

**¹THE
KARNATAKA
SOUHARDA SAHAKARI (AMENDMENT)
ACT, 2025**

[KARNATAKA ACT NO.74 OF 2025]

NOTIFICATION

**NO. DPAL 51 SHASHANA 2025, Bengaluru,
Dated 12-09-2025**

(First Published in the Karnataka Gazette Extraordinary on the 12th
day of September, 2025)

(Received the assent of the Governor on the 11th day of September,
2025)

**An Act further to amend the Karnataka Souharda
Sahakari Act, 1997.**

Whereas, it is expedient further to amend the Karnataka Souharda Sahakari Act, 1997 (Karnataka Act 17 of 2000) for the purposes hereinafter appearing.

Be it enacted by the Karnataka State legislature in the Seventy-sixth year of the republic of India, as follows.—

1. Short title and Commencement.—(1) This Act may be called the **Karnataka Souharda Sahakari (Amendment) Act, 2025.**

(2) It shall come into force at once.

2. Amendment of Section 2.—In the Karnataka Souharda Sahakari Act, 1997 (Karnataka Act 17 of 2000) (hereinafter referred to as the ‘Principal Act’) in Section 2, after clause (y), the following shall be *inserted*, namely.—

“(z) **“State Statutory Liquidity Reserve”** means as specified in Section 17-B.”.

1. Published in the Karnataka Gazette, Part IV-A, Extraordinary No.591, dated 12-09-2025.

3. Amendment of Section 17.—In the Principal Act, in Section 17, after second proviso, the following shall be *inserted*, namely.—

“Provided also that no Souharda Co-operative societies undertaking credit activities shall not utilize the mobilized deposit for non-credit activities other than lending and investments.”.

4. Insertion of new Section 17-B.—In the Principal Act, after Section 17-A, the following shall be *inserted*, namely.—

“17-B. Maintenance of State Statutory Liquidity Reserve.—Every souharda co-operative shall mandatorily maintain 20% of the total deposits held by it at the end of each co-operative year maintained as State Statutory Liquidity Reserve as per Section 18, except Souharda Co-operative Banks.”.

5. Substitution of Section 18.—In the Principal Act, for Section 18, the following shall be *substituted*, namely.—

“18. Investment of Funds.—Such of its funds as are not immediately required for use by a co-operative, shall be invested or deposited outside its business, namely.—

- (a) With the Karnataka State Co-operative Apex Bank Ltd. or District Central Co-operative Bank Ltd or Urban Co-operative Bank; and
- (b) With any scheduled bank regulated by the Reserve Bank of India with the prior permission of the Registrar.”.

6. Amendment of Section 20-B.—In the Principal Act, in Section 20-B, in clause (c), after sub-clause (ii), the following sub-clause shall be *inserted*, namely.—

- “(iii) Notwithstanding anything contained in this Act or Bye-laws made thereunder, in the Election of the Board of Secondary Co-operative or Federal Co-operative or Apex Co-operative to the reserved seats, irrespective of any class of voters of the said Co-operatives they shall be entitled

to exercise their votes, in the manner as may be prescribed.”.

7. Amendment of Section 23.—In the Principal Act, in Section 23, in sub Section (3), after clause (k-3) the following clause shall be *inserted*, namely.—

“(k-4) Review of the list of board of directors who have borrowed loans from the co-operative and other top twenty defaulting borrowers.”.

8. Amendment of Section 24.—In the Principal Act, in Section 24, for the beginning paragraph and clause (1) and the entries relating thereto, the following shall be *substituted*, namely.—

“(1) The Board of Souharda Co-operative Society shall consists of not less than thirteen members excluding the Chief Executive, but not exceeding the number of members as may be prescribed:

Provided that, one seat shall be reserved in favour of members belonging to the scheduled castes and one seat for the members belonging to the scheduled tribes, two seats shall be reserved in favour of women members and two seats shall be reserved in favour of members belonging to backward classes as may be notified by the State Government, on the board of every primary, secondary or union and apex co-operative society.

Provided further that, respective Co-operative shall make provisions in the bye-laws with previous approval of the Registrar to increase the number of seats in the Board of secondary or union and apex co-operative society if their number of board of directors exceeds the limit as specified in sub-section (1).

Provided also that, every co-operative shall co-opt persons having experience in the field of banking, management, finance or specialization in any other field relating to the objects and activities undertaken by the co-operative, as members of the board of such co-operative and such co-opted members shall not have the right to vote

in any election of the co-operative in their capacity as such member or to be eligible to be elected as office bearers of the board.

