

**Fifteenth Kerala Legislative Assembly**

**Bill No. 151**

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

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(THIRD AMENDMENT) BILL, 2022**

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**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 (Third Amendment) 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 federal co-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 conformity 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 youth co-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 refixing 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 Shedule I to the principal Act so as to incorporate three more societies in the Schedule.



(ib) "*Federal Co-operative Society*" means a society having more than one district as its area of operation and having the Government, individuals and other co-operative societies as its members;

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(oaa) "*Primary Agricultural Credit Society*" means a Service Co-operative Society, a Service Co-operative Bank, a Farmers Service Co-operative Bank and a Rural Bank the principal object of which is to undertake agricultural credit activities and to provide loans and advances for agricultural purposes, the rate of interest on such loans and advances shall be the rate fixed by the Registrar and having its area of operation confined to a Village, Panchayath or a Municipality:

Provided that the restriction regarding the area of operation shall not apply to societies or banks in existence at the commencement of the Kerala Co-operative Societies (Amendment) Act, 1999 (1 of 2000) :

Provided further that if the above principal object is not fulfilled, such societies shall lose all characteristics of a Primary Agricultural Credit Society as specified in the Act, Rules and Bye-laws except the existing staff strength.

(ob) "primary credit society" means a society other than an apex or central society which has as its principal object the raising of funds to be lent to its members;

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(od) "*Primary Co-operative Society*" means a society having jurisdiction over a revenue district as a whole or over any specified area within such revenue district and having individual or individuals and other Co-operative Societies as its members;

(oe) "*Primary Tourism Co-operative Society*" means a society having its area of operation confined to a taluk and the principal object of which is to promote, organise and assist tourism activities:

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(p) "Registrar" means the Registrar of Co-operative Societies appointed under sub-section (1) of section 3 and includes any person on whom all or any of the powers of the Registrar under this Act are conferred;

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(qb) "Scheduled Tribes" means the Scheduled Tribes in relation to the State of Kerala as specified in the Constitution (Scheduled Tribes) Order, 1950;

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(ra) "State Co-operative Agricultural and Rural Development Bank" means an apex society having only Primary Co-operative Agricultural and Rural Development Banks as its members and functioning in accordance with the provisions contained in the Kerala State Co-operative Agricultural and Rural Development Banks Act, 1984 (20 of 1984);

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(u) "year" means the period commencing on the first day of April of any year and ending with 31st of March of the succeeding year or in the case of any registered society or class of registered societies, the accounts of which are made upto any other date with the previous sanction of the Registrar, the year ending with such date.

3. *Registrar.*—(1) The Government may appoint a person to be the Registrar of Cooperative Societies for the State.

(2) The Government may by general or special order confer on any person all or any of the powers of the Registrar under this Act.

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7. *Registration.*—(1) If the Registrar is satisfied—

(a) that the application complies with the provisions of this Act and the rules;



(b) that the objects of the proposed society are in accordance with section 4;

(c) that the area of operation of the proposed society and the area of operation of another society of similar type do not overlap;

(d) that the proposed bye-laws are not contrary to the provisions of this Act and the rules; and

(e) that the proposed society complies with the requirements of sound business,

he may register the society and its bye-laws within a period of ninety days of receipt of application.

(2) Where the Registrar refuses to register a society, he shall communicate the order of refusal together with the reasons therefor within seven days of such order to such of the applicants as may be prescribed.

(3) An application for registration of a society shall be disposed of by the Registrar within ninety days from the date of receipt of the application.

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8A. *Affiliation to apex society.*—(1) Every Primary Co-operative Society or Central Co-operative Society may, within such time and in such manner, as may be prescribed, apply for affiliation to the concerned apex society or Central society, as the case may be.

(2) Where the apex society or central society does not, within sixty days from the date of receipt of the application for affiliation, determine whether such affiliation should be given or not, such affiliation shall be deemed to have been given to the applicant society from the date on which the said period of sixty days expires.

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13A. *Subject matter of Bye-laws.*- Every co-operative society shall make its bye-laws consistent with the provisions of this Act and rules and no provision in the bye-laws of a co-operative society shall be contrary to the provisions of the Act and the Rules.

14. *Amalgamation, transfer of assets and liabilities and division of societies.*—(1) A society may, by a resolution passed by a two-third majority of the members present and voting at a general body meeting of the society,-

- (a) transfer its assets and liabilities in whole or in part to any other society,
- (b) divide itself into two or more societies.

