

**TWENTY-SEVENTH REPORT
COMMITTEE ON PETITIONS
(SEVENTEENTH LOK SABHA)**

MINISTRY OF COOPERATION

(Presented to Lok Sabha on 28.03.2022)



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2022

CPB No. 1 Vol. XXVII

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Sixteenth Edition).

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COMPOSITION OF THE COMMITTEE ON PETITIONS

Shri Harish Dwivedi - *Chairperson*

MEMBERS

2. Shri Anto Antony
3. Shri Hanuman Beniwal
4. Dr. Sukanta Majumdar
5. Shri Sanjay Sadashivrao Mandlik
6. Shri P. Ravindhranath
7. Shri Brijendra Singh
8. Shri Sushil Kumar Singh
9. Shri Manoj Tiwari
10. Shri Prabhubhai Nagarbhai Vasava
11. Shri Rajan Vichare
12. Vacant
13. Vacant
14. Vacant
15. Vacant

SECRETARIAT

1. Shri T.G. Chandrasekhar - Joint Secretary
2. Shri Raju Srivastava - Director
3. Shri G. C. Dobhal - Additional Director
4. Shri Harish Kumar Sethi - Executive Officer

**TWENTY-SEVENTH REPORT OF THE COMMITTEE ON PETITIONS
(SEVENTEENTH LOK SABHA)**

INTRODUCTION

I, the Chairperson, Committee on Petitions, having been authorised by the Committee, present on their behalf this Twenty-Seventh Report (Seventeenth Lok Sabha) of the Committee to the House on the Action Taken by the Government on the recommendations made by the Committee on Petitions (Seventeenth Lok Sabha) in their Thirteenth Report on the representation of Shri Ved Prakash Mathur alleging Sahara Credit Cooperative Society Limited, Deoli (Kekri), Region - Ajmer for non-payment of fixed deposit amount on maturity and important issues related therewith.

2. The Committee considered and adopted the draft Twenty-Seventh Report at their sitting held on 22 December, 2021.

3. The observations/recommendations of the Committee on the above matters have been included in the Report.

NEW DELHI;

HARISH DWIVEDI,
Chairperson,
Committee on Petitions.

22 December, 2021
1 Pausha, 1943 (Saka)

REPORT

ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS MADE BY THE COMMITTEE ON PETITIONS (SEVENTEENTH LOK SABHA) IN THEIR THIRTEENTH REPORT ON THE REPRESENTATION OF SHRI VED PRAKASH MATHUR ALLEGING SAHARA CREDIT COOPERATIVE SOCIETY LIMITED, DEOLI (KEKRI), REGION - AJMER FOR NON-PAYMENT OF FIXED DEPOSIT AMOUNT ON MATURITY AND IMPORTANT ISSUES RELATED THEREWITH.

The Committee on Petitions (Seventeenth Lok Sabha) presented their Thirteenth Report to Lok Sabha on 11.02.2021 which had dealt with the representation of Shri Ved Prakash Mathur alleging Sahara Credit Cooperative Society Limited, Deoli (Kekri), Region - Ajmer for non-payment of fixed deposit amount on maturity and important issues related therewith.

2. The Committee had made certain observations/recommendations in the matter and the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) were asked to implement the recommendations and requested to furnish their action taken replies thereon for further consideration of the Committee.

3. Action Taken Replies have since been received from the Ministry of Cooperation [*a separate Union Ministry of Cooperation created on 06.07.2021 to look after the subject which was earlier looked after by the Ministry of Agriculture & Farmers Welfare*] vide OM No. R-11017/48/2018-L&M (Part) dated 10.09.2021 in respect of all the observations/recommendations contained in the aforesaid Report. The recommendations made by the Committee and the replies furnished thereto by the Ministry of Cooperation have been detailed in the succeeding paragraphs.

4. In paras 20, 21, 22, 23, 24 and 25 of the Report, the Committee had observed/recommended as follows:-

"Role and functions of Central Registrar vis-a-vis the business matters of Multi-State Cooperative Societies.

From the submissions made by the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare), the Committee note that the Central Registrar of Cooperative Societies issues Certificate of Registration to various types of Cooperative Societies under the Multi-State Cooperative Societies (MSCS) Act, 2002. As per the list containing the details of Cooperative Societies/Banks registered under the Multi-State Cooperative Societies Act, w.e.f., 1986 onwards provided by the Ministry, as on 31.2.2020, a total number of 1295 Cooperative Societies/Banks have been registered since the year 1986 in various fields of operation, viz., Credit, Consumer, Agricultural Marketing, Agro, Dairy, Milk, Housing/Group Housing, Employees, Credit-Thrift, Bank, Labour, Trade, Technical, Engineering, Industrial, Federation, Multi-purpose, Handloom, Power/Solar Energy, Health, etc. The Committee further note that a Multi-State Cooperative Society registered under the MSCS Act, 2002, functions as an autonomous cooperative organisation and as per the provisions of the Act *ibid* and rules made there under, their bye-laws are also registered by the Central Registrar. The Committee also note that as per the provisions of Section 49 of the MSCS Act, 2002, the business matters such as to admit members, to accept the deposits and investing the same fall under the powers and functions of the Board of the Society, i.e., Board of Directors/ Governing Body and the day-to-day management of the business of the Society is under the powers and functions of the Chief Executive of the Society as per the provisions of Section 52 of the Act *ibid*.

Section 49 of the Multi-State Cooperative Societies Act, 2002 stipulates the powers and functions of the Board of a Multi-State Cooperative Society, as given under:-

- "(1) The board may exercise all such powers as may be necessary or expedient for the purpose of carrying out its functions under this Act.

(2) *Without prejudice to the generality of the foregoing powers, such powers shall include the power-*

- (a) *to admit members;*
- (b) *to interpret the organisational objectives and set up specific goals to be achieved towards these objectives;*
- (c) *to make periodic appraisal of operations;*
- (d) *to appoint and remove a Chief Executive and such other employees of the Society as are not required to be appointed by the Chief Executive;*
- (e) *to make provisions for regulating the appointment of employees of the multi-state cooperative Society and the scales of pay, allowances and other conditions of service of, including disciplinary action against such employees;*
- (f) *to place the annual report, annual financial statements, annual plan and budget for the approval of the general body;*
- (g) *to consider audit and compliance report and place the same before the general body;*
- (h) *to acquire or dispose of immovable property;*
- (i) *to review membership in other cooperatives;*
- (j) *to approve annual and supplementary budget;*
- (k) *to raise funds;*
- (l) *to sanction loans to the members; and*

- (m) *take such other measures or to do such other acts as may be prescribed or required under this Act or the bye-laws or as may be delegated by the general body."*

