

**KARNATAKA LOKAYUKTA**

No. COMPT/UPLOK/BCD/1057/2013/PP

Multi Storied Building,  
Dr. B.R.Ambedkar Veedhi,  
Bengaluru 560 001.  
Date: 05/12/2017**REPORT UNDER SECTION 12(1) OF THE KARNATAKA  
LOKAYUKTA ACT**

Sub:- Complaint filed by Sri Eshwara, Director, Sapthashri Souharda Credit Cooperative Limited, No.1047/1A, 2nd Main Road, Vidyaranyapuram, Mysore 570 008 against the Managing Director of Karnataka State Souharda Federal Cooperative Limited, Niman Bhavan, Dr.Rajkumar Road, 1st Block, Rajajinagar, Bengaluru.

On the basis of a complaint filed by Sri Eshwara, Director, Sapthashri Souharda Credit Cooperative Limited, No.1047/1A, 2nd Main Road, Vidyaranyapuram, Mysore 570 008 (hereinafter referred to as Complainant) against Sri Sharanagouda G. Patil, Managing Director, Karnataka State Souharda Federal Cooperative Limited, Nirman Bhavan, Dr. Rajkumar Road, 1st Block, Rajajinagar, Bengaluru 560 010 an investigation under Section 9 of the Karnataka Lokayukta Act, 1984 was taken up.

2. The complainant has alleged that the Respondent being Managing Director of Karnataka State Souharda Federal Cooperative Limited, had not taken action against the misappropriation of funds, falsification of accounts and fabrication of records in the matter of extending loans by the Secretary and Directors of Saptarshi Souharda Credit Cooperative Limited, Jayanagar, Mysuru.

3. During the course of investigation, the Respondent has offered the following comments.

The Karnataka State Souharda Federal Cooperative Limited is constituted under the Karnataka Souharda Cooperative Act, 1997. It was constituted for the following purpose.

(1) Member of the Cooperative has to follow the guidelines and help each other and encourage the establishment of self dependent Cooperative societies.

(2) To regulate the guidelines issued by the State Government'

(3) To convert the Cooperative Societies registered under the Karnataka Cooperative Societies Act, 1959 into Cooperative under this Act.

(4) Section 53(7) of the Federal Cooperative Act regulates the various mandatory duties to be performed by the Members.

There is misappropriation of funds and Criminal case have to be booked in terms of Section 68 of the Karnataka Souharda Cooperative Act, 1997. During the year 1999 Saptarshi Souharda Credit Cooperative Limited has obtained a site measuring 43 x 67 feet from Mysuru Urban Development Authority for a lease amount of ₹ 32,46,106/-. But the Society is not using the said site for which it was taken on lease. During the inspection discrepancies were noticed in extending loans. Therefore, the Society should have taken action for recovery of the said loans. As on

31/3/2008, there was default of loan amount of ₹ 30.29 Lakhs from 161 members. As on 31/3/2013, 1036 members have committed default in repayment of loan of ₹ 51,56,263/-. There were no proper Bills, records for construction of Building in Jayanagar, Mysuru. The Managing Director and other members of the Saptharshi Souharda Credit Cooperative Limited are responsible for the same.

During the years 2004-05 to 2012-13 loan accounts were closed after receiving less rate of interest, for which there is no provision under the Act. In that way, members have caused loss to the tune of ₹ 9,21,358/-. The Chief Executive Officer and Directors of the Management Board are jointly responsible for recovery of the above said loss.

4. The Audit Report furnished by Deputy Director of Cooperative Audit reveals the following discrepancies in the matter of distribution of loans and recovery of loans by Saptharshi Souharda Credit Cooperative Limited, Mysuru.

(1) As on 31/3/2007, there was default of loan of Rs.64,94,506/- from 866 members. Out of which for loans of Rs.13,09,054/-, the addresses of the members who have obtained loan, were not available.

