

## Multistate cooperative Societies

### Why in news?

The Centre has decided to amend the Multi State Cooperative Societies (MSCS) Act, 2002 to plug the loopholes in the Act.

### What are multistate cooperative societies?

- Cooperatives are a state subject. But many societies have their members and areas of operation spread across more than one state.
- For example, sugar mills along the districts on the Karnataka-Maharashtra border. They are thus registered under the MSCS Act.
- Their board of directors has representation from all states they operate in.

### What is MSCS Act?

- The Act was passed to govern Multi State Cooperative Societies.
- Administrative and financial control of these societies is with the central registrar. No state government official can wield any control on them.
- So far 1,479 such societies have been registered. Maharashtra has the highest number (567) followed by Uttar Pradesh (147) and New Delhi (133).
- Credit societies constitute the bulk of registered societies followed by agro-based ones. (96 multistate cooperative dairies and 66 multistate cooperative banks)

### Why does the government plan to amend the Act?

- For state-registered societies, financial and administrative control rests with state registrars who exercise it through district- and tehsil-level officers.
- Purchasing new machinery first requires permission from the sugar commissioner. Then, the proposal goes to the state-level committee that would float tenders and carry out the process.
- Such checks and balances at multiple layers do not exist in the case of multistate societies.
- In multi state society's exclusive the control lies with central registrar, who is also the Central Cooperative Commissioner.
- What was supposed to facilitate smooth functioning, however, has created obstacles.
- Instead of includes checks and balances at multiple layers, the board of directors has control of all finances and administration.
- Only for expenditure above a certain level, the annual general body meeting of the society has to be called.

### What are the obstacles and issues with the Act?

- Many experts have noted there is an apparent lack of day-to-day government control on such societies.
- **Office location** - For central registrar there are no officers or offices at state level.

- The members of multi state societies can seek justice only in Delhi.
- State authorities can only forward their complaints to the central registrar.
- **Reports** - Unlike state cooperatives which have to submit multiple reports to the state registrar, multistate cooperatives need not.
- **Inspection** - The central registrar can only allow inspection of the societies under special conditions.
- A written request has to be sent to the office of the registrar by not less than 1/3<sup>rd</sup> of the members of the board, or not less than 1/5<sup>th</sup> of the number of members of the society.
- Inspections can happen only after prior intimation to societies.
- **Ponzi schemes** - There have been instances across the country when credit societies have launched ponzi schemes taking advantage of these loopholes.
- Fly-by-night operators mostly target small and medium holders with the lure of high returns. After a few instalments, they wind up their operations.
- The state commissioner could not take any action, due to lack of ground staff necessary for verifying the antecedents of such societies.
- **Declaring itself Sick** - Sugar mill in Sangli, which was registered under the central Act was privatised after board of directors passed a resolution.
- Taking advantage of the multistate status, the mill declared itself as a sick unit before it was auctioned off.
- This mill was among the 68 sold off by the Maharashtra State Cooperative Bank for defaulting on loans.

## What needs to be done?

- Consultations with experts from various fields: bankers, sugar commissioners, cooperative commissioners, housing society federations etc.
- Increase in manpower, first in Delhi and then in the states, to ensure better governance of the societies.
- Use of technology to bring in transparency.
- Vesting the administrative control of such societies in the hands of state commissioners to ward off cases of fraud.

## Reference

1. <https://indianexpress.com/article/explained/multistate-cooperatives-how-they-function-why-govt-plans-to-amend-the-law-7682653/>