower the Government to make rules for making police verification as a condition for regularisation of appointments.

16. The matter in respect of which notifications or orders may be issued or rules may be made are matter of procedure and are of routine and administrative in nature. Further, the rules to be made are subject to the scrutiny of the Kerala Legislative Assembly. The delegation of Legislative power is therefore, of a normal character.

V. N. VASAVAN



NOTES ON CLAUSES

Clause 2.- This clause seeks to amend section 2 of the principal Act to define certain words and phrases used in the Bill.

Clause 3.- This clause seeks to amend section 3 of the principal Act so as to enable the Government to appoint an officer of the Government as Registrar.

Clause 4.- This clause seeks to amend section 7 of the principal Act so as to fix minimum share capital for registering a society and to reduce the processing time for registration.

Clause 5.- This clause seeks to amend section 8A of the principal Act so as to reduce the time limit in connection with the process of affiliation by the apex or central co-operative societies.

Clause 6.- This clause seeks to amend section 13A of the principal Act so as to empower the Registrar to direct the society to amend its bye-laws in conformity with the amendments in Act and Rules and in the event that the economic viability of the society is in jeopardy.

Clause 7.- This clause seeks to amend section 14 of the principal Act so as to transfer the assets and liabilities and division of society through a simple majority of the members present and voting in the general body meeting of the society, with the prior approval of the Registrar and empower the Registrar to issue a detailed Scheme for transfer.

Clause 8.- This clause seeks to amend section 14AA of the principal Act so as to provide that, the share capital of the subsidiary institution shall be met from the net profit of the society; that the nominee of Government of Kerala shall be included in the Board of Directors of the subsidiary institution, if the society had availed any financial assistance from the Government; that audit, inspection and verification shall be conducted by the Registrar; that financial assistance to subsidiary institution shall be provided with the prior approval of the Registrar; that transparency of funds or leasing of assets shall be made with the prior approval of the Government; and that no subsidiary institution shall be promoted after the commencement of this amendment Act.

Clause 9.- This clause seeks to amend section 14B of the principal Act so as to incorporate the additional conditions and procedures, including Government control, to be followed in establishing partnership of co-operative societies.

Clause 10.- This clause seeks to amend section 16 of the principal Act so as to bring the maximum age limit for seeking membership in a youthco-operative society.

Clause 11.- This clause seeks to amend section 18 of the principal Act so as to define the rights of nominal and associate members.

Clause 12.- This clause seeks to amend section 19 of the principal Act so as to make provision for



member not to exercise the right as a member till the payment of enhanced value of shares held.

Clause 13.- This clause seeks to amend section 19B of the principal Act so that every member will get the exact picture of defects included in the latest statutory audit report.

Clause 14.- This clause seeks to amend section 20 of the principal Act so as to clarify that an ex-officio member has no right to vote in the removal of office bearers in societies.

Clause 15.- This clause seeks to amend section 26 of the principal Act so as to extend the liability of past member upto two years from the cessation of membership.

Clause 16.- This clause seeks to amend section 28 of the principal Act so as to provide that the election to the committees of all Primary Agricultural Credit Societies shall not be conducted on ward basis; that the limit of deposit by members who are entitled for reserved seat be increased to 25,000/-; that bifurcation of area, assets and liabilities of the societies shall be completed within one year; that for fixing the qualification of persons to be co-opted by the committee; to empower the Registrar or Government to make nomination if the committee fails to co-opt persons; and that no member of the Board of Directors is eligible for election to the committee for more than two consecutive terms.

Clause 17.- This clause seeks to amend section 28AB of the principal Act so as to empower the committee to remove a delegate appointed by the committee.

Clause 18.- This clause seeks to amend section 28B of the principal Act to so as to empower the State Co-operative Election Commission to conduct election in the State Co-operative Union and Circle Co-operative Unions.

Clause 19.- This clause seeks to amend section 29 of the principal Act so as to intimate the annual general body meeting detailed list of liabilities of Director Board members and their close relatives and employees and their close relatives and to empower the Director of Co-operative Audit to attend the annual general body meeting of the societies.

Clause 20.- This clause seeks to amend section 31 of the principal Act so as to prevent the person nominated to the committee of apex and central societies from voting for the election of office bearers.

Clause 21.- This clause seeks to amend section 32 of the principal Act so as to empower the Registrar to supersede the managing committee of a society even if it has no assistance from the Government and also to provide that a member of the committee superseded shall stand disqualified to contest in the election or to be nominated or to be appointed as an administrator for one term.

Clause 22.- This clause seeks to insert a new section 32A in the principal Act so as to empower Registrar to suspend the committee and appoint new administrator to manage the affairs of the society.

Clause 23.- This clause seeks to amend section 33 of the principal Act so as to empower the committee to enroll members in the society and also to provide that such members shall not have voting rights, unless the elected committee ratifies it.



Clause 24.- This clause seeks to insert a new section 34A in the principal Act so as to empower the Registrar to implement common software and empower to issue necessary guidelines for installation, maintenance and use of common software in the societies and also to prepare accounts etc., in double entry book keeping.

Clause 25.- This clause seeks to amend section 36A of the principal Act so as to expand the *gahan* condition applicable to more sections.

Clause 26.- This clause seeks to amend section 56 of the principal Act so as enable the societies to utilise the five per cent of the net profit to the professional education fund maintained under the Professional Education Fund Scheme.