Section 52 of the Multi-State Cooperative Societies Act, 2002 stipulates the powers and functions of the Chief Executive of a Multi-State Cooperative Society as given under:-

"The Chief Executive shall under the general superintendence, direction and control of the board, exercise the powers and discharge the functions specified below, namely:-

- (a) *day-to-day management of the business of the multi-state cooperative Society;*
- (b) *operating the account of the multi-state cooperative Society and be responsible for making arrangements for safe custody of cash;*
- (c) *signing on the documents for and on behalf of the multi-state cooperative Society;*
- (d) *making arrangements for the proper maintenance of various books and records of the multi-state cooperative Society and for the correct preparation, timely submission of periodical statements and returns in accordance with the provisions of this Act, the rules and the bye-laws;*
- (e) *convening meetings of the general body of the multi-state cooperative Society, the board and the Executive Committee and other committees or sub-committees constituted under sub-section (1) of Section 53 and maintaining proper records for such meetings;*
- (f) *making appointments to the posts in the multi-state cooperative Society in accordance with the bye-laws;*

- (g) *assisting the board in the formulation of policies, objectives and planning;*
- (h) *furnishing to the board periodical information necessary for appraising the operations and functions of the multi-state cooperative Society;*
- (i) *appoint the person to sue or be sued on behalf of the multi-state cooperative Society;*
- (j) *present the draft annual report and financial statement for the approval of the board within thirty days of closure of the financial year;*
- (k) *performing such other duties, and exercising such other powers, as may be specified in the bye-laws of the multi-state cooperative Society.*

As regards filing of Annual Returns by the Cooperative Societies, the Committee note that as per provisions of Section 120 of the Multi-State Cooperative Societies Act, 2002, every year, within six months of the closure of the accounting year, every Multi-State Cooperative Society is required to file the following returns with the Central Registrar, namely:-

- (a) *Annual Report of the activities;*
- (b) *Audited Statements of accounts;*
- (c) *Plan for surplus disposal as approved by the general body;*
- (d) *List of amendments to the bye-laws of the multi-state cooperative Society;*
- (e) *Declaration regarding date of holding of general body meeting and conduct of elections where due.*

The Committee note from the submissions made by the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) that in case of violation of provisions of the Multi-State Cooperative Societies Act, 2002, action(s) as provided under Sections 77, 78, 79, 108 of the MSCS Act, 2002, including winding up of defaulter Societies under Section 86 of the Act *ibid* could be initiated.

While meticulously going through aforementioned provisions under various Sections of the Multi-State Cooperative Societies Act, 2002 ranging from registration of a Multi State Cooperative Society to winding up of a defaulter Society, including the provisions with regard to powers and functions of the Board and Chief Executive of the Cooperative Society, the Committee are surprised to find that even though the Central Registrar, being a 'Statutory Registering Authority' in respect of a Multi-State Cooperative Society, has been vested with wide supervisory and regulatory powers to oversee the functioning of the Board of the Society, i.e., Board of Directors/Governing Body and the Chief Executive, by way of mandatory filing of various Annual Returns/Reports, etc., the aspect of superintendence of the Society in respect of the business matters and the day-to-day management of the business of the Society seems to be limited. Keeping in view this type of opaque dissimilarity between the 'Statutory Powers' and the 'Exercisable Powers' of the Central Registrar, the Committee are now convinced that various Cooperative Societies, including the Sahara Credit Cooperative Society Limited are able to devise crafty methods to dupe the gullible customers of their hard-earned money on the one hand, and to successfully evade the law on some technical aspect, on the other hand. The Committee are pained to observe that the misdemeanor of Sahara Credit Cooperative Society Limited should not be seen in isolation but the entire quagmire built by the majority of Cooperative Societies during the last two-three decades now needs to be regulated in an efficient and ingenious manner. The Committee, therefore, strongly recommend the Ministry to build an impregnable fireball by way of formulating stringent rules, regulations, and guidelines so that the poor and middle income groups are not cheated any further."

5. The Ministry of Cooperation, in their action taken replies, have submitted as under:-

"It is submitted that as per the cooperative principles, cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and decision making. Elected representatives of these co-operatives are responsible and accountable to their members. The main object of the society is to serve the interest of members and to promote their economic and social betterment.

For strengthening of Cooperative Movement in the country and deepening its reach up to the grass root, a new Ministry of Cooperation has been created. Further, in compliance to the Budget Announcement for the year 2021-22, a proposal has been initiated for establishment of a separate office of Central Registrar of Cooperative Societies for the development and effective monitoring of Multi-State Cooperative Societies."

6. In paras 26 and 27 of the Report, the Committee had observed/recommended as follows:-

"Accountability of the Multi-State Credit Cooperative Society towards its members/investors.

As informed by the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare), the Department of Agriculture, Cooperation & Farmers Welfare has issued a Circular dated 3.7.2017, wherein all the Multi-State Cooperative Societies (except for the Cooperative Banks) have been directed to display a message at the entrance of Society's branch that - 'Multi-State Cooperative Societies are functioning as autonomous cooperative organisations accountable to their members and not under the administrative control of the Central Registrar, Ministry of Agriculture and Farmers Welfare. Therefore, the depositors are advised to take decision for investing deposits based on the performance of the Society at their own risk. The Central Registrar, Ministry of Agriculture and Farmers Welfare does not provide any guarantee for these deposits.

The Committee are of the considered opinion that it is incumbent upon the Multi-State Cooperative Society to have a transparent business relationship, devoid of any ambiguity or unfair proposition, with its depositors/ investors/ members. Notwithstanding the fact that displaying a message regarding autonomy of these Cooperative Societies had not produced the desired result in any manner and the innocent investors are incessantly being duped by majority of these Cooperative Societies, the Committee intend to impress upon the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) to direct/instruct all the Cooperative Societies, be it registered with the Central Registrar or with the Registrar of Cooperative Societies of States/UTs, to conspicuously display their 'Registering Authority' and 'Non-accountability of any Government Authority in the affairs of the Cooperative Societies', not only in the local/regional language(s) but also in the visual media by way of a Public Notice. "

7. The Ministry of Cooperation, in their action taken replies, have submitted as under:-

"In compliance to the recommendation, a Circular bearing No. R-11017/12(1)/2021-L&M dated 25.06.2021 has been issued (Annexure- I)."

