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**SAHAKARA DHARMA PEETAM**

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To

Date: 12-02-2023

Respected,

**Shri Chandra Prakash Joshi, Ji**

Hon'ble Member of Parliament and  
Chairman of

**The Joint Parliament Standing Committee**

On Multi State Cooperative Societies(Amendment) Bill-2022

And

The Members of the Committee.

NEW DELHI.

**Cooperative Greetings!**

**An Appeal to Protect the Cooperative Sector and uphold the sanctity of the Constitution to achieve the "Sahakar Se Samriddhi".**

Sahakara Dharma Peetam, a dharmika samstha is propagating the "Sahakara Dharma" among the Public to promote and protect the interests of the Cooperative sector in the Country, would like to submit the following; for favour of your kind consideration and issuing of necessary directions to the Government of India.

**THE PRESENT LOKSABHA DESERVED ALL THE PRIZES OF THE PEOPLE OF INDIA**

The Government headed by Hon'ble Prime Minister Shri Narendra Modi Ji and all the Political Parties were upheld the Pride of the 17<sup>th</sup> Loksabha in the History of Indian Parliament by referring the Multi State Cooperative Societies(Amendment) Bill-2022 to the Joint Parliament Standing Committee, which removed the apprehensions of 35 crore User Members; the Farmers, the Rural Artisans, the weaker Sections and Urban middle class people, that their owned and democratically controlled Cooperative business organizations would be snatched by the Private Investors through this Bill.

Shri Narendra Modi Ji, who had the DNA of the Cooperativism, had said “*Cooperative Movement is an alternative to Capitalism, Socialism.*” And had embarked to give priority to the Cooperative sector after (Seventh Five Year Plan) a long period of 40 years by creating the new Ministry of Cooperation headed by Shri Amit Shah Ji, who himself is a Cooperator. And going to establish the Cooperative Universities to provide the know-how and high tech inputs to the administrators of the Cooperative business organizations and establish the Sahakara Dharma among the Indian Society through the Cooperative Philosophy and its practice.

On the occasion of the 75<sup>th</sup> Indian Independence Day Celebrations, the Hon’ble Prime Minister had pronounced from the Red Fort the importance the Cooperative Policy to the World. He said that;

*"Capitalism and socialism are very much discussed in the financial world, but India gives priority to co-operation. Co-operation is in line with our traditions and values. Co-operation, in which the collective power of the people becomes the driving force in the economy, is important for the country's grassroots economy."*

In this context we would like to bring to your kind notice that the proposed Multi State Cooperative(Amendment) Bill-2022’s, envisages as under;

1. The merger of Cooperative Society into Multi State Coop. Society (Clause 6, Section 17),
2. Issue of non-Voting shares to nominal or associate member (Clause 9, Section 26) and
3. Crediting Education Fund to the Central Govt. (Clause 23, Section 63).

The above Sections are against the pronounced statements of our Hon’ble Prime Minister and defeats the concept of “Sahakar Se Samriddhi” and against the Preamble of the Constitution and its Articles 39(c), 43, 43B and 246 and the Cooperative Principles. And violates Hon’ble Supreme Court Orders.

### **Ground realities;**

Hon’ble Supreme Court held on 18, October,2022 in a case No. (SC)849/S.L.P.(Civil) No.506 of 2020/13, that;

- a) the Part IX B of the Constitution (97<sup>th</sup> amendment) Act, 2011 would not applicable to the local Cooperative Societies,
- b) Further it said that the basic principles of Cooperation are that the members join as human beings and not as capitalists and
- c) Upheld that the Cooperative movement is both a theory of life and a system of business.

Hon’ble Supreme Court held in a case 9017/2013 that;

- a) Cooperatives are independent organizations just like private organizations.
- b) Cooperative properties would not come under purview of Article 12 of the Constitution.

