

**THE KERALA CO-OPERATIVE SOCIETIES
(THIRD AMENDMENT) BILL, 2023**

(As passed by the Assembly)

A

BILL

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

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

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

1. *Short title and commencement.*—(1) This Act may be called the Kerala Co-operative Societies (Amendment) Act, 2023.

(2) It shall come into force at once.

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

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

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

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

“(ad) “administrative audit” means a close assessment of all affairs of the society, including constitution, management and establishment, maintenance of books and accounts and other records and internal control systems of the society and the extent to which its activities were useful in promoting the economic

welfare of the members in accordance with the co-operative principles, and it includes Compliance Audit, Performance Audit as well as IT Audit;”;

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

“(db) “common software for Primary Agricultural Credit Societies” means an effective software solution that covers the complete day-to-day functions of Primary Agricultural Credit Societies through a centralised architecture;

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

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

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

Provided that the condition regarding number of individual members shall not be applicable to societies which are in existence before the commencement of the Kerala Co-operative Societies (Amendment) Act, 2023;”;

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

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

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

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

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

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

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

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

(ix) after clause (qb), the following clause shall be inserted, namely:—

“(qba) “Social Co-operative Societies” means primary co-operative societies formed for the welfare of social classes like differently abled persons, aged persons, transgenders, depressed persons or mentally challenged persons;”;

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

(xi) after clause (u), the following clause shall be added, namely:—

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

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

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

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

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

(i) in sub-section (1),—

(a) in clause (d), the word “and”, coming after the word and symbol “rules;” shall be deleted.

(b) in clause (e) for the words and symbols “, he may register the society and its bye-laws within a period of ninety days from the date of receipt of the application.”, the symbol and word “; and” shall be substituted.

(c) after clause (e), the following clause shall be inserted, namely:—

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

he may register the society and its bye-laws within a period of sixty days from the date of receipt of the application:

Provided that the requirement of minimum share capital in this clause shall not be applicable to co-operative societies of Scheduled Castes/ Scheduled Tribes, Fisheries, Vanitha, Transgenders, Primary Anand Pattern Milk Co-operative Societies, Schools, Colleges and Traditional Industrial co-operative societies.”.

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

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

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

6. *Amendment of section 14.*— In section 14 of the principal Act,—

(i) in marginal heading of section 14, after the word “Amalgamation”, the word and symbol “merger,” shall be inserted.

(ii) in sub-section (1),

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

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

(iii) in sub-section (2) , after the words and symbol “societies may,”, the words and symbol “with the prior approval of the Registrar,” shall be inserted and for the words “two third”, the word “simple” shall be substituted.

(iv) after sub-section (2) the following shall be added as sub-section (2A):—

“(2A) Notwithstanding anything to the contrary contained in any other law in force or in rule or in the bye-laws of any society, one or more societies may merge with any other society by a resolution passed by simple majority at the general body meeting of each such society:

Provided that before effecting such merger a resolution of the society with whom it has to merge shall give its approval permitting such merger by a resolution passed by simple majority of the general body meeting of such society.”

(v) in sub-section (3) , for the words, figure and symbol “ or sub-section (2)”, the symbol, words and figure “, sub-section (2) or sub-section (2A)” and for the words and symbol “transfer, division or amalgamation”, the words and symbol “amalgamation, merger, transfer or division” shall be substituted.

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

“(8) Detailed scheme of transfer of assets and liabilities and the scheme of merger, as the case may be, prepared by the society and approved by the Registrar as per sub-section (1), sub-section (2) or sub-section (2A) shall be published by the Registrar and the Society.”.

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

(i) after sub-section (2), the following sub-sections shall be added, namely:—

“(2A) The share capital contribution or financial assistance to the subsidiary institution shall be met from the balance net profit of the society, as provided under section 56(2) and any further investment in subsidiary institutions from the society/bank other than share capital shall be released as loan as per the norms as may be specified by the Registrar.

(2B) Any society/bank which had availed any financial assistance from Government, shall include nominees of Government of Kerala in the board of directors of the subsidiary institutions, as may be prescribed.

(2C) The Registrar shall conduct audit, inspection and verification of records in the subsidiary institutions, as may be prescribed.