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(7) Where a resolution passed by a society under this section involves the transfer of any assets and liabilities, the resolution shall, notwithstanding anything contained in any law for the time being in force, be a sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

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14AA. *Promotion of subsidiary institutions for the economic welfare of members.*—(1) A co-operative society may by a resolution passed at general body meeting by a majority of members present and voting, promote, one or more subsidiary institutions, which may be registered under any law for the time being in force, for the furtherance of its stated objects with the prior approval of Registrar.

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(3) The annual reports and audited accounts of any such subsidiary institution shall be placed each year before general body meeting of the promoting co-operative society.

14B. *Partnership of co-operative societies.*—(1) Any two or more co-operative societies with prior permission of the Registrar, may by resolution passed by the majority of the members present and voting at a general body meeting of each of such co-operative societies, may enter into partnership to carry out any one or more specific business. Written notice of the general body meeting shall be given to each member before fifteen clear days of such meeting.

(2) The partnership shall be in the interest of the members of the co-operative society or the co-operative societies or shall be in the public interest

or shall be in the interest of the co-operative movement in general and it does not mean to be a partnership firm registered under Indian Partnership Act, 1932 (Central Act 9 of 1932).]

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16. *Persons who may become members.*—(1) No person shall be admitted as a member of a society except the following, namely.—

(a) an individual—

(i) who has attained the age of eighteen years:

Provided that this sub-clause shall not apply in the case of a society formed exclusively for the benefit of the students of any school or college;

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18. *Nominal or associate members.*—(1) A society may admit any individual as a nominal or associate member.

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19. *Member not to exercise rights till due payment made.*—No member of a society shall exercise the rights of a member unless he has made such payments to the society in respect of membership or has acquired such interest in the society, as may be prescribed by the rules or the bye-laws.

19B. *Right of a member to get information.*—Every society shall keep open to inspection for its members, free of charge, at all reasonable times, at the registered address of the society.

(a) an up-to-date copy of the Kerala Co-operative Societies Act, 1969;

(b) an up-to-date copy of the Kerala Co-operative Societies Rules, 1969;

(c) an up-to-date copy of the bye-laws of the society;

(d) a register of members;

(e) the latest audited balance sheet of the society; and

(f) the accounts of the society in so far as they relate to his or her transaction.

20. *Vote of members.*—Notwithstanding anything contained in any other provision of this Act or any other law, every member of a society shall have one vote in the affairs of the society:

Provided that,—

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(d) an ex-officio member of the committee of a society shall have one vote but shall not have right to vote for election of office bearers of the society;

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26. *Liability of past member or of estate of deceased member.*—(1) Subject to the provisions of sub-section (2), the liability of a past member or of the estate of a deceased member of a society for the debts of the society as they existed-

(a) in the case of a past member, on the date on which he ceased to be a member;

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28. *Appointment of committee.* - (1) The general body of a society shall constitute a committee, for a period of five years in accordance with the bye-laws and entrust the management of the affairs of the society to such committee:

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Provided also that the election to the committees of the societies shall not be conducted on ward basis irrespective of any provisions to the contrary contained in the bye laws of any society.

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(1A) Notwithstanding anything contained in the bye-laws of the Society, the number of the members of the committee shall not be less than seven and shall not exceed thirteen in the case of Primary Co-operative Societies and twenty five in the case of all other types of co-operative societies.

Provided that in the case of committees of Primary Co-operative Societies constituted prior to the commencement of the Kerala Co-operative Societies (Amendment) Act, 2010 the maximum number of members shall be fifteen.

Provided further that this section shall not be applicable to the committees of Primary Co-operative Societies and all other types of co-operative societies constituted prior to the commencement of the Kerala Co-operative Societies (Amendment) Act, 2013:

Provided also that this section shall not be applicable to the societies where election notification was issued and election procedure was started on the basis of the existing provisions of the Act prior to the commencement of the Kerala Co-operative Societies (Amendment) Act, 2013.

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(1C) Notwithstanding anything contained in the bye-laws of a Primary Credit Society or an Urban Co-operative Bank, one seat in the committee of each such society shall be reserved for the members having a deposit of ten thousand rupees and above.

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(1E) The Special Officer so appointed shall,-

(i) take into custody or bring under his control, the property, effects and actionable claims to which the erstwhile society is or appears to be entitled to and shall take steps as may be necessary or expedient to prevent loss or deterioration of or damage to, such property, effects and claims;

(ii) take such steps for the bifurcation of area, assets and liabilities of the society and also shall take steps to register new society with the members of the society so bifurcated and constitute the committee;

(iii) such bifurcation shall be completed within a period of one year from the date of commencement of the Kerala Co-operative Societies (Amendment) Ordinance, 2012 (9 of 2012).

