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Cooperative law: A case for reform

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The High Court's observation that the Karnataka Cooperative Societies (KCS) Act, 1959, and the accompanying Rules of 1960 need an overhaul strikes at the heart of a long-ignored problem: the steady decay of the state's cooperative legal framework, hobbled by decades of piecemeal amendments, internal contradictions, and outdated provisions. Justice Suraj Govindaraj's suggestion that the government frame a new, consolidated Act and Rules is, therefore, both timely and necessary. The cooperative movement has historically played a crucial role in Karnataka's social and economic life—from credit societies and dairies to housing and sugar cooperatives. However, over the years, the law meant to regulate and support them has turned into a maze of conflicting provisions. Each successive government has amended the KCS Act to address narrow, immediate concerns without considering the cascading effects on other sections. The result is a patchwork statute that creates confusion over jurisdiction, elections, audit procedures, and administrative powers. Many of its provisions have been rendered redundant by changes in technology and socio-economic practices.

The High Court's comparison with the Income Tax Act, 1961, which is itself being replaced by the Income Tax Act, 2025, is particularly apt. Just as the Centre acknowledged the futility of patching up an over-amended law, Karnataka too must recognise that its cooperative legislation has outlived its structural coherence. The court has pointed out that co-operatives are now burdened with duplicative filings, sometimes replicating compliance requirements under the Companies Act, 2013. Such overlaps not only waste time and resources but also defeat the principle of cooperative autonomy envisaged under Article 43B of the Constitution, which mandates the state to promote voluntary formation, democratic control, and professional management of cooperatives.

The government must treat the High Court's observation not merely as legal advice but as an opportunity for reform. It should immediately constitute an expert committee under the Law Commission to draft a consolidated, modernised Cooperative Societies Act. The new law must simplify procedures, clarify jurisdictions, reduce litigation, and embed transparency and accountability. It should enable cooperatives to embrace technology, allow digital filings, and ensure professional auditing without subjecting them to undue bureaucratic interference. Karnataka's cooperative institutions have long served as instruments of economic democracy, empowering farmers, workers, and small entrepreneurs. But their continued vitality depends on a law that is coherent and contemporary. The High Court has shown the way. It is now up to the government to act with urgency and foresight, and craft a statute that restores the cooperative movement's original spirit of collective empowerment.

Repairs through amendments won't do. Karnataka's cooperatives need a modern legal framework