Clause 27.- This clause seeks to amend section 56A of the principal Act so as to permit the society for effective utilisation of non-banking assets acquired while realising the loan, with the approval of the Registrar.

Clause 28.- This clause seeks to amend section 57 of the principal Act so as to empower the Registrar to impose fine on non-compliance of the provision.

Clause 29.- This clause seeks to amend section 59 of the principal Act so as to make responsible the Chief Executive and Board of Directors for granting loan in excess of the individual maximum borrowing power fixed by the Registrar and empower the Registrar to impose fine in violation of the above.

Clause 30.- This clause seeks to insert new sections 59A and 59B in the principal Act so as to prescribe the valuation by qualified valuator/s of the immovable property to pledge and to proscribe the procedure for selection of valutors and insist the society to follow the norms while acquire properties by utilise its own fund.

Clause 31.- This clause seeks to amend section 63 of the principal Act so as to mandate the certification of finance statement by auditor or team of auditors within in the stipulated period.

Clause 32.- This clause seeks to amend section 64 of the principal Act so as to mandate audit of information system and evaluation of software as well as hardware and also to mandate to take step to rectify the defects pointed out in the audit and sent report to the Director and to the Registrar and also to empower the Director/Registrar to sent report about the unlawful action to the police or Vigilance & Anti-corruption Bureau.

Clause 33.- This clause seeks to amend section 65 of the principal Act so as to empower the Registrar to conduct enquiry on an application made by the society.

Clause 34.- This clause seeks to insert a new section 65A in the principal Act so as to empower the Government to order an enquiry on public interest by constituting a special investigation team on the working, financial condition, utilisation of Govt. assistance and on any fraud, misappropriation, fabrication of document found if any, sent a report to the Police or Vigilance, as the case may be.



Clause 35.- This clause seeks to amend section 66 of the principal Act so as to empower the Registrar to authorise special team of officers for the inspection of apex, central and federal co-operative societies.

Clause 36.- This clause seeks to amend section 66A of the principal Act so as to empower the Government to prepare a scheme for the revival/restructure of co-operative societies which are not functioning properly and to give directions for improving service of the said societies.

Clause 37.- This clause seeks to amend section 66B of the principal Act so as to empower the Registrar to suspend officers based on the reports under sections 65A and 68A and also on the direction of the Government.

Clause 38.- This clause seeks to amend section 66C of the principal Act so as to ensure zero corrections and also mandate the co-operative societies to submit quarterly returns of their credit activities.

Clause 39.- This clause seeks to amend section 68 of the principal Act so as to empower the Registrar to enquire on report of Police or Vigilance also.

Clause 40.- This clause seeks to amend section 68A of the principal Act so as to empower the Government or the Registrar to forward cases of misappropriation, irregularities or corruption noticed in the society to the Police or Vigilance and Anti-corruption Bureau for investigation and further action.

Clause 41.- This clause seeks to amend section 69 of the principal Act so as to empower the Arbitration court /Registrar to settle cases between holding co-operative society and subsidiaries and between members of partnership firms.

Clause 42.- This clause seeks to amend section 69A of the principal Act so as to bring all co-operative societies under the Kerala Co-operative Ombudsman Scheme.

Clause 43.- This clause seeks to amend section 70 of the principal Act so as to fix a time limit to pass an award by the arbitrator.

Clause 44.- This clause seeks to amend section 70A of the principal Act so as to make changes in the qualification of Presiding Officer.

Clause 45.- This clause seeks to amend section 73 of the principal Act so as to report procedural barriers for non compliance of winding up process within the period, faced by the Liquidator to the Government.

Clause 46.- This clause seeks to amend section 74C of the principal Act so as to require the Registrar to suggest remedial action to Government.

Clause 47.- This clause seeks to amend section 76 of the principal Act so as to empower the Registrar to execute the order of the Ombudsman as a civil court order or decree.



Clause 48.- This clause seeks to amend section 80 of the principal Act so as to mandate the police verification in the appointment of officers in the society.

Clause 49.- This clause seeks to amend section 80A of the principal Act so as to include Co-operative Union in the State for the Pension Scheme.

Clause 50.- This clause seeks to amend section 80B of the principal Act so as to insert a new clause in the principal Act to ensure the conduct of written examination by Co-operative Examination Board for all direct recruitment of the posts of and above the category of Junior Clerks in all co-operative societies, Boards and other institutions.

Clause 51.- This clause seeks to amend section 88 of the principal Act so as to include Assistant Director of Co-operative Audit in Circle Co-operative Union.

Clause 52.- This clause seeks to amend section 88B of the principal Act so as to empower the Registrar to appoint administrator or administrative committee also to manage the affairs of the Circle Co-operative Union.

Clause 53.- This clause seeks to amend section 89 of the principal Act so as to restructure the constitution of managing committee in the State Co-operative Union.

Clause 54.- This clause seeks to amend section 89B of the principal Act so as to empower the Government to appoint an officer not below the rank of Additional Registrar or administrator or administrative committee on failure to constitute the managing committee of the State Co-operative Union.

Clause 55.- This clause seeks to amend section 91 of the principal Act so as to empower the State Co-operative Union to establish the educational institutions.

Clause 56.- This clause seeks to amend section 94 of the principal Act so as to enhance the fine amount for certain offences.

Clause 57.- This clause seeks to amend the Schedule I to the principal Act so as to incorporate three more societies in the Schedule.