(1G) Notwithstanding anything contained in the bye-laws of a society, the committee in office shall co-opt two persons or representatives who are having experience in the field of banking, management, finance or specialization in any other field, relating to the objects and activities undertaken by the Co-operative society as members of the Board of such society:

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Provided also that such co-opted members of a co-operative society shall also be members of the board and such members shall be excluded for the purpose of counting the total number of directors specified in sub-section (1A).

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(3) Nothing contained in clause (a) of sub-section (2) shall be deemed to disqualify a member of the committee of a society for appointment as, or for being, a member of the committee of the apex or central society of the same type:

Provided that no member of a committee shall be the president or chairman of more than one society of the same type.

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28AB. *Election and Removal of President, Vice-President etc.*- (1) A committee constituted under sub-section (1) of section 28 shall elect from themselves a President, a Vice-President, a Treasurer or any other officer, by whatever name he is designated in the manner as may be prescribed.

(2) A committee shall remove from office the President, Vice-President or the Treasurer or any other officer of the committee if a motion expressing want of confidence in any or all of them is carried with the support of the majority of the members of such committee in accordance with the procedure as may be prescribed.

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28B. *State Co-operative Election Commission.*- (1) Notwithstanding anything contained in this Act or in the rules, the Government shall by notification in the Gazette, constitute a State Co-operative Election Commission for the

superintendence, direction and control of the preparation of electoral rolls and for the conduct of all elections to co-operative societies including election to the President/Vice President and Representative General Body.

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29. *Annual general body meeting.*—(1) A general body meeting of a society shall be held within a period of six months of close of the financial year for the purpose of-

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(cc) review of annual report and accounts of any subsidiary organization, if any;

(cd) amendment of bye-laws;

(ce) declaration regarding date of holding of its general body meeting and conduct of elections when due; and

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(2) The Registrar or any other person deputed by him shall have the right to attend the committee or general body meeting of any society.

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31. *Nominees of Government on committee of an apex or a central society.* -

(1) Where the Government,-

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(3) A person nominated to the committee of an apex or a central society under sub-section (1) shall not take part in the discussion of any no- confidence motion or vote on any such motion.

32. *Supersession of committee.*—(1) If the Registrar, after an inquiry by himself or through his subordinates or on a report of the financing bank, or the Vigilance, and Anticorruption Bureau of the Government or the Vigilance Officer or otherwise, is satisfied that the committee of any society,—

\*\* \*\* \*\* \*\*

(d) misappropriates or destroys or tampers with the records or causes the destruction of records to cover up any misconduct or malpractice, he may, after giving the committee an opportunity to state its objections, if any, by order in writing, remove the committee and appoint in its place, one administrator or an administrative committee consisting of not more than three individuals, 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;

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Provided also that the board of a co-operative 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 or any Board or Institutions constituted by the Government.

*Explanation I.*—For the Purposes of this proviso, financial assistance includes any financial assistance from the Kerala Co-operative Development and Welfare Fund Board, Deposit Guarantee Scheme implemented by the Kerala Co-operative Deposit Guarantee Fund Board, Kerala Co-operative Risk Fund Scheme implemented by the Kerala Co-operative Development and Welfare Fund Board, National Bank for Agriculture and Rural Development, National Co-operative Development Corporation and any other financial institution under the control of the State or Central Government and also any financial assistance guaranteed by the said institutions.

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(e) Every member of the committee superseded under this section shall from the date of order of such supersession stand disqualified to contest in the election to or to be nominated to the committee of any Society or to be appointed as an administrator in any society for two consecutive terms.

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(4) The committee or administrator or administrators so appointed shall, subject to the control of the Registrar and to such instructions as he may from time to time give, have power to exercise all or any of the powers and functions of



the committee or of any officer of the society and take all such action as may be required in the interests of the society.

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33. *Appointment of new committee or administrator on failure to constitute committee, etc.*—(1) Where the term of office of a committee has expired and a new committee has not been constituted, or where a no confidence motion is passed by the general body against the existing committee or where the existing committee resigns en bloc or where vacancies occur in the committee either by resignation or otherwise and the number of remaining members cannot constitute the quorum for the meeting of the committee, or where the committee fails to hold its regular meeting consecutively for six months or where the Registrar is satisfied—

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(2) The administrator or administrative committee appointed under sub-sections (1) and (1A) shall, subject to the control of the Registrar and to such instructions as he may from time to time give, have power to exercise all or any of the powers and functions of the committee or of any officer of the society and take all such action as may be required in the interests of the society.