8. In paras 28, 29, 30, 31 and 32 of the Report, the Committee had observed/recommended as follows:-

"Provisions under the MSCS Act, 2002 against the errant Multi-State Cooperative Societies"

The Committee note that the provisions with regard to residuary/overall powers of the Central Registrar for superintendence, control and issue directions to the errant Multi-State Cooperative Societies are given in the following Sections of the Multi-State Cooperative Societies Act, 2002:-

- (a) Section 48: Nominee of Central Government or State Government on Board;
- (b) Section 78: Inquiry by Central Registrar;
- (c) Section 79: Inspection of Multi-State Co-operative Societies;
- (d) Section 80: Inspection of books of indebted Multi-State Co-operative Societies;
- (e) Section 86: Winding up of Multi-State Co-operative Societies;
- (f) Section 122: Central Government's power to give directions to specified Multi-State Co-operative Societies in public interest; and
- (g) Section 123: Supersession of board of specified Multi-State Co-operative Society.

In regard to inspection of Books of Accounts, etc., of the Multi-State Cooperative Society and settlement of disputes through reference to arbitration in terms of Section(s) 108 and 84 of the Multi-State Cooperative Societies Act, 2002, respectively, the Committee further note that the Department of Agriculture, Cooperation & Farmers Welfare, Ministry of Agriculture & Farmers Welfare has also delegated the powers to the Registrar of Cooperative Societies of all the States/ Union Territories for conducting inspection of the Society vide its Circular dated 29.05.2013 and for appointing an Arbitrator vide the Gazette Notification dated 24.02.2003.

Though, the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) have enlisted the provisions under various Sections of the MSCS Act, 2002 in regard to residuary/overall powers of the Central Registrar and delegated powers of the Registrar of Cooperative Societies of States/ Union Territories for superintendence and control over the functioning of Multi-State Cooperative Societies, the Committee are perplexed to observe that the reply of the Ministry is silent on their specific role in identifying and regulating the misdemeanors of any Multi-State Cooperative Society involved in fraud/financial irregularities, non-payment/delayed payment of fixed deposit amount on maturity, inviting gullible customers in any manner to purchase any plot or apartment in any project without prior registration of the project under the Real Estate

(Regulation & Development) Act, 2016 (RERA) and/or without sanctioned layout plan and approvals obtained from the Competent Authority.

Keeping in view the mushrooming of such Cooperative Societies, the Committee, therefore, recommend the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) to ensure that the Central Registrar of Cooperative Societies, while considering and examining the application for registration of a Multi-State Cooperative Society, be more vigilant and exercise due caution for ensuring meticulous examining of all the relevant documents submitted by them, especially, before according approval to the bye-laws filed by a particular Cooperative Society. The Ministry should also devise some mechanism to verify the antecedents of the promoters/ members of the Managing Committee of such Societies to uncover as to whether any builder or unscrupulous cartel is not controlling the financial affairs of the Cooperative Societies.

The Committee are also given to understand that the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare)/Central Registrar has been mandated with the powers of conducting an inquiry, inspection of books of account of indebted Multi-State Cooperative Societies and issue directions to the specified Multi-State Cooperative Societies, in public interest, under various provisions of the MSCS Act, 2002. On this account, the Committee suggest that while conducting an inquiry or inspection of books of account, if there occurs an iota of doubt with regard to any kind of financial irregularities, such as illegal transaction/transfer/diversion of funds/shares, transfer of invested funds from one Scheme to another without prior knowledge/consent of the members/investors, fictitious payments through advances, etc., which could put the hard earned money of depositors under serious risk of erosion, a Special Audit in respect of the such errant/defaulters Cooperative Societies should be conducted through an independent and reputed Chartered Accountant. Upon conducting such Special Audit, if any financial irregularities by the Cooperative Society are discovered, the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare)/Central Registrar should promptly initiate necessary and appropriate action which may include a time bound inquiry by a Government

Investigating Agency in consultation with the Ministry of Finance/ Reserve Bank of India and/or any other Ministry/ Department in the matter."

9. The Ministry of Cooperation, in their action taken replies, have submitted as under:-

"Following documents have been made mandatory under Rule 3(g) of the Multi-State Cooperative Societies Rules, 2002, for the credit societies applying for registration:-

- a. No Objection Certificate from the Registrar of Cooperative Societies (RCS) of State or UT concerned where the proposed area of operation of the society extends;*
- b. Verification Certificate of the background and other credentials of the Chief Promoter and other Promoters duly certified by the RCS of State where the Registered Office of the society is proposed to be located.*

Further the proposals for registration are examined carefully in terms of the provisions of the Multi-State Cooperative Societies Act, 2002 and Rules made thereunder. After thorough scrutiny of the proposal, a hearing is conducted by the Central Registrar of Cooperative Societies, upon whose satisfaction, the proposal is processed for registration.

As per the provisions of the Multi-State Cooperative Societies (MSCS) Act, 2002, Central Registrar can conduct special audit u/s 77 only if Government holds more than 51% shares of that multi state cooperative society.

Amendment of MSCS Act, 2002, is already under process. Further, in compliance to the Budget Announcement for the year 2021-22, a proposal has been initiated for establishment of a separate office of Central Registrar of Cooperative Societies for the development and effective monitoring of Multi-State Cooperative Societies."

10. In paras 33, 34 and 35 of the Report, the Committee had observed/recommended as follows:-

"Complaints against Sahara Credit Cooperative Society Limited or any other similar Society for non-payment of matured deposits.

The Committee were informed by the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) that in the last five years, numerous complaints of non-payment of deposits from members have been received against Sahara Credit Cooperative Society Limited, Lucknow and other Cooperative Societies. The Committee are perturbed to note that the Ministry have replied in a vague and ambiguous manner and failed to furnish the specific details/numbers of complaints received from the members/investors regarding non-payment of matured deposits against Sahara Credit Cooperative Society Limited or any other similar Society. The Committee were further informed by the Ministry that upon receipt of complaints from any members/investors, the first logical recourse available to the Central Registrar is to ask the Society to make the due payment of the members/ investors, which is an opportunity for the Society to take corrective action before the Central Registrar considers for taking other measures like ordering inspection under Section 108 of the MSCS Act, 2002 and eventually winding up of the Society under Section 86 of the Act *ibid*. In this regard, the Committee would like to caution the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) that the Ministry should not wait for complaints to become voluminous and then initiate action against the defaulting Multi-State Cooperative Society, including the Sahara Credit Cooperative Society Limited, Lucknow. The Committee, therefore, recommend the Ministry to take all necessary and appropriate actions/measures under the existing Rules/Orders/Guidelines as per the MSCS Act, 2002, in an expeditious manner on receipt of any complaint regarding non-payment of matured deposits against a Multi-State Cooperative Society. The Committee would also await the details of complaints for non-payment of deposits from members/investors received against the Sahara Credit Cooperative Society Limited, Lucknow and other Cooperative Societies and the action taken thereon.