- Cooperatives are the embodiment of Article 39( c) and came in to existence vide Article 43 of the Constitution.
- In economic terminology the Cooperative system represents the “Inclusive Growth Strategy”, whereas the Private system represents the “Exclusive Growth Strategy”. Therefore, the UNO advised all the Countries to implement the Cooperative System for the Sustainable Development of the People.
- The Cooperative economy is Users economy. Cooperatives are associations’ of Users where as Private economy is Investors’ economy, it is an association of Capital.
- The Cooperative economy is of the Users i.e. the People come together to fulfil the ideals enshrined in the Preamble of the Constitution and Seven Principles of Co-operation so as to meet socio-economic needs. This system deserves Governments’ patronage as enshrined in the Constitution.

### **How the Sections violating the Constitution and the impacts:**

- **Section 17; Encroachment of State Subject (Article 246) and monopolize the Society and violets the Supreme Court judgment (case No. (SC)849/S.L.P.(Civil) No.506 of 2020/13 October 2022). Dismantle of Cooperative Federalism. Cooperative system itself is against the monopolization. It tends to the societies to merge in MSC Society, but is against the Artcle 246 and the Cooperative Federalism. If the services of any MSCS needed, they could be availed by having a MOU with it, so that the both parties could be cautious in performing their duties. Otherwise it may happen; For an example in the erstwhile A.P. a MSCS society opened a number of Branches of it and collected thousand crores of rupees and one fine morning it closed it shutter and duped the general public.**
- **Section 26; Users are the Owners of the Cooperatives but this enables the Investors to be the Owners and violets the Supreme Court judgment (case No. (SC)849/S.L.P.(Civil) No.506 of 2020/13 October 2022). Clear solution is there that the User Members could take a decision in the General Body Meeting for contributing additional Share Capital as required. Cooperative Principles are universally accepted, which are stated by the International Cooperative Alliance-ICA. Our Cooperative Acts are in accordance with these principles. The proposed Section 26 is against the ICA Cooperative principles and also violates the Hon’ble Supreme Court Judgment. Natural rule is that, purchases are made at the market price. But here, it is enabling to snatch the MSCS Organization like IFFCO, KRIBHCO, NAFED etc.by the Investors at mere Rs. 100/- or more. Does the drafters of this section feels that the Farmers, the rural Artisans, the weaker section and the middle class people in urban are very innocent people? Even the Dictatorship or Royal governments are did not dare to bring this un natural Policy.**
- **Section 63; Violates Article 43B & 12 and the Supreme Court Judgment No. 9017/2013. National Cooperative Union of India (NCUI) is the national apex organization of all kinds of Cooperative Societies in India. It is the leader of the Indian Cooperative movement. The NCUI is the protector and the guider of the Cooperative Policies, but it is sad to mention here that, it’s Cooperative Training institution had been taken over by the Govt. of India (Case is pending in Supreme Court). Could the Govt. of India take over Private sectors Training Institute? It is NCUI natural right to**

**train the Cooperatives in its Cooperative policies. How could the Govt. of India collect an autonomous bodies Education Fund?**

**URBAN COOP. BANKS; Govt. concern to raise the funds could be achieved by sticking to the Core Cooperative Principle of collecting 10% of credit as Share Capital from the Members;**

To impress once again, Cooperative is a Users' Association, not a Non-Banking Company or a Partnership organization. Core principle of the Cooperative system is; the User member only could contribute the Share Capital from his necessities. It is being in practice in the Rural Cooperative Credit Structure, that the User members like the Small & Marginal farmers, rural artisans and landless Labourers and the weaker sections of the Society, even then they are contributing 10% of their credit towards Share Capital. Why can't be the middle class people of Urban Cooperatives?

Here, most of the Urban Cooperative Banks (UCBs) are paying the Dividend ranging from 10-15% or minimum bank interest on the Share amount of the Members. But some of the UCBs are collecting the Share Capital ranging from 2 to 5% only on their credit from the User member, it is very nominal. The UCBs need to convince the User Members to contribute 10% of their credit, explaining the % of Dividend or Minimum Bank interest they are paying. It is expected that there will be no hurdle in collecting 10% Share Capital in UCBs.