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34. *Securing possession of records, etc.*—(1) If the committee of a society is reconstituted at a general meeting of the society or the committee of a society is removed by the Registrar under section 32 or a new committee or administrator or administrators is or are appointed under section 33 or if the society is ordered to be wound up under section 71 and the outgoing members of the committee refuse to hand over charge of the records and property of the society to the new committee or administrator or administrators or the liquidator, as the case may be, or if an outgoing president or secretary who is the custodian of the records and property of a society refuses to hand over charge of the records and property of the society to his successor, the new committee or administrator or administrators or the liquidator or the president or secretary may with the previous sanction of the Registrar apply to the Magistrate within whose jurisdiction the society functions, for securing the records and properties of the society.

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36A. *Charge on movable or immovable property of borrower by creating Gehan.*—Notwithstanding anything contained in any other provisions of this Act charge on movable or immovable property of a borrower in favour of the Kerala State Co-operative Bank or a Primary Agricultural Credit Society or a Primary Housing Society or an Urban Co-operative Bank or any Primary Co-operative Societies dealing with credit activities may be created by Gehan in respect of which the provisions of sections 10 to 15 (both inclusive) of the Kerala State Co-operative Agricultural and Rural Development Banks Act, 1984 (20 of 1984), as amended from time to time, shall apply with the modification of substituting the words "Kerala State Co-operative Bank" or "Primary Agricultural Credit Society or Primary Housing Society" or an Urban Co-operative Bank or any Primary Co-operative Societies dealing with credit activities "Society" and "said Bank or Society", respectively, for the words "Agricultural and Rural Development Bank", "primary bank", "bank" and "said banks" occurring in the said sections.

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56. *Disposal of net profit.* - (1) A society shall, out of its net profits in any year,—

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(cc) five per cent of the net profit to the Professional Education Fund maintained by the Registrar;

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56A. *Disposal of non-banking assets.*— The immovable property acquired by a society through a sale by the sale officer or through any legal proceedings for realisation of loan amount shall be disposed of by the society within seven years from the date of acquisition with prior sanction of the General body and the Registrar.

57. *Investment of Funds.*— A society may invest or deposit its funds—

(a) in Government Savings Bank; or

(b) in any of the securities specified in section 20 of the Indian Trusts Act, 1882 (Central Act 2 of 1882); or

(c) in the shares or securities of any other society approved for the purpose by the Registrar by general or special order; or

(d) in any bank approved for the purpose by the Registrar; or

(e) in any other prescribed manner.

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59. *Restrictions on loans.*— (1) A society shall not make a loan to any person or a society other than a member:

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(3) Granting of loans to members or to non-members under sub-section (2) and recovery thereof shall be in the manner as may be specified by the Registrar.

63. *Director of Co-operative Audit.*—(1) The Government shall by notification in the official gazette, appoint a person to be the Director of Co-operative Audit with jurisdiction over the whole of the State.

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(4) It shall be the duty of the managing committee cause to audit the accounts of every society at least once in every year:

Provided that the accounts of every society shall be audited within six months of the close of the financial year to which such accounts relate.

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(7) The Director of Co-operative Audit shall be under the control of the Registrar of Co-operative Societies.

(8) The minimum qualification and experience of auditors for auditing accounts of the co-operative society may be such, as may be prescribed.

(9) Every co-operative society shall cause to be audited by an auditor or auditors or team of auditors referred to in sub-section (8) appointed by the general body or special general body from among the panel of auditors approved by the Director of Co-operative Audit:

Provided that if there are no auditors available from the above panel, the general body of a society may appoint auditing firms from among a panel approved by the Director of Co-operative Audit.

(10) The financial accounts of all apex societies shall be audited by auditing firms from among the panel approved by the Director of Co-operative Audit and the administrative matters and related accounts of assisted apex societies shall be audited by the departmental auditors from among the panel approved by the Director of Co-operative Audit as may be prescribed and submit the audit reports to the Director of Co-operative Audit.