Provided also that, the number of such co-opted members shall not exceed two in addition to maximum number of directors specified in sub-section (1).

Provided also that, not more than three functional directors if necessary of a co-operative shall also be the members of the board and such members shall be excluded for the purpose of counting the total number of directors specified in the sub-section (1).”.

9. Amendment of Section 25.—In the Principal Act, in Section 25, in sub-section (1), after clause (f), the following new clause shall be *inserted*, namely.—

“(g) If he/she fails to declare and submit his/her family assets and liabilities statement by end of every co-operative year.

Explanation.—For the purpose of this clause “Family” means “Director and his/her spouse, unmarried daughter and undivided son.”.

10. Amendment of Section 26.—In the Principal Act, in Section 26.—

(i) after sub-section (1), the following shall be *inserted*, namely.—

“(1-A) Every candidate contesting for the Election of the Board shall, at the time of filing his nomination, file a declaration of his/her and his/her family’s assets and liabilities in the manner as may be prescribed.

(1-B) Every elected director of the Board shall submit a declaration of assets and liabilities of his/her and his/her family for each financial year of his tenure in the manner as may be prescribed.

Explanation.—For the purpose of this sub-section “Family” means Candidate and his/her Spouse, unmarried daughter and undivided son.”.

(ii) for sub-section (2) the following shall be *substituted*, namely.—

“(2) Subject to provisions of this Act, the procedure and guidelines for conducting elections to Souharda Co-operative Societies by the Co-operative Election Authority as may be prescribed.”.

11. Amendment of Section 27.—In the Principal Act, in Section 27, after clause (j), the following clauses (k), (l) and (m) shall be *inserted*, namely.—

- “(k) Every elected director of the Board shall submit a declaration of assets and liabilities of his/her and his/her family for each financial year of his/her tenure as in the manner as may be prescribed;
- (l) to collect and review the assets and liabilities of Chief Executive of the souharda co-operative society;
- (m) if the Chief Executive fails to submit the assets and liabilities to the Board, the Board shall take disciplinary action on Chief Executive such manner as may be prescribed.

Explanation.—For the purpose of this clause “Family” means Candidate/Chief Executive Officer/Director and his/her Spouse, unmarried daughter and undivided son.”.

12. Amendment of Section 28.—In the Principal Act, in Section 28.—

(i) for sub-section (1), the following shall be *substituted*, namely.—

“(1) The Chief Executive shall within fifteen days from the date of constitution or deemed constitution of the Board after a general election and immediately before the expiry of the term of office of the President or Chairperson, Vice-President or Vice-Chairperson and any other office-bearers, convene a meeting in the manner as may be prescribed of all members of the committee for the purpose

of electing President or Chairperson, Vice-President or Vice-chairperson and such any other office bearers as are required to be elected under the bye-laws of the souharda cooperative society. One of the members who is not a candidate for the election of President or Chairperson, Vice-president or Vice-Chairperson or any office bearer shall be chosen to preside over such meeting:

Provided that, the Members of the first Board elected in the first general election held after the registration of a co-operative, shall elect the President or Chairperson, Vice-President or Vice-Chairperson and other office bearers in such manner as may be prescribed.

(2) The Chief Executive shall, as and when there is a casual vacancy in the office of the President or Chairperson, Vice-President or Vice-Chairperson or other office bearers convene a meeting of the members of the Board for the purpose of filling up the casual vacancy and the provisions of sub-section (1) shall *mutatis mutandis* apply.

(3) The Chief Executive shall, within three days from the date of the meeting, forward to the Registrar and Co-operative election authority a copy of the notice convening the meeting and also a copy of the proceedings of the meeting.

(4) If the Chief Executive fails to convene the meeting in accordance with sub-sections (1) and (2), the Co-operative election authority or any officer authorized by it to do so shall convene a meeting for the purposes specified in the said sub-sections.”; and

(ii) after sub-sections (1), (2), (3) and (4) as so *substituted*, the existing sub-sections (2) and (3) shall be *re-numbered* as (5) and (6).

13. Amendment of Section 29.—In the Principal Act, in Section 29.—

(i) for the words “may fill” the words “shall fill” be *substituted*; and

- (ii) the words “if the remaining term of office of the board is less than half of its original term” shall be *omitted*.

14. Amendment of Section 31.—In the Principal Act, in Section 31, in sub-section (2) after clause (i-6) the following clause (i-7) shall be *inserted*, namely.—

- “(i-7) If he/she fails to submit every financial year the declaration of assets and liabilities of his/her and his/her family.