Taking into consideration the features of the Cooperative system, the RBI needs to evolve the regulatory norms taking in to account; the total Members, the advances and Share Capital. The Urban Cooperative Bank should maintain 10% Share Capital of their total advances all the time. There is no option, the UCBs needs to raise their Share Capital by adopting this Cooperative Principle but not suiciding our-self.

***A detailed report discussing the implications and impact of the proposed amendments is enclosed here with for your kind consideration.***

In view of the foregoing, we earnestly request and appeal to your good selves to drop the above provisions from the amendments proposed.

Your's faithfully



**(Sambharapu Bhoomaiah)**

**Dharmakartha; Sahakara Dharma Peetam.**

**Enclosed the Detailed Report.**

Copies to;

1. All the Chief Ministers of all the States
2. All the Members of Loksabha and Rajya sabha.
3. All the Presidents of National and Regional Political Parties in India.
4. The Central Commissioner and Registrar of Cooperative Societies. New Delhi.
5. All the Cooperative Ministers of all States.
6. The President; NCUI, apex organization of the Indian Cooperative movement.
7. All the National Federations of Cooperatives.
8. All the Commissioner and Registrar of Cooperative Societies of all States.
9. All the State and District Cooperative Federations

# REPORT

Sahakara dharma Peetam is a dharmika samstha propagating the "Sahakara Dharma" among the public, the Dharma will not prevail in the Society unless the Sahakara dharma is implemented.

The Cooperatives are of User Members organization, which protects the User from the exploitation of the Private Sector. Removing exploitation from the Society is the establishment of the Dharma. Therefore our Constitution adopted to implement the mixed economy i.e., the Public sector, the Private sector and the Cooperative sector. Article 43 directed to implement the Cooperative policy in rural. To achieve the goals enshrined in the Preamble of the Constitution, the National Development Council (NDC) resolved to adopt the Cooperatives as a vehicles to transform the welfare schemes of the Governments to the people and provide them the justice in socially and economically.

The Cooperative system is an economic system, having a main principle of education, Training and Information in promoting its' philosophy and strengthening the Cooperative organization. This principle denotes the need of the awareness about the Cooperative philosophy. India is a developing Country and had less awareness of the Cooperative philosophy. To overcome it, the Government of India is proposing to establish the Cooperative Universities.

## **If the Sections are implemented the effects will be:**

- ❖ **The Cooperative economy having 46% share in the Indian Economy, and the structure built over 75 years would be dismantled and would create anarchy in the rural India.**
- ❖ **The ideals enshrined in the Preamble of our Constitution and the Article 43 are would have no effect or deemed to have been removed. Governments target to providing the social and economic justice would become a myth.**
- ❖ **The Properties of the Cooperative Banks and the IFFCO, KRIBHCO, NAFED Etc., would be snatched from the owners; the Farmers, the rural Artisans and the downtrodden People and hand over to the Private Investors.**
- ❖ **The Private Investors are not purchasing the properties/Assets, valued at thousands crores of rupees, but would becoming the owners simply by purchasing the Share at the value of Rs. 100/- or more.**
- ❖ **The snatched Cooperative Banks retain the Cooperative word and the emblem. Hence the Government itself is allowing to mislead the Public Depositors and the public in general, as if it is a Cooperative Bank.**
- ❖ **Here after, the Farmers, the down trodden people or even the Citizen of India would forego the Fundamental Right 19(1)(g) to do his choice of Cooperative Banking Business.**
- ❖ **It means, the credit needy farmers or the Citizens are forced to get their credit from the Private Cooperative Banks or Money lender agencies.**

Following are the Sections in the Multi State Cooperative Societies(Amendment) Bill-2022