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(12) It is the responsibility of the managing committee to convene general body meeting or special general body meeting in order to appoint auditors or auditing firms within the stipulated time from among the panel approved by Director of Co-operative Audit, failing which, the members of the managing committee shall cease to hold their office. In such cases to avoid administrative stalemate, the Registrar may *suo motu* or on application from the Director of Co-operative Audit or from any person authorised in this behalf, appoint an administrator or an administrative committee consisting of not more than three persons, who need not be members of the society, one among them as convener, to manage the affairs of the society, for a period not exceeding six months as may be specified in the order:

Provided that administrator or administrative committee shall arrange for the constitution of a new committee or for entering upon office of the new committee, as the case may be.

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64. *Scope of audit, powers of the Director of Co-operative Audit and procedure for audit.*—(1) The audit shall include an examination of overdue debts, if any, the verification of the cash balance and securities and a valuation of the assets and liabilities of the society concerned and such other audit matters, as may be prescribed.

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(4A) It shall be the duty of the managing committee of every society to ensure the accuracy of financial and other statutory statements. It is the responsibility of the managing committee to submit the above statements for audit within one month from the date of receipt of the above statements before the auditor. Lapse on the part of managing committee in this regard will be considered as a disqualification to hold office and they shall cease to be a member of the committee as may be prescribed. In such cases to avoid administrative stalemate, the Registrar may *suo motu* or on application from the Director of Co-operative Audit or by any person authorized in this behalf, appoint an administrator or an administrative committee consisting of not more than three persons, who need not be members of the society, one among them as convener, to manage the affairs of the society, for a period not exceeding six months as may be specified in the order:

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(4B) Within three months from the date of receipt of the audit report, the Director of Co-operative Audit shall issue an audit certificate to the concerned society with a copy of audit memorandum as may be prescribed.

(5) The auditor or auditing firms appointed as per section 63 shall complete the audit within four months from the date of receipt of the statements and submit audit report to the Director of Co-operative Audit or to the persons authorized by him in this behalf.

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(9) If the result of the audit held under section 63 discloses any defects in the working of a society, the Director of Co-operative Audit may bring such defects to the notice of the society and if the society is affiliated to another society, also to the notice of that other society.

(10) If the result of the audit held under section 63 discloses any serious defect in the working of the society, the Director of Co-operative Audit or the person authorized by him shall communicate the same forthwith to the Registrar for immediate further action.

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65. *Inquiry by the Registrar.*—(1) The Registrar may,—

(a) on his own motion; or

(b) on an inquiry report of the Vigilance Officer appointed under section 68A; or

(c) on a report of the Director of Co-operative Audit appointed under section 63; or

(d) on an application by the majority of the members of the committee of the society, or by not less than one third of the quorum for the general body meeting, whichever is less; or

(e) on an application by the apex society or financing bank of which such society is a member; or

(f) on an application of a society to which the society concerned is affiliated;

hold an enquiry by himself or by a person authorized by order in writing, into the constitution, working and financial condition of the society, if he is satisfied that it is necessary so to do.

(2) The Registrar or the person authorized by him under sub-section (1) shall, for the purpose of an inquiry under this section, have the following powers, namely:—

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(c) (i) he may, notwithstanding any rule or bye-law specifying the period of notice for a general body meeting of the society, himself call a general body meeting or require the President or Secretary of the society to call a general body meeting at such time and place at the headquarters of the society or any branch thereof, to determine such matters as may be directed by him;

(ii) any meeting called under sub-clause (i) , shall have all the powers of a general body meeting called under the bye-laws of the society.

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(5) The inquiry under this section shall be completed within a period of six months which period may at the discretion of the Registrar and for reasons to be recorded in writing, be extended from time to time, so however that the aggregate period shall not in anyway, exceed one year.

(6) If the Registrar, on completion of the inquiry finds that there is a major defect in the constitution or working or financial condition of the society, he may initiate action in accordance with the provisions of section 32.

66. *Supervision and Inspection.*—(1) The Registrar shall supervise or cause to be supervised by a person authorised by him by general or special order in writing in this behalf, the working of every society as frequently, as he may consider necessary. The supervision under this sub-section may include an inspection of the books of the society.

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(6) The Circle Co-operative Union shall have the power to direct that a non-official member thereof shall be present at an inspection under sub-section (2):

Provided that such non-official member shall not have the power to make the inspection himself.

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66A. *Powers of Registrar to give directions.*—Subject to the provisions of the Act and the Rules made thereunder the Registrar may issue general directions

and guidelines to any or all of the co-operative societies in furtherance of the purposes of the Act or for implementing Government policies for the benefit of the members and the general public.