As per the averments made by the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare-Cooperation), the Committee note that based on the complaints received by the members/investors of the Sahara Credit Cooperative Society Limited, Lucknow for non-payment of deposits, the Society was called for hearing on 9.12.2019 and 21.1.2020 in which the Managing Director of the Society had submitted that, till 30.11.2019, a total amount of Rs. 43.59 crore, including the principal amount and interest accrued thereon, was overdue in respect of total 15,360 accounts. Out of these Rs. 43.59 crore, applications have been received for extension of various schemes amounting to Rs. 38.16 crore and thus, the balance overdue amount was Rs. 5.43 crore, as on 31.12.2019.

As regards the representation of Shri Ved Prakash Mathur, the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) submitted before the Committee that the representation under reference as received from the Committee on Petitions, was forwarded to the Sahara Credit Cooperative Society Limited, Lucknow with directions to pay the deposits to the investors, as per norms, immediately vide the Department of Agriculture, Cooperation & Farmers Welfare letter dated 4.2.2020. Subsequently, during the oral evidence of the representatives of the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) held on 7.8.2020, the Committee were informed that the representationist, Shri Ved Prakash Mathur was paid Rs. 33 lakh against his matured deposits. While appreciating the efforts of the Ministry in regard to payment of money to the representationist on his matured deposits by the Sahara Credit Cooperative Society Limited, Lucknow as a result of the intervention by the Committee, the Committee hope and believe that the remaining due amount would also have been paid to him, by now. In this connection, the Committee recommend the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) to put in their efforts, by initiating all necessary and appropriate actions as warranted, to ensure that the overdue payments not only to the representationist but also to other members/ investors be made expeditiously to the members/investors by the Sahara Credit Cooperative Society Limited, Lucknow. The Committee further

recommend the Ministry to examine the complaints received from the members/investors regarding non-payment of matured deposits against other Multi-State Cooperative Societies and appropriately direct all such Societies to release the overdue payments to their members/investors without any further delay or excuse."

11. The Ministry of Cooperation, in their action taken replies, have submitted as under:-

"This office has received over 1.5 lakh complaints regarding non-payment of matured deposits by the Multi-State Cooperative Societies like Sahara Credit Cooperative Society Ltd; Saharayn Universal Multipurpose Society Ltd; Stars Multipurpose Cooperative Society Limited; Humara India Credit Cooperative Society Ltd and some other societies. Such complaints received in the office of Central Registrar of Cooperative Societies, are forwarded to the concerned societies with the directions to repay the amount of deposits to the investors. In case of deviant societies, action u/s 86 of the MSCS Act, 2002 is taken, and if necessary orders for winding up of the society are passed.

Sahara Credit Cooperative Society Ltd; Saharayn Universal Multipurpose Society Ltd; Stars Multipurpose Cooperative Society Limited and Humara India Credit Cooperative Society Ltd were called for personal hearing u/s 86 of the MSCS Act, as they failed to make the payments to the complainants, despite reminders from this office. The management of these societies were directed to take time bound steps to ensure repayment. They have also been directed to strengthen and streamline the grievance redressal mechanism ensuring timely repayment. Since, no convincing reply regarding the non-payment was forthcoming, the societies have been refrained from taking new deposits as also renew the existing deposits. These societies approached Hon'ble High Court of New Delhi/Telangana and got interim stay on the ban imposed on them. The matter is presently sub-judice.

Complaints received in the Office of Central Registrar regarding non-payment of matured deposits by the Multi-State Cooperative Societies are forwarded to the concerned societies with the directions to repay the amount

of deposits to the investors. Shri Ved Prakash Mathur has intimated that he has recovered an amount of Rs. 48.25 lakh from Sahara Credit Cooperative Society Limited. For payment of the remaining amount, a letter No. R-11017/48/2018-L&M(Part) dated 30.03.2021 has been issued to the Sahara Credit Cooperative Society Limited with the directions to pay the due amount to Shri Mathur immediately."

12. In para 36 of the Report, the Committee had observed/recommended as follows:-

"Grievance Redressal Mechanism to settle the grievances for repayment of deposits and other disputes relating to the affairs of the Multi-State Cooperative Societies

The Committee take note of the fact that the Department of Agriculture, Cooperation & Farmers Welfare vide their letter dated 13.06.2019 had directed the Sahara Credit Cooperative Society Limited, Lucknow to initiate time bound steps to strengthen and streamline the grievance redressal mechanism to settle the grievances for repayment of deposits. Further, similar directions were also issued to Saharayn Universal Multipurpose Society Limited, Bhopal on 13.12.2019, Stars Multipurpose Cooperative Society Limited, Hyderabad on 09.12.2019 and Humara India Credit Cooperative Society Limited, Kolkata on 06.12.2019. In this context, the Committee are of the unwavering opinion that there is a need to establish a 'Cooperative Members Grievance Redressal Forum' to decide disputes arising out of non-payment of deposits by the Multi-State Cooperative Societies to their members/investors, besides other matters related to them such as business issues, management affairs or any other activities of the Cooperative Societies, in a transparent, neutral and time bound manner, which would deliver quick-fix solution to the members/investors."

13. The Ministry of Cooperation, in their action taken replies, have submitted as under:-

"As per the cooperative principles, cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and decision making. Elected representatives of these cooperatives are responsible and accountable to their members. The main object of the society is to serve the interest of members and to promote their economic and social betterment.

The Ministry has been framing rules and guidelines to ensure accountability of the management towards its members. Besides, amendment of the Multi-State Cooperative Societies Act, 2002 is under consideration.

In compliance to the Budget Announcement for the year 2021-22, a proposal has been initiated for establishment of a separate office of Central Registrar of Cooperative Societies for the development and effective monitoring of Multi-State Cooperative Societies."

14. In paras 37 and 38 of the Report, the Committee had observed/recommended as follows:-

"Amendment(s) to the Multi-State Cooperative Societies Act, 2002.

*From the submissions made by the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare), the Committee are surprised to note that there is no provision in the Multi-State Cooperative Societies Act, 2002, wherein, the Reserve Bank of India or the Ministry of Finance could undertake statutory inspection of any Multi-State Cooperative Society including the Sahara Credit Cooperative Society Limited, Lucknow. Further, as per provisions of Section 123 of the Act *ibid*, supersession of the Board of a Multi-State Cooperative Society can be done only in case of a 'specified Multi-State Cooperative Society,' which contains an Explanation Clause, i.e., "For the purposes of Section 123, 'specified Multi-State Cooperative Society' means any Multi-State Cooperative Society in which not less than fifty-one per cent, of the paid-up share capital or of total shares, is held by the Central Government". The Committee are further dismayed to note that there is neither any provision for the appointment of Forensic Auditors nor any mechanism for registering case of 'Economic*

Offence' with the Police Authorities against any errant Multi-State Cooperative Society in the Act ibid. While considering the fact that all the major financial intermediaries such as Scheduled Commercial Banks, some Non Banking Finance Companies (NBFCs) are regulated by the Banking (Regulation) Act, where the Reserve Bank of India is the regulator, whereas, in case of a Multi-State Cooperative Society, which also functions as a significant financial intermediary by way of offering credit or acting as a Bank, the Committee hold the view that there exist some inconsistencies and deficiencies in the Multi-State Cooperative Societies Act, 2002 due to absence of such stringent provisions. In the considered opinion of the Committee, the aforementioned 'Explanation Clause' in respect of the Section 123 of the Act ibid makes the concept of supersession of the Board of an errant/defaulting Multi State Cooperative Society illusory and meaningless. The Committee, therefore, hope and trust that all the above aspects would be further considered by the Ministry and would find place in the Orders/Guidelines being issued by them from time to time.

