

APHC010505652024

IN THE HIGH COURT OF ANDHRA PRADESH [3446]
AT AMARAVATI



WRIT APPEAL NOS: 915, 917, 918, 919, 920 & 921
of 2024

W.A.No.915 of 2024

Nalluri Balakrishna

...Appellant

Vs.

The State Of Andhra Pradesh and Others

...Respondent(s)

Advocate for Appellant:

PRABHU NATH VASIREDDY

Advocate(s) for Respondent(s):

K N VIJAYA LAXMI, GP FOR
COOPERATION

**CORAM : THE CHIEF JUSTICE DHIRAJ SINGH THAKUR
SRI JUSTICE R RAGHUNANDAN RAO**

DATE : 23.04.2026

PC :

As all these Writ Appeals arise out of a common order and raise similar questions of law and facts, they are being disposed of, by way of this common Judgment.

2. Heard Sri Prabhunath Vasi Reddy, learned counsel appearing for the appellants and the learned Advocate General, appearing for the respondents.

3. The Guntur District Cooperative Central Bank Limited, Guntur, (hereinafter referred to as the District Bank) is the Apex Cooperative Bank for the District of Guntur. Various Primary Agricultural Societies are affiliated to the said District Co-Operative Bank. The Primary Agricultural Co-operative Societies are granted certain facilities, by the District Cooperative Bank, for advancing loans to their respective members. As a precautionary measure, some of the employees of the District Bank are required to oversee the disbursement of the loans, extended by these primary societies, to their members.

4. On the basis of a news report in the newspapers, an enquiry was initiated in relation to loans given by certain Primary Societies. Apart from this, it appears that periodical inspection of some of these Primary Societies had revealed the possibility of fake loans

being granted and certain other irregularities being committed by the Primary Societies. The District Co-operative Officer, Guntur, on the basis of these inputs had initiated separate inquiries, in relation to each Primary Society, under Section 51 of the Andhra Pradesh Co-operative Societies Act, 1964 (hereinafter referred to as 'the Act'). The Inquiry Officer, after recording the statements of the persons who were involved in the grant of disbursement of loans both at the level of Primary Agricultural Co-operative Societies as well as District Bank had submitted reports on 31.05.2023. In these reports, the Inquiry officer had recommended initiation of Civil, Criminal and Disciplinary action against various employees and officer bearers of the Primary Societies as well as some of the employees of the District Bank. The Joint Registrar by his proceedings, dated 05.06.1963, directed initiation of Civil, Criminal and disciplinary action against the persons mentioned in the Inquiry report, dated 31.05.2023. The appellants herein, who were employees of the District Bank moved W.P.No.13892 of 2023 and batch against the said Inquiry reports, dated 31.05.2023, as well as the proceedings, dated 05.06.2023. About 16 writ petitions came to be filed, in this regard, before this Court. A learned Single Judge of this Court, by a common order, dated 06.11.2024, had dismissed all the said writ petitions. Aggrieved by the said order of dismissal, six of the petitioners, therein

have filed the present set of Writ Appeals. The details of the Writ Petitions and Writ Appeals are given below:

SL.NO.	WRIT PETITIONS NUMBER	WRIT APPEAL NUMBER
1.	W.P.No.13829 of 2023	W.A.No.915 of 2024
2.	W.P.No.14134 of 2023	W.A.No.917 of 2024
3.	W.P.No.23152 of 2023	W.A.No.918 of 2024
4.	W.P.No.14124 of 2023	W.A.No.919 of 2024
5.	W.P.No.13841 of 2023	W.A.No.920 of 2024
6.	W.P.No.14138 of 2023	W.A.No.921 of 2024

5. The appellants herein had assailed the Inquiry report, dated 31.05.2023, as well as the consequential proceedings, dated 05.06.2023 on various grounds including the merits of the case. On the merits of the case as well as on the ground that the said proceedings could not have been initiated against the appellants as they were not employees of the Primary Agricultural Co-operative Societies against which the enquiry had been initiated.

6. Before going into these contentions, it would be necessary to review the factual metrics which has given rise to these Writ Appeals. The allegations against the employees of the Primary Societies were that fresh members had been admitted without proper authorization or verification; the documents produced by these newly inducted members were fake documents of identity which were not verified at all; no field inspection was done for identifying such members and verify the actual location of the land

on which loans were sought; no verification of the bona fides of the new members were carried out; loans were granted freely and disbursed without any kind of verification; and the various circulars given in relation to such verification were totally ignored and bypassed. On account of such inaction, of the persons named in the Inquiry reports, it was found that these Primary Agricultural Co-operative Societies had suffered loss which would have to be recouped.

7. As far as the appellants were concerned, the Inquiry reports stated that the appellants, who were employees of the District Co-operative Central Bank, had been assigned the function of verification before disbursing of the loans by the District Co-operative Bank on behalf of the Primary Agricultural Co-operative Societies. The Inquiry reports stated that certain basic steps, such as field inspection of the lands and e-verification of the PAN card, Aadhaar Card or other Identity proof produced by persons seeking to become members of the society had not been done by these officials prior to disbursement of the loans. The appellants contended that they were not in receipt, of any circular which required such verification. They would contend that the pattadar pass books and other documents produced, by these newly inducted members, were verified on the web land register which showed these lands in the names of the newly inducted members and on that basis, loans were released in the names of these newly inducted

members. This contention was rejected by the enquiry officer who held that the circulars had been circulated and it was not position to accept such a contention from the appellants.