66B. *Suspension of Officers.*—If the Registrar, in the course of any inquiry under section 65 or on inspection under section 66 or on audit under section 64 or on the report of Vigilance Officer appointed under section 68A, is satisfied that any officer other than the President, Vice President, Chairman, Vice Chairman and member of the committee of any society, has done any act detrimental to the interest of the society or its members and that there is reason to believe that such officer has indulged in misappropriation, manipulation of accounts, forgery, destruction or tampering of records of the society, he may, for reasons to be recorded in writing issue a direction to the committee of the said society to suspend the officer or officers responsible for the offence forthwith.

66C. *Submission of returns to the Registrar.*—Every co-operative society shall file returns, within six months of the closure of every financial year, before the Registrar, containing the following particulars, namely:—

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(f) any other information required by the Registrar in pursuance of any of the provisions of this Act or the rules.

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68. *Surcharge.*—(1) If in the course of an audit, inquiry, inspection or the winding up of a society, it is found that any person, who is or was entrusted with the organization or management of such society or who is or has at any time been an officer or an employee of the society, has made any payment contrary to the Act and the rules or the bye-laws, or has caused any loss or damage in the assets of the society by breach of trust or wilful negligence or mismanagement or has misappropriated or fraudulently retained any money or other property belonging to such society or has destroyed or caused the destruction of the records, the Registrar may, of his own motion or on the application of the committee, liquidator of any



creditor, inquire himself or direct any person authorised by him by an order in writing in this behalf, to inquire into the conduct of such person.

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(3) Where the money, property, interest, cost or compensation is not repaid or restored as per sub-section (2), the Registrar shall take urgent steps to recover such amounts from the concerned persons as arrears of public revenue due on land as specified in section 79 of the Act.

68A. *Vigilance Officer.*—(1) The Government shall appoint an officer, not below the rank of Deputy Inspector General of Police, as Vigilance Officer with powers to inquire into and investigate the cases of misappropriation, corruption and any other major irregularity in the societies as may be referred to him by the Registrar.

(2) The Vigilance Officer shall conduct the inquiry and investigation in such manner, as may be prescribed.

(3) The Vigilance Officer shall be under the administrative control of the Registrar of Co-operative Societies:

Provided that the powers of the Registrar of Co-operative Societies under this section shall not be conferred on any other person.

69. *Disputes to be decided by Co-operative Arbitration Court and Registrar.*—(1) Notwithstanding anything contained in any law for the time being in force, if a dispute arises,—

(a) among members, past members and persons claiming through members, past members and deceased members; or

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(h) between the society and a creditor of the society, such dispute shall be referred to the Co-operative Arbitration Court constituted under section 70A in the case of non-monetary disputes and to the Registrar, in the case of monetary disputes; and the Arbitration Court or the Registrar, as the case may be, shall

decide such dispute and no other court or other authority shall have jurisdiction to entertain any suit or other proceedings in respect of such dispute.

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69A. *Co-operative Ombudsman*.— (1) The Government may, by notification in the official Gazette, frame a scheme to be called the "Kerala Co-operative Ombudsman Scheme" with the object of enabling redressal of complaints relating to deficiency in banking or other services rendered by co-operative societies dealing with banking business.

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70. *Award on disputes*.—(1) The Co-operative Arbitration Court on receipt of reference of a dispute under sub-section (1) of section 69, shall pass an award within one year in accordance with the provisions of this Act and the rules and the bye-laws made thereunder and such award shall, subject to the provisions of section 82, be final.

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(6) The Registrar or the person invested with powers in this behalf shall, decide the dispute or the arbitrator shall pass an award, in accordance with the provisions of this Act and the rules and the bye-laws and such decision or award shall, subject to the provisions of section 82, be final. Pending decision or award, the Registrar, such person or the arbitrator, as the case may be, may make such interlocutory orders as he may deem necessary in the interest of justice.

70A. *Co-operative Arbitration Courts*.—(1) The Government shall constitute such number of Co-operative Arbitration Courts as are necessary to exercise the powers and discharge the functions conferred on it under this Act.

(2) The qualifications, term salary and allowances and other conditions of service of the person to be appointed as the Co-operative Arbitration court shall be such as may be decided by the Government from time to time.

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73. *Powers of liquidator.*—(1) Subject to any rules made in this behalf, the whole of the assets of a society in respect of which an order of winding up has been made shall vest in the liquidator appointed under section 72 from the date on which the order takes effect and the liquidator shall have power to realize such assets by sale or otherwise.

\*\* \*\* \*\* \*\*

(2A) The liquidator shall complete the winding up proceedings within a period of three years from the date of his appointment under sub-section (1) of section 72.