Notwithstanding the fact that the Cooperative Movement in our country is not new and has been in existence since pre-independence era, the Committee feel that with the changing economic environment and, moreover, considering the focus of the Government in recent years which has been on 'financial inclusion', the Cooperative Societies could play a significant role as financial intermediaries for their reach to the remotest of areas, rural populace and disadvantaged sections of the Society. In this context, the Committee expect that the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) should play a leading as well responsible role for promotion and development of Cooperative Societies in the Country, while having a greater responsibility in regard to administering and monitoring the functioning of the Multi-State Cooperative Societies which cater to the financial needs of billions of investors/members. In this regard, the Committee find it worthwhile mentioning that one of the Directive Principles of State Policy reads that "the State is required to promote voluntary formation, autonomous functioning, democratic control and professional management of co-operative societies". Considering the dynamism in the economic scenario and the need of amendment(s) governing the Multi-State Cooperative Societies from time to

time, the Committee suggest that taking a cue from the current trends in the cooperative legislations of other foreign countries where the Cooperative Movements have been more successful, the Department of Agriculture, Cooperation & Farmers Welfare may undertake a detailed study of the working model of successful Cooperatives and analyse the best practices for cooperative promotion and development in order to identify, select and include them through legislative amendment(s)/modification(s) and also in the National Policy of Cooperatives without compromising on the cardinal principles of Cooperatives, viz., Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy, Training and Information, Cooperation among Cooperatives and Concern for Community, etc."

15. The Ministry of Cooperation, in their action taken replies, have submitted as under:-

"In compliance to the Budget Announcement for the year 2021-22, a proposal has been initiated for establishment of a separate office of Central Registrar of Cooperative Societies for the development and effective monitoring of Multi-State Cooperative Societies.

As per the cooperative principles, cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and decision making. Elected representatives of these co-operatives are responsible and accountable to their members. The main object of the society is to serve the interest of members and to promote their economic and social betterment.

A new Ministry of Cooperation has been created which shall go a long way in strengthening the Cooperative Movement in the country and deepening its reach to the grass root level.

Further, amendment of the Multi-State Cooperative Societies Act, 2002 is under consideration."

OBSERVATIONS/RECOMMENDATIONS

Formulation of stringent rules, regulations, and guidelines by the Ministry of Cooperation and the Central Registrar of Cooperative Societies

16. The Committee on Petitions, while examining the instant representation, had meticulously gone through the provisions under various sections of the Multi-State Cooperative Societies Act, 2002 ranging from registration of a Multi State Cooperative Society to winding up of a defaulter Society, including the provisions with regard to powers and functions of the Board and the Chief Executive of the Cooperative Society and found that even though the Central Registrar, being a 'Statutory Registering Authority' in respect of a Multi-State Cooperative Society, has been vested with wide supervisory and regulatory powers to oversee the functioning of the Board of the Society, i.e., the Board of Directors/Governing Body and the Chief Executive, by way of mandatory filing of various Annual Returns/Reports, etc., the power of the Central Registrar on superintendence of the Society in respect of the business matters and the day-to-day management of the business of the Society seems to be limited. Keeping in view this type of opaque dissimilarity between the 'Statutory Powers' and the 'Exercisable Powers' of the Central Registrar, the Committee were convinced that various Cooperative Societies, including the Sahara Credit Cooperative Society Limited are able to devise crafty methods to dupe the gullible customers of their hard-earned money on the one hand, and to successfully evade the law on some technical aspect, on the other hand. The Committee had also

observed that the midemeanour of Sahara Credit Cooperative Society Limited should not be seen in isolation but the entire quagmire built by the majority of Cooperative Societies during the last two-three decades now needs to be regulated in an efficient and ingenious manner. The Committee had, therefore, strongly recommended the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) to build an impregnable fireball by way of formulating stringent rules, regulations, and guidelines so that the poor and middle income groups are not cheated any further.

17. In their Action Taken Replies, the Ministry of Cooperation have *inter alia* stated that as per the cooperative principles, Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and decision making. Elected representatives of these Cooperatives are responsible and accountable to their members. The main object of the Society is to serve the interest of members and to promote their economic and social betterment. For strengthening of Cooperative Movement in the country and deepening its reach up to the grass roots, a new Ministry of Cooperation has been created. Further, in compliance to the Budget Announcement for the year 2021-22, a proposal has been initiated for establishment of a separate office of Central Registrar of Cooperative Societies for the development and effective monitoring of Multi-State Cooperative Societies.

18. The Committee appreciate the decision of the Government to create a separate 'Ministry of Cooperation' for strengthening of Cooperative Movement in the country and deepening its reach up to the grass roots level. The Committee note with satisfaction that in compliance to the Budget Announcement (2021-22), a proposal has also been initiated for establishment of a separate office of the Central Registrar of Cooperative Societies for the development and effective monitoring of Multi-State Cooperative Societies.

19. The Committee are, however, not comfortable to note that even after a lapse of more than a year, no concrete steps have been taken by the Ministry towards formulation of stringent rules, regulations, and guidelines so that the poor and middle income groups are not cheated any further by the Multi-State Cooperative Societies. The Committee, therefore, strongly reiterate their earlier recommendation that the Ministry of Cooperation to formulate stringent rules, regulations, and guidelines in a time bound manner so that the poor and middle income groups are not cheated any further. The Committee would like to be apprised of the concrete action taken in this regard.

