

KARNATAKA ACT NO. 36 OF 2021

THE KARNATAKA CO-OPERATIVE SOCIETIES (AMENDMENT) ACT, 2021

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STATEMENT OF OBJECTS AND REASONS

ACT 36 OF 2021.- It is considered necessary to amend the Karnataka Co-operative Societies Act, 1959 (Karnataka Act No.11 of 1959) to,-

- (a) omit some contradictory provisions regarding voting rights and membership in section 17 (2A), section 20 (2)(a-v) and proviso to section 27A;
- (b) address the issues challenged in the writ petitions filed before Hon'ble High Court of Karnataka challenging section 20 (2) (a-iv) and (a-v);
- (c) inculcate true spirit of democracy in attending general body meetings and utilization of minimum services of cooperative society and active participation of members in the management of co-operative societies; and
- (d) implement the suggestions made by the Reserve Bank of India to complete the liquidation process of co-operative bank/societies in time schedule.

Certain consequential amendments are also made to provide clarity

Hence the Bill.

[L.A. Bill No. 22 of 2021, File No. Samvyashae 20 Shasana 2021]

[Entry 32 of List II of the Seventh Schedule to the Constitution of India.]

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KARNATAKA ACT NO 36 OF 2021

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THE KARNATAKA CO-OPERATIVE SOCIETIES (AMENDMENT) ACT, 2021

(Received the assent of the Governor on the 5th day of October, 2021)

An Act 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 purpose hereinafter appearing.

Be it enacted by the Karnataka State Legislature in the seventy second 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, 2021.

(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) hereinafter referred to as the principal Act), in section 2, for clause (e-1-a) the following shall be substituted, namely:-

“(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.”

3. Amendment of section 6.- In section 6 of the principal Act, in sub-section (2),-

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

“(b) Where all the applicants are individuals, the number of applicants shall not be less than twenty and the applicants shall not belong to the same family; and

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

“(b-1) where all the applicants are cooperative societies, the number of applicants shall not be less than thirteen.

Provided that State Government may in special cases permit the applicants co-operative societies less than thirteen.”

4. Amendment of section 17.- In section 17 of the principal Act,-

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

“(f) is a paid employee of the society or its financing bank or its union or its federal society.”

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

“(2-A) If any person is found to be a member or continuing as member in two or more co-operative societies carrying similar business, it shall be obligatory on his part to retain membership in any one society of his choice within a period of ninety days from the date of commencement of the Karnataka Co-operative Societies (Amendment) Act, 2021. If he fails to do so, his membership shall be deemed to have been ceased in the Co-operative society to which he is newly admitted.”

5. Amendment of section 20.- In section 20 of the principal Act in sub-section (2),-

(i) in clause (a-iii) for the proviso the following shall be substituted, namely:-

“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.”

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

“(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;”

(iii) for clause (a-v) except the proviso, the following shall be substituted, namely:-

“(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;”

(iv) in proviso to clause (a-v) for the words “three years” the words “one year” shall be substituted; and

(v) in clause (b) in explanation for the words “fifteen days” and “thirty days” the words “twenty one days” and “forty five days” shall respectively be substituted.

6. Insertion of new section 22.- After section 21 of the principal Act, the following shall be inserted, namely:-

“22. Restrictions on holding shares.-In any cooperative society, no member other than the Government, or any other cooperative society with the previous sanction of the state Government, the State Warehousing Corporation or Zilla Panchayath constituted under the Karnataka Gram Swaraj and Panchayat Raj Act, 1993 (Karnataka Act No 14 of 1993) or any statutory or non-statutory board, committee or corporation shall hold more than such portion of the total share capital of the society not exceeding five percent thereof as may be prescribed.”

7. Amendment of section 27A.-In section 27A of the principal Act,-

- (i) in clause (a) for the word “three” the word “two” shall be substituted;
- (ii) in clause (b) after the words “specified in the byelaws” the words “for any two co-operative years out of the last five co-operative years” shall be inserted; and
- (iii) in the proviso for the words “three years” the words “one year” shall be substituted.

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

“(3) The quorum for the special general meeting shall be the same as specified in sub-section (4) of section 27.”

9. Amendment of section 29C.- In section 29C of the principal Act,-

- (i) in sub-section (1), in clause (a) after the words “co operative society” the words “or Souhardha co-operative” shall be inserted;
- (ii) in sub-section (8), in clause (d) for the words “in cases falling under clauses (a), (b), (c) and (d) of this sub-section” the words “in cases falling under clauses (a), (b), (c) and (d) of this sub-section remove and” shall be substituted.

10. Amendment of section 29E.- In section 29E of the principal Act, after the first proviso, the following proviso shall be inserted, namely:-

“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.”

11. Amendment of section 39AA.- In section 39AA of the Principal Act, in sub-section (2), for the words “electoral rolls for” the words “electoral rolls and conduct of” shall be substituted.

12. Amendment of section 39I.- In section 39I of the principal Act,

- (i) in sub-section (4) after the words “this section applies are” the words “the election officers” shall be inserted; and
- (ii) after the words “in connection with the” the words “preparation of electoral roll or” shall be inserted.

13. Amendment of section 68.- In section 68 of the principal Act, in sub-section (1);-

- (i) for the words “The Registrar may” the words “The Registrar shall” shall be substituted; and
- (ii) after the word “disclosed” the words “in the audit report under section 63 or” shall be inserted.

14. Amendment of section 72.- In section 72 of the principal Act, after sub-section (5) the following shall be inserted, namely;-

“(6) The process of winding up of a co-operative society under sub-sections (1), (2) and (5) above, shall be completed within a period of three years from the date of direction from the Registrar:

Provided that the said period may be extended by the Registrar for the reasons to be recorded in writing for a further period of one year:

Provided further that the State Government may, on a report made by the Registrar shall have power to extend the said period, if it is satisfied that, there are genuine grounds for the extension.”

15. Substitution of expression Co-operation Election Authority.- In the principal Act, for the words “Cooperative Election Commission” wherever they occur, the words “Cooperative Election Authority” shall be substituted.

By Order and in the name of
the Governor of Karnataka,

(G. SRIDHAR)
Secretary to Government
Department of Parliamentary Affairs
and Legislation