Explanation.—For the purpose of this clause “Family” means “Chief Executive Officer and his/her Spouse, unmarried daughter and undivided son.”.

15. Amendment of Section 33.—In the Principal Act, in Section 33, after sub-section (1), the following shall be *inserted*, namely.—

- “(1-A) Notwithstanding anything contained in sub-section (1), except urban co-operative banks, once in an every three years every co-operative shall get its accounts audited by the Director of Co-operative Audit.”.

16. Amendment of Section 38.—In the Principal Act, in Section 38, in sub-section (1), second proviso shall be *omitted*.

17. Amendment of Section 38-A.—In the Principal Act, in Section 38-A, after sub-section (4), the following sub-section shall be *inserted*, namely.—

- “(5) The Federal Cooperative shall appoint a Special Officer to conduct the elections of the Souharda Co-operative Society as provided under sub-section (6-A) of Section 48.”.

18. Amendment of Section 48.—In the Principal Act, in Section 48, after sub-section (6), the following sub-section shall be *inserted*, namely.—

- “(6-A) After issuing the Order for cancelling the order issued by the registrar Co-operative society for winding up of the society, the Federal Co-operative shall appoint a

special officer to conduct the election of the Co-operative Society.”.

19. Amendment of Section 53.—In the Principal Act, in Section 53, in sub-section (7), after clause (u) the following clauses shall be *inserted*, namely.—

- “(v) The Board of directors or employees of any Souharda Cooperatives commits any irregularities or misappropriation or fraudulence reported under Sections 33 or 35 or clause (u) of sub-section (7) of Section 53, the Souharda Federal shall file a criminal case against the persons involved in the said reports.
- (w) The Souharda Federal shall issue circulars/directions in respect of working of member Cooperatives under the provisions of this Act and rules made thereunder.”.

20. Amendment of Section 54.—In the Principal Act, in Section 54, in sub-section (2) after third proviso, the following shall be *inserted*, namely.—

“(2-A) The provisions of Section 24 related to the Maximum number of board members and reservation of seats in the Board shall *mutatis-mutandis* apply to the Federal Co-operative.”.

21. Amendment of Section 55.—In the Principal Act, in Section 55, in sub-section (2) after clause (e) the following clause shall be *inserted*, namely.—

- “(f) If he/she fails to submit every financial year the declaration of assets and liabilities of his/her and his/her family.

Explanation.—For the purpose of this clause “Family” means “Director and his/her Spouse, unmarried daughter and undivided son.”.

22. Amendment of Section 58.—In the Principal Act, in Section 58.—

- (i) in sub-section (1), the words “and the office of the office-bearers” shall be *omitted*; and
- (ii) after sub-section (4), the following shall be *inserted*, namely.—

“(5) The Chief Executive shall, within fifteen days from the date of constitution or deemed constitution of the Board after a general election and immediately before the expiry of the term of office of the President or Chairperson, Vice-President or Vice-Chairperson, convene a meeting in the prescribed manner of all the members of the committee for the purpose of electing President or Chairperson, Vice-President or Vice-chairperson and such others as are required to be elected under the bye-laws of the federal co-operative. One of the members who is not a candidate for the election of President or Chairperson, Vice-president or Vice-Chairperson, shall be chosen to preside over such meeting:

Provided that, the Members of the first Board elected in the first general meeting held after the registration of a co-operative shall elect the President or Chairperson, Vice-President or Vice-Chairperson and others in such manner as may be prescribed.

(6) The Chief Executive shall, as and when there is a casual vacancy in the office of the President or Chairperson, Vice-President or Vice-Chairperson or others, convene a meeting of the members of the Board for the purpose of filling up the casual vacancy and the provisions of sub-section (5) shall *mutatis mutandis* apply.

(7) The Chief Executive shall within three days from the date of the meeting, forward to the Registrar and Co-operative Election Authority a copy of the notice convening the meeting and also a copy of the proceedings of the meeting.

(8) If the Chief Executive fails to convene the meeting in accordance with subsections (5) and (6), the Co-operative Election Authority or any officer authorized by it to do so,

shall convene a meeting for the purposes specified in the said sub-sections.”.

23. Amendment of Section 59.—In the Principal Act, in Section 59, the proviso shall be *omitted*.

24. Amendment of Section 60.—In the Principal Act, in Section 60, in sub-section (3-A) for the words “twenty per cent of the members”, the words “ten per cent of the members or one thousand whichever is less, those members” shall be *substituted*.