Compliance of Directions issued by all Multi-State Credit Cooperative Societies

20. While examining the issue of accountability of the Multi-State Credit Cooperative Society towards its members/investors, the Committee were

informed about the Circular dated 3.7.2017, wherein all the Multi-State Cooperative Societies (except for the Cooperative Banks) had been directed to display a message at the entrance of Society's Branch that - *'Multi-State Cooperative Societies are functioning as autonomous cooperative organisations accountable to their members and not under the administrative control of the Central Registrar, Ministry of Agriculture & Farmers Welfare. Therefore, the depositors are advised to take decision for investing deposits based on the performance of the Society, at their own risk. The Central Registrar, Ministry of Agriculture & Farmers Welfare does not provide any guarantee for these deposits'*. In this regard, the Committee had pointed out that it is incumbent upon the Multi-State Cooperative Society to have a transparent business relationship, devoid of any ambiguity or unfair proposition, with its depositors/ investors/ members. Notwithstanding the fact that displaying a message regarding autonomy of these Cooperative Societies had not produced the desired result in any manner and the innocent investors were incessantly duped by majority of these Cooperative Societies. The Committee had, therefore, impressed upon the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) to direct/instruct all the Cooperative Societies, be it registered with the Central Registrar or with the Registrar of Cooperative Societies of States/UTs, to conspicuously display their 'Registering Authority' and 'Non-accountability of any Government Authority in the affairs of the Cooperative Societies', not only in the local/regional language(s) but also in the visual media by way of a Public Notice.

21. Pursuant to the above recommendation, the Ministry of Cooperation have informed the Committee that a Circular bearing No. R-11017/12(1)/2021-L&M dated 25.06.2021 has been issued wherein, all the Multi-State Cooperative Societies were directed to display the following information at the entrance of the society and its Branches and on their website, if any maintained:-

"Multi-State Cooperative Societies are functioning as autonomous cooperative organisations accountable to their members and not under the administrative control of the Central Registrar, Ministry of Agriculture & Farmers Welfare. Therefore, the depositors/members are advised to take decision for investing deposits based on the performance of the Society at their own risk. The Central Registrar, Ministry of Agriculture & Farmers Welfare does not provide any guarantee for these deposits".

22. All Multi-State Cooperative Societies (except Banks) registered for credit activities were further directed *vide* the Circular *ibid* to conspicuously display the following information in their local/regional language(s) along with the information as mentioned in the previous para, which should also be brought in the visual media by way of issuing a Public Notice:-

"their Registering Authority and non-accountability of any Government Authority in the affairs of the Cooperative Societies."

Besides Multi-State Cooperative Societies registered for credit activities, the aforementioned Circular dated 25.06.2021 was also issued by

the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) to all the Registrars of Cooperative Societies of all States/UTs with the request to direct all the Cooperative Societies (*except Banks*) involving credit mechanism, registered under their jurisdiction, to conspicuously display the message in a similar manner, and to monitor the same in compliance to the recommendation of the Committee on Petitions, Lok Sabha.

23. The Committee acknowledge the efforts put in by the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) for issuing a Circular with the direction to all the Multi-State Cooperative Societies to display the necessary information at the entrance of the society and its Branches and on their website, if any maintained and also to display the desired information in their local/regional language(s) in the visual media by way of a Public Notice to have a transparent business relationship between the Society and its depositors/investors/members, devoid of any ambiguity or unfair proposition for the basic purpose of protecting the innocent investors from being duped by the majority of these Cooperative Societies.

24. The Committee are, however, of the considered opinion that merely issuing of Circular(s) for directing all the Multi-State Cooperative Societies to display the desired information at the entrance of the society and its Branches, etc., would not going to get the desired results until and unless it

is not being followed scrupulously by all the concerned. The Committee, therefore, urge the Ministry of Cooperation to make a critical analysis to see the impact of the direction(s)/guideline(s)/instruction(s) issued by them and also ensure their strict compliance by all the concerned.

Amendment to Multi-State Cooperative Societies Act, 2002 in a time bound manner

25. The Committee, while observing the residuary/overall powers of the Central Registrar and delegated powers of the Registrar of Cooperative Societies of States/Union Territories for superintendence and control over the functioning of Multi-State Cooperative Societies and the Ministry's silence on their specific role in identifying and regulating the misdemeanors of any Multi-State Cooperative Society involved in fraud/financial irregularities, non-payment/delayed payment of fixed deposit amount on maturity, inviting gullible customers in any manner to purchase any plot or apartment in any project without prior registration of the project under the Real Estate (Regulation & Development) Act, 2016 (RERA) and/or without sanctioned layout plan and approvals obtained from the Competent Authority and also keeping in view the mushrooming of such Cooperative Societies, had recommended the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) to ensure that the Central Registrar of Cooperative Societies, while considering and examining the application for registration of a Multi-State Cooperative Society, be more vigilant and exercise due caution for ensuring meticulous

examining of all the relevant documents submitted by them, especially, before according approval to the bye-laws filed by a particular Cooperative Society. The Committee had further recommended that the Ministry should also devise some mechanism to verify the antecedents of the promoters/ members of the Managing Committee of such Societies to uncover as to whether any builder or unscrupulous cartel is not controlling the financial affairs of the Cooperative Societies.

26. In regard to the powers of the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare)/Central Registrar for conducting an inquiry, inspection of books of account of indebted Multi-State Cooperative Societies and issuing directions to the specified Multi-State Cooperative Societies, in public interest, under various provisions of the Multi-State Cooperative Societies Act, 2002, the Committee had suggested the Ministry that while conducting an inquiry or inspection of books of account, if there occurs an iota of doubt with regard to any kind of financial irregularities, such as illegal transaction/transfer/diversion of funds/shares, transfer of invested funds from one Scheme to another without prior knowledge/consent of the members/investors, fictitious payments through advances, etc., which could put the hard earned money of depositors under serious risk of erosion, a Special Audit in respect of the such errant/defaulters Cooperative Societies should be conducted through an independent and reputed Chartered Accountant. Upon conducting such Special Audit, if any financial irregularities by the Cooperative Society are

discovered, the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare)/Central Registrar should promptly initiate necessary and appropriate action which may include a time bound inquiry by a Government Investigating Agency in consultation with the Ministry of Finance/ Reserve Bank of India and/or any other Ministry/ Department in the matter.

27. The Committee are satisfied to note that the Ministry of Cooperation have made it mandatory the following documents under Rule 3(g) of the Multi-State Cooperative Societies Rules, 2002, for the Credit Societies applying for registration as informed by them in their action taken replies:-

- (a) *No Objection Certificate from the Registrar of Cooperative Societies (RCS) of State or UT concerned where the proposed area of operation of the Society extends;*
- (b) *Verification Certificate of the background and other credentials of the Chief Promoter and other Promoters duly certified by the RCS of State where the Registered Office of the Society is proposed to be located.*

28. The Ministry of Cooperation have also informed that the proposals for registration have been examined in terms of the provisions of the Multi-State Cooperative Societies Act, 2002 and Rules made thereunder and the same will be processed for registration only after the satisfactory response of the Central Registrar of Cooperative Societies. As per the provisions of the Multi-State Cooperative Societies Act, 2002, the Central Registrar can conduct

Special Audit u/s 77 only if the Government holds more than 51% shares of that Multi-State Cooperative Society. The Ministry of Cooperation have apprised the Committee that the amendment to Multi-State Cooperative Society Act, 2002 is already under process.