(2D) Any share capital contribution or financial assistance to the subsidiary institutions from the society/bank shall be allotted with the prior approval of the Registrar based on the resolution passed by the general body of the society/bank concerned.

(2E) Transferring funds or leasing of assets of the society to its subsidiary institutions shall be made with the prior approval of the Government based on the resolution passed by the general body of the society/bank.”;

(ii) after the existing sub-section (3), the following sub-section shall be added, namely:—

“(4) Notwithstanding anything contained in the foregoing provisions of this section, no subsidiary institution shall be promoted under this section on or after the commencement of the Kerala Co-operative Societies (Amendment) Act, 2023 and the existing subsidiary institutions registered and working immediately before the commencement of the Kerala Co-operative Societies (Amendment) Act, 2023 shall continue its operation subject to the foregoing provisions in sub-sections (1) to (3) and in the manner as may be prescribed.”.

8. *Amendment of section 14B.*—In section 14B of the principal Act,—

(i) after the existing sub-section (1), the following sub-sections shall be inserted, namely:—

“(1A) Detailed project report for the formation of such partnership of co-operative societies shall be prepared by the societies concerned and the same shall be submitted to the general bodies of such societies for approval.

(1B) The project report approved by the general bodies of the societies shall be submitted to the Government through the Registrar for the approval of the formation of such partnership of co-operative societies, in the manner as may be prescribed.

(1C) The Registrar shall conduct audit, inspection and verification of records in such societies, in the manner as may be prescribed.

(1D) In the case of raising of fund for such partnership prior sanction of the Government shall be obtained by the partnership of co-operative societies, in the manner as may be prescribed.”.

9. *Amendment of section 15.*—After section 15(3), the following sub-section shall be inserted, namely:—

“(4) Where one or more societies are merged with another society in accordance with the provisions of section 14, the registration of each of the merging society shall stand cancelled and shall be deemed to have been dissolved and shall cease to exist as a corporate body.”

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

“(ia) in the case of Youth Co-operative Societies, who has not attained the age of forty -five years:

Provided that on attaining forty-five years, the membership of such members shall cease to exist and they shall become associate members of the society.”.

11. *Amendment of section 18.*—In section 18 of the principal Act, sub-section (3) shall be recast as follows :—

“(3) Save as provided in this section, a nominal or associate member shall have such privileges and rights of a member and be eligible to enjoy various services including credit facilities provided by the societies and be subject to such liabilities of a member, as may be specified in the bye-laws of the society.”

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

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

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

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

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

(i) in clause (e), the word “and” shall be omitted;

(ii) in clause (f), for the symbol “.”, the symbol and word “; and” shall be substituted;

(iii) after clause (f), the following clause shall be inserted, namely:—

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

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

15. *Amendment of section 22.*—In sub-section (1) of section 22 of the principal Act, after the existing proviso, the following proviso shall be inserted, namely:—

“Provided further that the maximum amount of share capital that an individual member can hold in an Urban Co-operative Bank having Reserve Bank of India licence is limited to five percent of the value of total paid-up share capital of the bank.”.

16. *Amendment of section 26.*—In section 26 of the principal Act, in clause (b) of sub-section (1), for the word “two”, the word “three” shall be substituted.

17. *Amendment of section 28.*—In section 28 of the principal Act,—

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

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

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

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

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

(iv) after sub-section (1C), the following shall be added as (1CA):—

“(1CA) Notwithstanding anything contained in the Act, Rules or the bye-laws of the society, two seats in the Committee of each society shall be reserved for members who shall not exceed the age of forty years on the date of filing of nomination for election, of whom one shall be from the non-reserved category and one shall be a woman from the reservation category provided in sub-section (1) of section 28A.”;

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

“(iii) such bifurcation shall be completed within a period of one year from the date of issue of bifurcation order by the Registrar.”;

(vi) sub-section (1G) shall be substituted, namely:—

“(1G) Notwithstanding anything contained in the bye-laws of a society, the Committee in office shall co-opt two persons or representatives who are/were in

paid service of a Commercial Bank, Kerala State Co-operative Bank, an Urban Co-operative Bank, Kerala State Agriculture and Rural Development Bank, a Primary Co-operative Agricultural and Rural Development Bank, erstwhile District Co-operative Banks or a Service Co-operative Bank in the Managerial Cadre or Specialization in Co-operation/ Co-operative Management, Management, Agriculture, Economics, Commerce, Public Finance, Law, Rural Development and Information Technology as members of the Committee of such society:

Provided that the number of such co-opted members shall not exceed two in addition to the maximum limit specified in sub-section (1A):

Provided further that such co-opted members shall not have the right to vote in any election of the co-operative society in their capacity as such member and is not eligible to be elected as office bearers of the board :

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

Provided also that if the Committee does not co-opt the persons as specified within a period of six months from the date on which the Committee is constituted, the Government or the Registrar, as the case may be, with due notice as may be prescribed shall make such nominations as specified in the sub-section.”;

(vii) after sub-section (2), the following shall be added as sub-section (2A):—

“(2A) Notwithstanding anything to the contrary contained in the Act, Rules or in the bye-laws of a credit society, no member of the Committee of a society shall be eligible for election to the Committee for more than three consecutive terms, irrespective of whether the term is in full or in part.

Explanation.— For the purpose of this sub-section, “credit society” means the Kerala State Co-operative Bank Limited, Primary Agricultural Credit Societies, Service Co-operative Banks, Regional Co-operative Banks, Rural Banks, Farmer's Service Co-operative Banks, Urban Co-operative Banks, The Kerala State Co-operative Agricultural and Rural Development Bank Limited, Primary Co-operative Agricultural and Rural Development Bank, Urban Co-operative Societies, Agricultural Improvement Co-operative Societies, Employees Credit Societies, Rural Co-operative Societies, Primary Housing Co-operative Societies and Kerala State Housing Federation.”.

(viii) in the proviso to sub-section (3), the words "or more than two societies of different types" shall be added at the end.

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

19. *Amendment of section 28B.*—In section 28B of the principal Act,—

(i) In sub-section(1), after the word "societies", the symbols and words ", the state co-operative union and the circle co-operative unions" shall be inserted.

(ii) In sub-section (2) of section 28B, for the words "Special Secretary to Government" the words and symbol "Special Secretary to Government, Law Department" shall be substituted.

20. *Amendment of section 29.*—In section 29 of the principal Act,—

(i) in sub-section (1),—

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

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

"(ce) consideration of detailed list of all liabilities of members of the Committee and the employees of the society, and their family members, due to the society for the previous financial year.

Explanation.— For the purpose of this clause, "family members" means husband, wife, their children including adopted children and parents ; and"

(ii) sub-section (2) shall be recast as follows :—

"The Registrar or any person deputed by him and the Director of Co-operative Audit or any person deputed by him may have the right to attend in the committee and in the general body meeting of any society."

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

22. *Amendment of section 32.*— In section 32 of the principal Act,—

(i) in sub-section (1),—

(a) after clause (b) the following clause shall be added as clause (ba), namely:—

“(ba) willful disobedience of execution of orders etc., referred to in section 76 of the Act ; or” ;

(b) in clause (d), for the words “who need not be members of the society”, the words “ who shall be from among the members of the society” shall be substituted and the third proviso and Explanation I shall be omitted and in Explanation II the number “II” shall be deleted;

(c) in clause (e), for the words “two consecutive terms”, the words “next one term” shall be substituted.

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

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

23. *Amendment of section 33.*—In section 33 of the principal Act,—

(i) in sub-section (1), in clause (b), for the words “who need not be members of the society”, the words “who shall be from among the members of the society” shall be substituted.

(ii) in sub-section (2),—

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

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

“The members so enrolled shall not have voting right unless an elected Committee ratifies such membership and if the Committee does not ratify any such membership, shall specify the reasons thereof for such denial.”.

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

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

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

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

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

26. *Amendment of section 56.*—In section 56 of the principal Act,—

(i) in sub-section (1), after clause (c), the following clause shall be inserted, namely:—

“(d) credit five percent of net profit to the Professional Education Fund maintained by the Registrar.”.

(ii) in sub-section (2), clause (cc) shall be deleted.

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

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

28. *Amendment of section 57C.*—In section 57C of the principal Act, in sub-section (1), after the words “providing loans for”, the words “public purposes and for” shall be inserted.

