

# Standing Committee Report Summary

## The Constitution (One Hundred and Sixth Amendment) Bill, 2006

- The Standing Committee on Agriculture submitted its 32<sup>nd</sup> Report on 'The Constitution (One Hundred and Sixth Amendment) Bill, 2006' on August 20, 2007. The Chairperson was Prof Ram Gopal Yadav.
- The Committee is of the opinion that an amendment of the Constitution on co-operative societies is unnecessary. It recommends that the 2006 Bill be converted into a comprehensive central model law for voluntary formation, autonomous functioning, democratic control and professional management of the co-operatives with certain incentives and disincentives to the states that implement or not implement the model law. The states can enact their own law which should be compatible with the central model law.
- Article 19(1) of the Constitution states that 'all citizens shall have the right to form associations or unions'. The Committee recommends that the government should examine whether the words 'co-operative societies' can be inserted in the article.
- The Committee recommends that a new article on Empowerment of Cooperatives be added in the Directive Principles of State Policy. The article may state: "Empowerment of Co-operatives: The State shall endeavour to promote voluntary formation, autonomous functioning, democratic control and professional management of the co-operatives".
- Since co-operative societies is a state subject, the Committee feels that the centre should not interfere in the day to day working of the co-operative societies.
- The Committee suggests that no person should be allowed to become an office bearer of the co-operative society for more than two consecutive terms. However, he should be eligible to contest the elections after a gap of one full term.
- The Committee feels that major problem of co-operative sector is their election process. Therefore, it recommends that the matter should be further examined so as to have free, fair, impartial and timely elections in co-operative societies conducted by state election commission or any other appropriate independent body.
- The Bill states that the board of co-operative societies shall not be superseded where there is no government shareholding. This means that if the government has even Re 1 as shareholding, it can supersede the board. The Committee suggests that the board of a co-operative society should not be superseded if the government shareholding is less than 51 per cent.
- The Committee recommends that a Co-operative Regulatory Commission be set up to reduce the interference of the government and the registrar. The Commission should regulate the management committee/board of directors of the co-operative society in each state to ensure transparency and neutrality in quick disposal of cases.
- The Committee observes that the spirit of an independent audit may be diluted if the co-operative society being audited has a role in appointment of its auditors. It states that an independent audit can be ensured only if the audit is carried out by the auditor from the government approved panel of auditors or through a separate government organisation such as Directorate of Audit. The Committee suggests that the Director of Co-operative Audit should be made answerable to the state legislature.
- The Bill does not require state level co-operative societies to restrict its number of directors to 21. The Committee recommends that the maximum number of directors should be restricted to 21 for all co-operatives.
- The Bill allows co-option of people to be members on the board if they have experience in the field of banking, finance, management, etc. But it does not allow such members to be elected as Vice Chairman, Vice President, Chairman or President of the board. The Committee recommends that they should not be allowed to be office bearers on the board.

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