Sl. No	Proposed Amendments	REASONS	Remarks
1	<p><u>Clause 6.</u> In Section 17 of the principle Act, after sub-section (9), the following sub-section shall be inserted, namely:- “(10) Any co-operative Society may, by a resolution passed by majority of not less than two-thirds of the members present and voting at a general meeting of such society, decide to merge into an existing multi-State co-operative society:</p> <p>Provided that such resolution shall be subject to the provisions of the respective State Co-operative Societies Act for the time being in force under which such co-operative society is registered.”</p>	<ol style="list-style-type: none"> <li>1. <b>Article; 246.</b> Subject-matter of laws made by Parliament and by the Legislatures of States. (3) Subject to clauses (1) and (2), the Legislature of any State has exclusive power to make laws for such State or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule (in this Constitution referred to as the - State List).</li> <li>2. Supreme Court held on 18, October,2022 in a case No. (SC)849/S.L.P.(Civil) No.506 of 2020/13, that the Part IX B of the Constitution (97<sup>th</sup> amendment) Act, 2011 would not applicable to the local Cooperative Societies.</li> <li>3. Basic principle is the following of the Cooperative Federalism, would be dismantled. It becomes Unitary system which is against the Cooperative system.</li> </ol>	TO BE DELETED
2	<p>Clause 9.</p> <p>In Section 26 of the principle Act,--</p> <ol style="list-style-type: none"> <li>(i) In the proviso, the words “be entitled to subscribe the shares of such society or” shall be omitted:</li> <li>(ii) After the proviso, the following provisos shall be inserted, namely:-</li> </ol> <p>“Provided further that nominal or associate member can be issued non-voting shares which may not confer any interest in the management of the multi-State co-operative society including right to vote, to be elected as a director</p>	<p><b>Members join as human beings and not as capitalists- Supreme Court.</b></p> <ul style="list-style-type: none"> <li>➤ Supreme Court held on 18, October,2022 in a case No. (SC)849/S.L.P.(Civil) No.506 of 2020/13, that the basic principles of Cooperation are that the members join as human beings and not as capitalists.</li> <li>➤ There is no definition in the MSCS Act-2002, or in the Bye laws; who is nominal or associated member.</li> </ul>	TO BE DELETED

<p>of the board or participate in the general body meetings;</p> <p>Provided also that in case of multi-State co-operative bank, such shares shall be issued in accordance with the instructions issued by the Reserve Bank from time to time.”</p>	<p>➤ Owners are Members. Hence they are advised to contribute further Share Capital in the General Body Meeting.</p> <p><b>Urban Coop. Banks</b>  <b>Govt. concern to raise the funds could be achieved by sticking to the Core Cooperative Principle of collecting 10% of credit as Share Capital from the Members;</b></p> <p>Cooperative is a Users’ Association, not a Non-Banking Company or a Partnership organization. Core principle of the Cooperative system is; the User member only could contribute the Share Capital from his necessities. It is being in practice in the Rural Cooperative Credit Structure, that the User members are the Small &amp; Marginal farmers, rural artisans and landless Labourers and the weaker sections of the Society, even then they are contributing 10% of their credit towards Share Capital. Why can’t be the middle class people of Urban Cooperatives?</p> <p>Here, most of the Urban Cooperative Banks (UCBs) are paying the Dividend ranging from 10-15% or minimum bank interest on the Share amount of the Members. But some of the UCBs are collecting the Share Capital ranging from 2 to 5% only on their credit from the User member, it is very nominal. The UCBs needs to be convince the User Member to contribute 10% of their credit, explaining the % of Dividend or Minimum Bank interest they are paying, it is hoped there is no hurdle in collecting 10% Share Capital in UCBs.</p> <p>Taking into consideration the features of the Cooperative system, the RBI needs to evolve the regulatory norms taking in to account the total Members, the advances and Share Capital. The Urban Cooperative Bank should maintain 10% Share Capital of their total advances all the time. There is no option, the</p>	
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		UCBs needs to raise their Share Capital by adopting this Cooperative Principle but not suiciding our-self.	
3	<p>Clause 23.</p> <p>In section 63 of the principle Act, in sub-section (1), for clause (b), the following clause shall be substituted namely:-</p> <p>“(b) credit annually one percent. Of net peofit to co-operative education fund to be mainatained by the Central Government in such manner as may be prescribed and the proceeds from such fund shall be used for Co-operative Education and Training through the National Co-operative Union of India and any other agency in such manner as may be determined by the Central Government.”</p>	<ol style="list-style-type: none"> <li>1. <b>Article; 43B.</b> Promotion of co-operative societies: The State shall endeavour to promote voluntary formation, autonomous functioning, democratic control and professional management of co-operative societies.]</li> <li>2. <b>Supreme Courte held in a case No.9017/2013;</b> Cooperatives are independent organizations just like private organizations and would not come under purview of Article 12 of the Constitution;</li> <li>3. <b>How could the Govt. of India collect an autonomous bodies Education Fund?</b></li> <li>4. <b>Further a case is pending in the Supreme Court on this Subject.</b></li> </ol>	TO BE DELETED