29. *Insertion of new section 57E.*—In the principal Act, after section 57D, the following section shall be inserted, namely:—

“57E. *Co-operative Revival Fund Scheme.*—(1) The Government may, by notification in the Gazette, frame a scheme to be called “the Co-operative Revival Fund Scheme” for establishing a fund for the purpose of reviving societies which are weaker or remain in dormant position due to certain extraordinary situation by providing financial assistance subject to such terms and conditions to be specified in the scheme and shall be administered in such manner as may be prescribed.

(2) There shall be earmarked to the fund,—

(a) an amount which is not more than fifty percent of the reserve fund, referred to in clause (a) of sub-section (1) of section 56; and

(b) not more than fifty percent of the Agriculture Credit Stabilization Fund set apart by Agricultural Credit Societies from their net profit; as and when required;

(c) such fund that may be granted by Government from time to time; and

(d) any other amount which under the provisions of the scheme may be credited to the fund.” .

30. *Amendment of section 59.*—In section 59 of the principal Act, after the existing sub-section (2), the following sub-section shall be inserted, namely:—

“(2A) A society shall not sanction loans or advances exceeding the individual maximum borrowing power fixed by the Registrar and as provided in the bye-laws of the society. For any contravention of this provision, the Chief Executive and the Committee of the co-operative society concerned shall be liable for punishment, provided in sub-section (7A) of section 94 of the Act.”.

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

“59A. *Valuation of property.*—The valuation of immovable property to be pledged as security to a co-operative society shall be valued by an officer/officers authorised by the Committee in cases where the loan amount is below ten lakhs and where the loan amount exceeds ten lakhs, by a panel of five members consisting of two officers including the Chief Executive Officer of the society and two members of the Committee and an independent valuer authorised by the Committee.

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

32. *Amendment of section 63.*—In section 63 of the principal Act,—

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

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

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

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

structure of the team, mode of conducting audit, mode of processing and preparing audit report shall be included in the scheme approved by the State Government.”.

(iii) sub-section (10) shall be substituted as follows, namely:—

“(10) The financial accounts of all apex societies and all urban co-operative banks shall be audited by auditing firms, from among the panel approved by the Director of Co-operative Audit and the administrative matters and related accounts of assisted apex societies shall be audited by the departmental auditors and submit the audit reports to the Director of Co-operative Audit. If the audit discloses any misappropriation or fraud or defalcation of money or property or assets of the society, audit team shall prepare a special report and forward the same to the Director of Co-operative Audit and the Registrar. The Registrar himself, or the Director of Co-operative Audit in consultation with the Registrar, shall forward the special report to the Vigilance Officer appointed under section 68A for detailed inquiry.”.

(iv) in sub-section (12), for the words “who need not be”, the words “ who shall be from among the” shall be substituted.

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

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

33. *Amendment of section 64.*—In section 64 of the principal Act,—

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

“(1A) In the case of co-operative societies whose accounts are prepared using a common software or any other software approved by the Registrar, the audit includes the audit of information system and evaluation of software as well as hardware.

(1B) If during the audit of information system and evaluation of software and hardware, any manipulation of records or manipulation in the working of the software or hardware is revealed, the auditor/auditors/audit firms shall inform the manipulations to the Director of Co-operative Audit and the Registrar.

(1C) The Registrar himself, or the Director of Co-operative Audit in consultation with the Registrar shall inform the manipulations in the system to the Police or Vigilance officer, as the case may be, for investigation.”.

(ii) in sub-section (4A), for the words “one month”, the words “fifteen days” shall be substituted and for the words “who need not be”, the words “who shall be from among the” shall be substituted.

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

(iv) in sub-section (5),—

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

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

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

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

(vi) sub-section (9) shall be substituted as follows, namely:—

“(9) If the result of the audit held under this section discloses any defect in the working of the society, the Committee shall take steps to rectify the defects and irregularities pointed out in the audit report, if any, and place the audit report alongwith the action taken report before the general body meeting to be held every year and explain therein the said defects or the irregularities. The Committee shall continue to take steps for rectification of all the defects and the irregularities in the audit report and appraise the general body meetings every year till all the defects and the irregularities are rectified. The Committee shall send a report of action taken to the Director of Co-operative Audit and to the Registrar within fifteen days from the date of the general body meeting.”.