*Explanation.*—In computing the period of three years the period during which an appeal, if any, preferred against an order of winding up of a society under section 71 is pending, shall be excluded.

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74C. *Inspection in certain Co-operatives.*—Notwithstanding anything contained in section 66, the Registrar shall inspect or cause to inspect the "affairs" of all apex, federal and central societies every year and the power of inspecting officers shall be as specified under sub-section (4) of section 66.

*Explanation.*—Inspection conducted under this section shall be in addition to and not in derogation of the inspection conducted under any other law for the time being in force.

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76. *Execution of orders, etc.*—Every order made under sub-section (2) of section 68 or under section 75, every decision or award made under section 70, every order made by the liquidator under section 73 and every order made by the Tribunal under section 82, section 84, section 85 or section 86 and every order made under section 83, shall , if not carried out,—

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80. *Officers, etc. of co-operative societies.*—(1) The Government shall classify the societies in the State according to their type and financial position.

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(3) The Government shall, make rules either prospectively or retrospectively regulating the qualification, remuneration, allowances and other conditions of service of the officers and servants of the different classes of societies specified in sub-section (1).

(3A) Notwithstanding anything contained in this Act or the rules made or orders issued thereunder or in the bye-laws of any society relating to the recruitment and conditions of service of officers and servants of societies, all appointments of officers and servants of the societies mentioned in the Scheduled I for which direct recruitment is resorted to shall be made from a select list of candidates furnished by the Kerala Public Service Commission and in making such recruitment the reservation principles under rule 14 to 17 of the Kerala State and Subordinate Service Rules, 1958 shall be followed.

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(5) Notwithstanding anything contained in sub-section (1) or (2), three per cent of the total posts of employees of every society shall be reserved for physically handicapped persons having disability of forty per cent or above, as certified by the medical board and the procedure of appointment shall be such as may be prescribed:

Provided that in societies where there are more than ten and less than thirty three employees including cadre and sanctioned posts, there shall be reserved a minimum of one employee belonging to physically handicapped persons.

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(8) Government shall, by order, frame uniform Service Rules and Conduct Rules for the employees of any or all classes of the co-operative societies.

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80A. *Pension Scheme.*—(1) The Government may, by notification in the Gazette, frame a Self Financing Pension Scheme for the establishment of a Pension Fund for payment of pension to the employees of the societies and to the employees of the Boards constituted under the provisions of this Act in the manner

provided therein and may appoint different dates for the application of the scheme to different classes of societies or Boards.

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80B. *Co-operative Service Examination Board.*—(1) Notwithstanding anything contained in this Act or the rules 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 Service Examination Board for the conduct of written examination for all direct recruitment to posts of and above the category of Junior Clerks in the Primary Agricultural Credit Societies, Primary Credit Societies, Urban Co-operative Banks and Primary Agricultural and Rural Development Banks in the State.

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88. *Constitution of Circle Co-operative Unions.*—(1) The Government shall, by notification in the Gazette, constitute a circle co-operative union for each circle in the State with the following members, namely:—

\*\* \*\* \*\* \*\*

(e) the Assistant Registrar of Co-operative Societies (Audit), having jurisdiction over the circle, *ex-officio*;

\*\* \*\* \*\* \*\*

88B. *Appointment of officer on failure to constitute the Circle Co-operative Union.*—Where the term of office of the Circle Co-operative Union has expired and a new union has not been constituted, or where the members of the existing Circle Co-operative Union resigns enblock or where vacancies occur in the Circle Co-operative Union either by resignation or otherwise and the number of remaining members cannot constitute the quorum or where the Circle Co-operative Union fails to hold its regular meeting consecutively for six months or where the Registrar is satisfied,—

\*\* \*\* \*\* \*\*

(iii) a new Circle Co-operative Union is prevented from entering upon office or the new Circle Co-operative Union fails to enter upon office, the Registrar may appoint an officer to manage the affairs of the Circle Co-operative Union, for a period of six months as may be specified in the order, which period may at the discretion of the Registrar and for reasons to be recorded in writing be extended from time to time, so, however that the aggregate period shall not in any case exceed one year or till the said Circle Co-operative Union is reconstituted, whichever is earlier.

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89. *Establishment of State Co-operative Union.*—(1) The Government shall, by notification in the Gazette, establish a State Co-operative Union.