## The Basic concept of the Cooperative System

Cooperative is a distinct economic system based on its own Principles, having the comprehensive properties of inter-relation, producing the results and the answers to the principal economic problems. It addresses the micro issues at Primary Cooperatives level and macro issues at Federation of Primary Cooperatives level.

**The International Cooperative Alliance (ICA)** had stated that “Cooperative system is organized in the interest of the whole community and is based upon mutual self-help and the cooperative movement seeks to substitute this system for the profit making regime.”



**The ICA has defined** that “A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”

**A Cooperative Society is a human association, with the principles of:**

- 1). Voluntary and Open Membership, 2). Democratic Member Control and 3). Education, Training and Information.

**Cooperation is an economic enterprise and a system providing the inter-relation among Cooperatives and with the rest of the other economies with the principle of:**

- 1). Member Economic Participation, 2). Autonomy and Independence, 3). Cooperation among Cooperatives and 4). Concern for Community.

**The ICA had pronounced the Values:**

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

**Cooperatives Shares can't be sold/transferred:**

As per the Cooperative Principles and its Philosophy, the Shares in the Cooperatives can't be sold or transferred. It is the basic and core principle of the Cooperative System, universally accepted and as enunciated by the International Cooperative Alliance (ICA), accordingly our State Cooperative Acts and Multi State Cooperative Act are being incorporated the same principle and all the Cooperatives are following.

### **Cooperative Sector Vs Private Sector**

<b>Cooperative Sector</b>	<b>Private Sector</b>
1. Aim; To get the services and to become economic self-reliant	Aim; To earn income on Shares.
2. Association of Users.	Association of Capital.
3. Share Capital is the portion set aside from the User (member) necessities, not an investment from the income of the member.	Share Capital is an investment from the income of an individual (Investor).
4. User's economy.	Investor's economy.
5. Federation of Primary Cooperatives is the main tool and it is a back bone for the Cooperative movement	Joint Stock Company form of business is its main tool.
6. Regulated by the Cooperatives Acts.	Regulated by the Company Act and Partnership Act.
7. Surplus distribution; it is patronage dividend.	Profit distribution is in the ratio of their Share capital.
8. Control vests in the members equally and democratically controlled.	Control vests in accordance with the size of the Shares holding.

9. Decentralizes the 'Production', 'Marketing' and the 'Wealth'.	Centralizes the 'Production', 'Marketing' and the 'Wealth'.
10. Principle action is to eliminate the exploitation.	Exploitation is in its nature.
11. Promotes the economic rights of the people.	Economic rights of the people are suppressed.
12. Seeks to establish the economic democracy.	Curtails the people's economic democracy.
13. Makes all user members economically self-reliant.	The fittest only survives.
14. It is an Inclusive Growth Strategy.	It is an Exclusive Growth Strategy

## What did our Prime Ministers had said about the Cooperative System?

### Shri Narendra Modi, Prime Minister:

“Cooperative Movement is an alternative to Capitalism, Socialism.”

"Capitalism and socialism are very much discussed in the financial world, but India gives priority to co-operation. Co-operation is in line with our traditions and values. Co-operation, in which the collective power of the people becomes the driving force in the economy, is important for the country's grassroots economy."

### Smt. Indira Gandhi:

“I know of no other instrument so potentially powerful and full of social purpose as the cooperative movement”.