(vii) after sub-section (9), the following sub-section shall be added, namely:—

“(9A) If the Director of Co-operative Audit or the person authorized by him to carry out the audit of a society is of the opinion that any person had attempted to destroy or to tamper with the records or documents so as to evade legal action on the mischief committed in the society, he shall report the matter to his controlling officer for filing a complaint to the Police or the Vigilance Officer in consultation with the Registrar or the person authorized by him, as the case may be.”.

34. *Amendment of section 65.*—In section 65 of the principal Act,—

(i) in sub-section (1),

(a) clause (b) shall be omitted;

(b) for clause (d), the following clause shall be substituted, namely:—

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

(c) in clause (f), after the words “by a person”, the words “or persons” shall be added.

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

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

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

“(2A) When an inquiry made under this section reveals any defect, the Registrar or the person or the persons authorized by him to conduct the inquiry, shall prepare a detailed inquiry report regarding the defects, amount of misappropriation and other losses to the society, with quantification of individual liability. If the inquiry reveals any offence under section 94, the enquiry officer shall prepare a special report and submit it to the Registrar and he shall forward a copy simultaneously to the Police or the Vigilance officer, as the case may be, for further detailed investigation.”.

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

(v) in sub-section (6), for the words and figure “provisions of section 32”, the words and symbol “he may initiate action in accordance with the provisions of this Act.” shall be substituted.

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

“(7) If any inquiry reveals that any irregularity, misappropriation or fraud or defalcation of money or property or assets of the co-operative society is committed or that any loss is incurred to the society, the Registrar or any officer specifically empowered or authorised by the Registrar in this behalf shall take immediate necessary steps to recover the misappropriated or defalcated money or property or assets of the society through legal actions after assessing the loss.”.

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

(i) after sub-section (2), the following sub-sections shall be inserted, namely:—

“(2A) The Registrar may authorize special team of officers under his control for the inspection of apex, central and federal co-operative societies and all other primary co-operative societies.

(2B) The report of such inspections shall be communicated in writing to the apex, central and federal societies and all primary co-operative societies concerned, within a period of thirty days and the Committee and the chief executive of the society concerned shall be under an obligation to file a para-wise satisfactory compliance report before the Registrar within a period of forty five days from the date of such communication.”.

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

36. *Amendment of section 66C.*—In section 66C of the principal Act, —

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

(ii) the clause (f) in sub-section (1) so numbered, shall be re-lettered as clause (g);

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

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

(iv) after sub-section (1), the following shall be inserted as sub-section (2), namely:—

“(2) Every co-operative society shall submit quarterly returns on the credit activities, duly certified by the chief executive of the co-operative society, which will be duly reviewed by the Registrar and the rectification report shall be submitted on the basis of the report evaluated by the Registrar after each quarter. If any society fails to submit the returns on time, the Registrar shall have the power to impose fine not exceeding Ten Thousand Rupees based on the classification and category of the Society as may be prescribed.”.

37. *Amendment of section 68.*—In section 68 of the principal Act,—

(i) in sub-section (1), after the words “winding up of the society”, the words “or on the basis of the report of the Vigilance Officer” shall be inserted.

(ii) in sub-section (3),—

(a) after the figure and symbols “(2),”, the words “within a period of sixty days” shall be inserted;

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

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

38. *Insertion of new section 68B.*—After section 68A, the following may be added as section 68B, namely:—

“68B. *Power of Government or Registrar to deal with irregularities etc.*—(1) The Government or the Registrar, as the case may be, may forward the cases of misappropriation or irregularities or corruption in the society which comes under the provisions of the Indian Penal Code, 1860 or/and of the Prevention of Corruption Act, 1988, to the Police or Vigilance and Anti-corruption Bureau, as the case may be, for investigation and further action.

(2) The Registrar shall be the authority to accord sanction for inquiry/enquiry or investigation and also for taking cognizance of an offence under the Prevention of Corruption Act, 1988 against the members of the Committee and/or officers and servants of the society.

(3) In the case of Chief Executive Officers appointed by the Government, the Secretary to Government, Co-operation Department shall be the sanctioning authority.”.