(2) From the year 1997-98 to 31/3/2007, 866 members had committed default of loan of ₹ 64,94,506/- out of which 262 defaulters had committed default for more than 6 years. Out of the above, the addresses of 262 members (defaulters) are available.

In respect of 137 members disputes were raised for recovery of loan amount of ₹ 22,10,236. However no action was initiated against the remaining 125 members and no reasons were furnished by the concerned official.

(3) The following Directors had recommended for loans to members whose addresses are not available and who had defaulted in repayment of loans.

Sl. No	Name of the Director	No. of members to whom loan was recommended	Amount of loan
1	Sri S. Venugopal, Member of Executive committee	35 members	₹ 5,36,085/-
2	Sri B.S. Nagarajarao, Member of Executive committee	13 Members	₹ 2,64,538/-
3	Sri M.S. Ravindra, Member of Executive committee	11 members	₹ 1,84,768/-
4	Smt. Shyamala Member of Executive committee	4 members	₹ 68,006/-
5	Sri S. Achyutha, Member of Executive committee	5 members	₹ 43,571/-
6	Sri Sundara Murthy, Member of Executive committee	4 members	₹ 41,765/-
7	Sri N. Srikantakumar, Member of Executive committee	4 members	₹ 40,969/-
8	Sri Kalappa, Member of Executive committee	2 members	₹ 39,373/-
9	Sri M.S. Chandrashekar Member of Executive committee	3 members	₹ 27,866/-
10	Smt. Krishnaveni, Member of Executive committee	2 members	₹ 29,087/-
11	Smt. Lalitha Nagaraj Member of Executive committee	2 members	₹ 1,10,226/-

12	Sri K.S. Devaprakash Member of Executive committee	2 members	₹ 20,000/-
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(4) The loans accumulated from 1999 to 2007-08 from the loanees, the addresses of loanees were not available. This fact was brought to the notice of Respondent.

(5) The Chief Executive Officer, Sri Adishesha has committed the following discrepancies

(i) One Sri Radhakrishna Aithal had obtained Utility Loan in the year 2001-02 under Loan A/c. No.1/56. As on 31/1/2002, a sum of ₹ 17,715/- was due from him. There was no loan application and no action was taken to recover the loan. It is an unsecured loan.

(ii) A sum of ₹ 35,000/- was given to Sri S. Venugopal as Utility loan on 5/3/2002 under Loan A/c. No.1/84. He had not repaid the loan from 1/8/2003 to 17/3/2007. The cheque issued by him on 17/3/2007 was bounced. Further no action both civil and criminal was taken for recovery of the loan.

(6) Further details of defaults of loan and the loanees whose addresses and details were not available are enumerated in the audit report.


5. It is revealed from the records that no action has been taken any on the illegalities, irregularities and misappropriation of funds enumerated in the Audit Report dated 30/3/2009 submitted by Sri G. Venkatesh, Deputy Director of Cooperative Audit and Enquiry Officer. There is huge loss caused to the Saptarshi Souharda

Credit Cooperative Limited, Mysore. Therefore, it has become necessary take action to act on the Audit Report and to recover the loss caused to the Saptharshi Souharda Credit Cooperative Limited, Mysore from the concerned persons.

6. Therefore, now, acting under Section 12(1) of the Karnataka Lokayukta Act, recommendation is made to the Competent Authority to take action on the Audit Report submitted by Sri G. Venkatesh, Deputy Director of Cooperative Audit, Bengaluru regarding the illegalities, misappropriation of funds and loss caused to the Saptrashi Souharda Credit Cooperative Limited, Mysore and to recover the loss caused to the Cooperative from the concerned persons, within three months from the of receipt of this Report.

7. Further, as per section 12(2) of Karnataka Lokayukta Act, 1984, the Competent Authority shall intimate to this Authority or caused to be intimated to this Authority the action taken on this report within one month of the expiry of the period mentioned above.

Connected records are enclosed.

  
(JUSTICE N. ANANDA)  
Upalokayukta-1  
State of Karnataka, Bengaluru

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