29. The Committee desire that the process of requisite amendment(s) of Multi-State Cooperative Societies Act, 2002 at the Ministry level needs to be completed at the earliest so that the relevant Amendment Bill could be introduced in the next session of Parliament. The Committee, therefore, once again urge the Ministry of Cooperation to adopt a fast track strategy to complete the process of amendment of Multi-State Cooperative Society Act, 2002. The Committee once again impress upon the Ministry to devise some mechanism to verify the antecedents of the promoters/members of the Managing Committee of such Societies to uncover as to whether any Builder or unscrupulous Cartel is not controlling the financial affairs of the Cooperative Societies, in a time bound manner. The Committee would like to be apprised of the efforts made by the Ministry of Cooperation in this regard.

Compliance of the Orders of High Courts

30. Based on the information furnished by the Ministry while examining the instant representation, the Committee had noted that in the last five years, numerous complaints of non-payment of deposits from members have been received against Sahara Credit Cooperative Society Limited, Lucknow and other Cooperative Societies. In this regard, the Committee had cautioned

the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) that the Ministry should not wait for complaints to become voluminous and then initiate action against the defaulting Multi-State Cooperative Society, including the Sahara Credit Cooperative Society Limited, Lucknow and therefore, had recommended the Ministry to take all necessary and appropriate actions/measures under the existing Rules/Orders/Guidelines as per the MSCS Act, 2002, in an expeditious manner on receipt of any complaint regarding non-payment of matured deposits against a Multi-State Cooperative Society. The Committee had also requested the Ministry to forward the details of complaints for non-payment of deposits from members/investors received against the Sahara Credit Cooperative Society Limited, Lucknow and other Cooperative Societies and the action taken thereon.

31. The Committee had further recommended the Ministry of Agriculture & Farmers Welfare (Department of Agriculture, Cooperation & Farmers Welfare) to put in their efforts, by initiating all necessary and appropriate actions as warranted, to ensure that the overdue payments not only to the representationist but also to other members/investors be made expeditiously by the Sahara Credit Cooperative Society Limited, Lucknow. In the same context, the Committee had also recommended the Ministry to examine the complaints received from the members/investors regarding non-payment of matured deposits against other Multi-State Cooperative Societies and

appropriately direct all such Societies to release the overdue payments to their members/investors without any further delay or excuse.

32. In response to the above recommendations of the Committee, the Ministry of Cooperation, in their action taken reply, have submitted that the Office of the Central Registrar of Cooperative Societies has received over 1.5 lakh complaints regarding non-payment of matured deposits by the Multi-State Cooperative Societies like Sahara Credit Cooperative Society Limited, Saharayn Universal Multipurpose Society Limited, Stars Multipurpose Cooperative Society Limited, Humara India Credit Cooperative Society Limited and, some other Societies. Such complaints received in the Office of Central Registrar of Cooperative Societies are forwarded to the concerned Societies with the directions to repay the amount of deposits to the investors. In case of defaulting Societies, action u/s 86 of the MSCS Act, 2002 is taken, and if necessary orders for winding up of the Society are passed.

33. The Ministry of Cooperation have further informed that Sahara Credit Cooperative Society Limited, Saharayn Universal Multipurpose Society Limited, Stars Multipurpose Cooperative Society Limited, and Humara India Credit Cooperative Society Limited were called for personal hearing u/s 86 of the MSCS Act, as they failed to make the payments to the complainants, despite reminders. The Management of these societies were directed to take time bound steps to ensure repayment. They were also directed to strengthen and streamline the grievance redressal mechanism ensuring

timely repayment. Since, no convincing reply regarding the non-payment was forthcoming, the Societies have been refrained from taking new deposits and also renew the existing deposits. These Societies approached the High Courts of New Delhi and Telengana and got interim stay on the ban imposed on them. The matter is presently sub-judice.

34. With regard to the representation of Shri Ved Prakash Mathur, the Ministry of Cooperation have also informed that he has recovered an amount of Rs.48.25 lakh from Sahara Credit Cooperative Society Limited and for payment of the remaining amount, a letter No.R-11017/48/2018-L&M(Part) dated 30.03.2021 has been issued to the Sahara Credit Cooperative Society Limited with the directions to pay the unpaid due amount to Shri Mathur immediately.

35. The Committee are though happy to note that the Ministry of Cooperation had pulled up the Societies, who failed to make the payments to the complainants and called them for personal hearing u/s 86 of the MSCS Act, 2002 and the Management of these Societies were directed to take time bound steps to ensure repayment and strengthen and streamline the grievance redressal mechanism ensuring timely repayment but, on the other hand, the due amount to Shri Ved Prakash Mathur is yet to be paid by the Sahara Credit Cooperative Society Limited for which a letter No.R-11017/48/2018-L&M(Part) dated 30.03.2021 had already been issued to the Sahara Credit Cooperative Society Limited with the directions to pay the due

amount to Shri Mathur immediately. The Committee, therefore, emphatically reiterate their earlier recommendations and urge the Ministry of Cooperation to put in their efforts, by initiating all necessary and appropriate actions as warranted, to ensure that the overdue payments not only to the representationist but also to other members/investors be made expeditiously by the Sahara Credit Cooperative Society Limited, Lucknow. The Committee further reiterated their earlier recommendation and urge the Ministry to examine the complaints received from the members/investors regarding non-payment of matured deposits against other Multi-State Cooperative Societies and appropriately direct all such Societies to release the overdue payments to their members/investors without any further delay or excuse.

36. The Committee hope that the Ministry of Cooperation would ensure the compliance of the orders of the High Courts of New Delhi and Telengana in the right spirit as and when the matters reach to their finality. The Committee would also like to await the outcome of the case and may be apprised of the same by the Ministry of Cooperation.

Ensuring accountability of Multi-State Cooperative Societies towards their Members/Investors

37. While examining the instant representation, the Committee were of the unwavering opinion that there is a need to establish a 'Cooperative Members Grievance Redressal Forum' to decide disputes arising out of non-payment of deposits by the Multi-State Cooperative Societies to their

members/investors, besides other matters related therewith such as business issues, management affairs or any other activities of the Cooperative Societies, in a transparent, neutral and time bound manner, which would deliver quick-fix solution to the members/investors.

38. In response to the above observation of the Committee, the Ministry of Cooperation, in their action taken reply, have submitted that as per the cooperative principles, cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and decision making. Elected representatives of these Cooperatives are responsible and accountable to their members. The main object of the Society is to serve the interest of members and to promote their economic and social betterment. The Ministry have been framing Rules and Guidelines to ensure accountability of the management towards its members. Besides, amendment of the Multi-State Cooperative Societies Act, 2002 is under consideration. In compliance to the Budget Announcement for the year 2021-22, a proposal has been initiated for establishment of a separate office of Central Registrar of Cooperative Societies for the development and effective monitoring of Multi-State Cooperative Societies.