39. *Amendment of section 69.*—In section 69 of the principal Act, in sub-section (1),—

(i) for clause (h), the following clause shall be substituted, namely :—

“(h) between the society and a creditor of the society; or ”;

(ii) after clause (h), the following clauses shall be added as clause (i) and (j), namely:—

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

(j) between the members of the partnership formed under section 14B, such dispute shall be referred to the Co-operative Arbitration Court constituted under section 70A in the case of non-monetary disputes and to the Registrar, in the case of monetary disputes; and the Arbitration Court, or the Registrar, as the case may be, shall decide such dispute and no other court or other authority shall have jurisdiction to entertain any suit or other proceedings in respect of such dispute.”.

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

41. *Amendment of section 70.*—In section 70 of the principal Act, in sub-section (6), after the words “pass an award”, the words “within a period of one year in cases where monetary matters are involved ” shall be inserted.

42. *Amendment of section 70A.*—In section 70A of the principal Act, for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) The presiding officer of the Arbitration Court shall be an officer of and above the rank of a Munsiff-Magistrate of the judicial service.”.

43. *Amendment of section 73.*—In section 73 of the principal Act,—

(i) in sub-section (2A) and its Explanation, for the words “three years”, the words “two years ” shall be substituted.

(ii) in sub-section (2A), after the Explanation, the following provisos shall be added, namely:—

“Provided that if the winding up proceedings cannot be completed within a period of two years from the date of appointment of liquidator under sub-section (1) of section 72, the liquidator shall submit a report to the Government

through the Registrar stating the procedural constraints which prevent him to complete the proceedings and in such cases issue the final order with the permission of the Government, within the time stipulated by the Government as may be prescribed:

Provided however that such extension shall not exceed a period of one year.”

44. *Amendment of section 74C.*—In section 74C of the principal Act,—

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

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

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

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

46. *Amendment of section 80.*—In section 80 of the principal Act,—

(i) In sub-section (3), the following sentence shall be added at the end, namely:—

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

(ii) in sub-section (3A),—

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

(b) the following sentence shall be added at the end, namely:—

“The appointment of Chief Executive of apex societies shall be made by the Government after fixing qualifications.”

(iii) in sub-section (5),—

(a) for the words "three percent", the words "four percent" shall be substituted;

(b) in the proviso, for the words "thirty three", the words "twenty five" shall be substituted.

47. *Amendment of section 80A.*—In section 80A of the principal Act, in sub-section (1), after the words "of this Act", the words "and for the employees of Co-operative Unions in the State" shall be inserted.

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

"(1) Notwithstanding anything contained in this Act or the rules made thereunder or in the bye-laws of any society relating to the recruitment of officers and servants thereof, but subject to section 80BB, the Government shall, by notification in the Gazette, constitute a Co-operative Examination Board for the conduct of written examination for all direct recruitment to the posts of and above the category of Junior Clerks in all co-operative societies, Boards and other institutions under the control of the Registrar:

Provided that the Registrar may, taking into consideration the financial capacity and viability of such society, exempt any society or class of societies from the provisions of this sub-sections, in the manner as may be prescribed."

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

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

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

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

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

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

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

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

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

54. *Amendment of section 94.*—In section 94 of the principal Act,—

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

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

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

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

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

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

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

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

(ix) after sub-section (7), the following shall be added as sub-section (7A), namely:—

“(7A) Any Chief Executive and the Committee of the Co-operative society who contravenes the provisions of sub-section (3) of section 59 shall be punishable with fine which may extend to ten thousand rupees.”;

(x) In sub-section (10), for the brackets, numbers, symbols and word “(6 and 7)”, the brackets, numbers, symbols, word and letter “(6), (7) and (7A)” shall be substituted.

55. *Amendment of section 95.*—In sub-section (4) of section 95 of the principal Act, for the brackets, numbers, symbols and word “(2), (3), (4), (5), (6) and (7)”, the brackets, numbers, symbols, word and letter “(2), (3), (4), (5), (6), (7) and (7A)” shall be substituted.

56. *Insertion of new section 106A.*—In the principal Act, after section 106, the following section shall be inserted, namely:—

“106A. *Power to remove difficulties.*—(1) If any difficulty arises in giving effect to the provisions of this Act, as amended by the Kerala Co-operative Societies (Amendment) Act, 2023, the State Government may, by general or special order