\*\* \*\* \*\* \*\*

(4) The managing committee referred to in clause (b) of sub-section (2) shall consist of the following members, namely:—

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(d) one member elected, in such manner as may be prescribed by the members of the Circle Co-operative Unions elected under clause (c) of sub-section (1) of section 88, from among themselves;

(e) one member elected, in such manner as may be prescribed, by the members of the Circle Co-operative Union elected under clause (d) of sub-section (1) of section 88, from among themselves;

(f) one member elected, in such manner as may be prescribed, by the members of the Circle Co-operative Unions elected under clause (e) of sub-section (1) of section 88, from among themselves;

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89B. *Appointment of officers or committee on failure to constitute the managing committee of the State Co-operative Union.*—Where the term of the managing committee of the State Co-operative Union has expired and a new managing committee has not been constituted or where the members of the existing

managing committee resigns enblock or where vacancies occur in the managing committee either by resignation or otherwise and the number of remaining members cannot constitute the quorum or where the State Co-operative Union fails to hold its regular meeting consecutively for six months or where the Government are satisfied,—

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(iii) that a new managing committee is prevented from entering upon office or a new managing committee fails to enter upon office, the Government may appoint an officer of the Co-operative Department to manage the affairs of the State Co-operative Union, for a period of six months as may be specified in the order, which period may at the discretion of the Government and for reasons to be recorded in writing, be extended from time to time, so however that the aggregate period shall not in any case exceed one year or till the managing committee is reconstituted, whichever is earlier.

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91. *Functions of State Co-operative Union.*—(1) The functions of the State Co-operative Union shall be—

- (a) to organize, assist and generally develop co-operative societies;
- (b) to carry on co-operative propaganda; and
- (c) to spread education on co-operative principles and practices.

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94. *Offences.*—(1) No person other than a society shall trade or carry on business under any name or title or which the word 'co-operative' or its equivalent in any Indian language is part without the sanction of the Government:

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(2) Any person carrying on any trade or business in contravention of subsection (1) shall be punishable with fine which may extend to two thousand rupees.

(3) Any member or past member or the nominee, heir or legal representative of a deceased member of a society who contravenes the provisions of section 35 by disposing of any property in respect of which the society is entitled to have a first charge under that section or does any other act to the prejudice of such claim, shall be punishable with fine which may extend to two thousand rupees.

(4) The committee of a society or an officer or member thereof wilfully making a false return or furnishing false information or failing to produce cash balance on demand or failing to make the records available for audit, inquiry or inspection, or any person wilfully or without any reasonable excuse disobeying any summons, requisition or lawful written order issued under the provisions of this act or wilfully not furnishing any information required from him by a person authorised in this behalf under the provisions of this Act, shall be punishable with fine which may extend to five thousand rupees.

(4A) Any officer or custodian, will fully fails to handover custody of books, accounts, documents, records, cash, security and other property belonging to a society of which he is an officer or custodian, to an authorised officer such as Administrator, Administrative Committee, Liquidator, Auditor, or to any person authorised in this behalf by the Registrar or by the Director of Co-operative Audit, shall be punishable with imprisonment for a term which may extend to one year or with fine which may extend to five thousand rupees or with both.

(4B) Whoever, before, during or after the election of members of the committee or of office bearer or of delegates indulges in or adopt any corrupt practices mentioned hereunder shall be punishable with imprisonment which may extend up to six months or with fine which may extend up to one thousand rupees or with both,—

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(5) Any employer or officer who, without sufficient cause,—

(a) fails to deduct any amount as required by sub-section (2) of section 37; or



(b) fails to pay to a society the amount deducted by him under that subsection within a period of seven days from the date on which such deduction is made, shall be punishable with fine which may extend to five thousand rupees.

(6) If any person collecting the share money for a society in formation does not deposit the same in the State Co-operative Bank, a Postal Savings Bank or in any other bank approved by the Registrar within fourteen days of its receipt, he shall be punishable with fine which may extend to five thousand rupees.

(7) If any person collecting the share money for a society in formation makes use of the funds so raised for conducting any trade or business in the name of the society to be registered or otherwise, he shall be punishable with fine which may extend to five thousand rupees.

(8) If any officer, employee, agent, servant of a society or any other person dealing with the society misappropriates or unauthorisedly or illegally keeps any money belonging to that society, he shall be punishable with imprisonment for a term which may extend to three years and with fine which may extend to twice the amount of money involved in the offence.

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[THE SCHEDULE I]

[See section 80 (3A) ]

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15. The Kerala State Co-operative Textile Federation Ltd., IND MT (ST)  
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