### Pt. Jawaharlal Nehru:

“My outlook is to convulse India with the Cooperative Movement, or rather with cooperation; to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed, to make the cooperative approach the common thinking of India.”

## United Nations Organization UNO:

“The United Nations support Cooperatives. There is a growing consensus among international agencies about their importance. The World Bank recognizes the role of Cooperatives in revitalizing the agriculture sector and the rural economy. In addition, an IMF survey in 2007 showed that “Cooperative Banks have become important part of many financial systems, with attendant potential financial stability”

“Cooperatives, as economic enterprises and as self-help organization, play a meaningful role in uplifting the socio-economic conditions of their members and their local communities... With their concern for their members and communities, they represent a model of economic enterprise that places high regard for democratic and human values and respect for the environment... it is increasingly compelling to consider the model of economic enterprise that Cooperatives offer.”

### Threats and challenges faced by Cooperatives in developed Countries:

“One of the biggest challenges to Cooperatives is lack of awareness of their business potential among governments and the general Public. It also often leads to mischaracterization of their interests.”

### **Cooperatives in transitional and developing Countries:**

“In the developing Countries, the international efforts by ICA, ILO and the UN, have been instrumental in the formation of new cooperatives that are independent of their Governments. The ICA Identity Statement and Cooperative Principles, the United Nations Guidelines of 2001 and the ILO Recommendation No. 193 on the promotion of Cooperatives have served to guide Cooperative formation, as well as limit the role of Governments to one of providing an enabling environment and level-playing field so Cooperatives can operate on a sustainable basis alongside other types of business. These mechanisms recommend that there should be an 'early and complete disengagement of Governments from the internal affairs of Cooperatives.'”

### **United States of America USA:**

USA Govt. constituted a Panel Group of six panels, each having prominent members of the Cooperative community across the Country. The Panel Group recommended as:

1. Cooperatives have also played an important role in rural communities, where they are an integral part of the social fabric. They encourage democratic decision making processes, leadership development and education.
2. The core Cooperative Principles enunciated in the 1987 report (user-ownership, user-control and user-benefit) are still valid and are likely to remain so in the 21st century. This makes the Cooperative a unique form of organization with distinct characteristics, strengths and difficulties.

## **Constitutional Protection for the Cooperatives**

### **Preamble of the Constitution:**

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a 1 [SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC] and to secure to all its citizens: JUSTICE, social, economic and political; LIBERTY of thought, expression, belief, faith and worship; EQUALITY of status and of opportunity; and to promote among them all FRATERNITY assuring the dignity of the individual and the 2 [unity and integrity of the Nation];

### **38. State to secure a social order for the promotion of welfare of the people. —1**

- 1) The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social, economic and political, shall inform all the institutions of the national life.
- 2) The State shall, in particular, strive to minimise the inequalities in income, and endeavour to eliminate inequalities in status, facilities and opportunities, not only amongst individuals but also amongst groups of people residing in different areas or engaged in different vocations.]

### **39. Certain principles of policy to be followed by the State: The State shall, in particular, direct its policy towards securing**

- a. that the citizens, men and women equally, have the right to an adequate means of livelihood;
- b. that the ownership and control of the material resources of the community are so distributed as best to subserve the common good.;

c. that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment;

**43.** Living wage, etc., for workers: The State shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities and, in particular, the State shall endeavour to promote cottage industries on an individual or co-operative basis in rural areas.

**43B.** Promotion of co-operative societies: The State shall endeavour to promote voluntary formation, autonomous functioning, democratic control and professional management of co-operative societies.]

**19.** Protection of certain rights regarding freedom of speech, etc.

1) All citizens shall have the right—

c) to form associations or unions 2 [or co-operative societies];

g) to practise any profession, or to carry on any occupation, trade or business.

**246.** Subject-matter of laws made by Parliament and by the Legislatures of States.

(3) Subject to clauses (1) and (2), the Legislature of any State has exclusive power to make laws for such State or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule (in this Constitution referred to as the - State List).

Sincerely



**(Sambharapu Bhoomaiah)**

**Dharmakartha**

**Sahakara Dharma Peetam**