39. The Committee are hopeful that the initiatives taken by the Ministry of Cooperation such as framing of Rules and Guidelines to ensure accountability of the management towards their Members for deciding disputes arising out of non-payment of deposits by the Multi-State

Cooperative Societies to their members/investors would be completed in a time bound manner, besides other matters related therewith such as business issues, management affairs or any other activities of the Cooperative Societies, in a transparent, neutral and time bound manner, which would deliver quick-fix solution to the members/investors. The Committee would also like to be apprised of the action taken in the matter by the Ministry of Cooperation.

Statutory Inspection of Multi-State Cooperative Societies including Sahara Credit Cooperative Society Limited

40. During the course of detailed examination of the instant representation, the Committee had noted that there is no provision in the Multi-State Cooperative Societies Act, 2002, wherein, the Reserve Bank of India or the Ministry of Finance could undertake statutory inspection of any Multi-State Cooperative Society including the Sahara Credit Cooperative Society Limited, Lucknow. The Committee had further noted that there is neither any provision for the appointment of Forensic Auditors nor any mechanism for registering case of 'Economic Offence' with the Police Authorities against any errant Multi-State Cooperative Society in the Act *ibid*.

41. While considering the fact that all the major financial intermediaries such as Scheduled Commercial Banks, some Non Banking Finance Companies (NBFCs) are regulated by the Banking (Regulation) Act, where the Reserve Bank of India is the regulator, whereas, in case of a Multi-State

Cooperative Society, which also functions as a significant financial intermediary by way of offering credit or acting as a Bank, the Committee were of the view that there exist some inconsistencies and deficiencies in the Multi-State Cooperative Societies Act, 2002 due to absence of such stringent provisions. The Committee had, therefore, recommended that all the above aspects should be further considered by the Ministry and also should find a place in the Orders/Guidelines being issued by them from time to time.

42. Further, considering the dynamism in the current economic scenario and the need of amendment(s) governing the Multi-State Cooperative Societies from time to time, the Committee had suggested the Ministry to take a cue from the current trends in the cooperative legislations of other foreign countries where the Cooperative Movements have been more successful, the Department of Agriculture, Cooperation & Farmers Welfare may undertake a detailed study of the working modal of successful Cooperatives and analyse the best practices for cooperative promotion and development in order to identify, select and include them through legislative amendment(s)/modification(s) and also in the National Policy of Cooperatives without compromising on the cardinal principles of Cooperatives, viz., Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy, Training and Information, Cooperation among Cooperatives and Concern for Community, etc.

43. Pursuant to the above recommendations of the Committee, the Ministry of Cooperation have informed that in compliance to the Budget Announcement for the year 2021-22, a proposal has been initiated for establishment of a separate office of Central Registrar of Cooperative Societies for the development and effective monitoring of Multi-State Cooperative Societies. As per the cooperative principles, cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and decision making. Elected representatives of these Co-operatives are responsible and accountable to their members. The main object of the Society is to serve the interest of members and to promote their economic and social betterment. A new Ministry of Cooperation has been created which shall go a long way in strengthening the Cooperative Movement in the country and deepening its reach to the grass root level. Further, amendment of the Multi-State Cooperative Societies Act, 2002 is under consideration.

44. In view of the submission made by the Ministry of Cooperation, in their action taken replies, the Committee recommend the Ministry of Cooperation that while amending the Multi-State Cooperative Societies Act, 2002 efforts may also be put in to address the issues related to the provision of statutory inspection of any Multi-State Cooperative Society including the Sahara Credit Cooperative Society Limited by inclusion of adequate provision in the proposed amendment to the Multi-State Cooperative Societies Act, 2002 on the lines of the Banking (Regulation) Act to infuse a sense of security and

confidence in members/investors of these Cooperative Societies. The Committee while reiterating their earlier suggestion urge the Ministry to undertake a detailed study of the working modal of successful Cooperatives and analyse the best practices for cooperative promotion and development in order to identify, select and include them through legislative amendment(s)/modification(s) and also in the National Policy of Cooperatives without compromising on the cardinal principles of Cooperatives viz., Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy, Training and Information, Cooperation among Cooperatives and Concern for Community, etc., in a time bound manner. The Committee may be apprised of the necessary action taken in this regard.

NEW DELHI;
22 December, 2021
1 Pausha, 1943 (Saka)

HARISH DWIVEDI,
Chairperson,
Committee on Petitions

Annexure-I

No.R-11017/12(1)/2021-L&M
Government of India
Ministry of Agriculture and Farmers' Welfare
Department of Agriculture, Cooperation and Farmers' Welfare
Cooperation Division (L&M Section)
(Office of Central Registrar of Cooperative Societies)

Krishi Bhawan, New Delhi
Dated: 25th June, 2021

CIRCULAR

Sub: Collection of deposits by Multi-State Cooperative Societies -reg.

This office vide circular No. R-11017/19/2017-L&M dated 03.07.2017 directed all Multi-State Cooperative Societies to display the following information at the entrance of the society & its branches and on their website, if any maintained:-

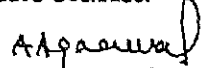
"Multi-State Cooperative Societies are functioning as autonomous cooperative organizations accountable to their members and not under the administrative control of the Central Registrar, Ministry of Agriculture and Farmers' Welfare. Therefore, the depositors/ members are advised to take decision for investing deposits based on the performance of the society at their own risk Central Registrar, Ministry of Agriculture and Farmers' Welfare does not provide any guarantee for these deposits."

2) In continuation to above circular, all Multi-State Cooperative Societies (except Banks) registered for credit activities are further directed to conspicuously display the following information in their local/regional language(s) along with the above information:-

"their 'Registering Authority' and Non-accountability of any Government Authority in the affairs of the Cooperative Societies"

3) This information should also be brought in the visual media by way of a Public Notice.

This issues with the approval of Central Registrar of Cooperative Societies.


(Alok Agarwal)
Director (Cooperation)

Distribution:-

- 1) All Multi-State Cooperative Societies registered for credit activities.
- 2) Registrar of Cooperative Societies of all States/ UTs with the request to direct all the cooperative societies (except banks) involving credit mechanism, registered under their jurisdiction to conspicuously display the message in a similar manner stipulated at para 2, above, and to monitor the same in compliance to the recommendation contained in para No. 27 of 13th report of the Committee of Petitions (17th Lok Sabha). A copy of the recommendation of Committee of Petitions is enclosed.
- 3) Senior programmer, for uploading on the website.