8. After receipt of these Inquiry reports, the Joint Commissioner had issued consequential proceedings, of 05.06.2023, directing initiation of Civil, Criminal and disciplinary action against the appellants.

9. The appellants being aggrieved by both the above said proceedings approached this Court, by way of the present Writ Petitions. The appellant contended, before the Court that no Inquiry could have been initiated against them under Section 51 of the Act, 1964 nor could any Civil, Criminal or Disciplinary action recommended against them as they were not members or employees of the Primary Agricultural Co-operative Societies against whom the said enquiry had been initiated. It is contended that Section 60 of the Act would be attracted only where there is a loss caused to the Co-operative Society in which the appellants were working before any action could be conducted against them. It is contended that the loss, if any, is only to the Primary Societies and there was no loss to the District bank in which the appellants were working and consequently no steps could have been initiated against them. The appellants relied upon the Judgment of a learned Single Judge of the erstwhile High Court of Andhra Pradesh in the case of **K. Satyanarayana and Ors. Vs. A.P. Co-operative Tribunal,**

Visakhapatnam, Rep.by its Registrar and Ors¹. As well as the judgment of the erstwhile High Court of Andhra Pradesh in the case of **Co-operative marketing Society, Anakapalle vs. Pentakotla Sriramilu²**.

10. The learned Single Judge considered the aforesaid contentions as well as the judgments cited by the appellants and held that the said Judgments would not be applicable to the present case. On that basis, the learned Single Judge was pleased to dismiss the Writ Petitions, by way of a common order, dated 06.11.2024, holding that the proceedings are valid. Aggrieved by the said order, the appellant are in appeal before this Court.

11. Sri Prabhunath Vasi Reddy, learned counsel for the appellants would take us through the provisions of the Act as well as the Judgments cited before the learned Single Judge. Learned counsel for the appellants would contend that the appellants, who are employees of the District Bank, cannot be subjected to surcharge proceedings or criminal or departmental proceedings, on the basis of an Inquiry report relating to the affairs of a Primary Society in which the appellants are not employed. The learned counsel would also contend that the learned Single Judge had committed an error in holding that the judgments cited before the learned Single Judge have no relevance to the present case.

¹ 2018(1) ALD 555

² 1960(1) ALT 102

Consideration of the Court:

12. The basic facts, of this case are that an inquiry was conducted under Section 51 of the Act. On the basis of this report, in each of the cases, the District Registrar had initiated further action under Section 60 of the Act. The contention of the learned counsel appearing for the appellants, is that neither an inquiry under Section 51 of the Act nor surcharge proceedings under Section 60 of the Act can be initiated, against persons who are not employees or members of the society, in relation to which an inquiry was initiated under Section 51 of the Act. Under Sections 51 & 60 of the Act read as follows:-

“Section - 51. Inquiry:— [Rule 47,50]

The Registrar, may of his own motion and shall, on the application of a society to which the society concerned is affiliated, or of not less than one third of the members of the Committee, or of not less than one fifth of the total number of members of the society, hold an inquiry or direct some person authorised by him by an order in this behalf to hold an inquiry into the constitution, working and financial condition of a society. Such inquiry shall be completed within a period of four months and the report of inquiry along with the findings of the Registrar thereon shall be communicated to the managing committee of the society. It shall be the responsibility of the managing committee to place the inquiry report before the General Body or Special General Body convened for the purpose for its information, within a period of one month from the communication of the inquiry report by the Registrar. The Registrar shall be competent to initiate action under the provisions of this Act, if the committee fails to take action as aforesaid:

Provided that notwithstanding anything contained in this Act and the Rules made thereunder, the bye laws of a society and the action of the society in placing the inquiry report along with the findings of the Registrar, the Registrar shall not be precluded

from taking follow up action as may be required on the basis of inquiry report :

Provided further that such action shall not be nullified even if the General Body of the Society passes a resolution negating the findings of the inquiry:

Provided also that the Registrar may for reasons to be recorded in writing extend the period of four months for completion of inquiry for a further period not exceeding two months

Explanation:— For the purposes of this section, “Managing Committee” includes a Committee constituted under Section 31(l)(a), and a person-in-charge appointed under Section 32(7)(a) and also a special officer appointed under Section 34 of the Act.”

Section- 60. Surcharge:—

(1) Notwithstanding anything contained in any other law for the time being in force where in the course of an audit under Section 50 or an inquiry under Section 51 or an inspection under Section 52 or Section 53, to the winding up of a society, it appears that any person who is or was entrusted with the organisation, affairs or management of the society or any past or present officer or servant of the society has misappropriated or fraudulently retained any money or other property or has been guilty of breach of trust in relation to the society or has caused any deficiency in the assets of the society by breach of trust or wilful negligence or has made any payment contrary to the provisions of this Act, the rules or the bye-laws, the Registrar himself, or any person specially authorised by him in this behalf, of his own motion or on the application of the committee, liquidator or any creditor or contributor, may inquire into the conduct of such person or officer or servant and make an order requiring him to repay or restore the money or property or any part thereof with interest at such rate as the Registrar or the person authorised as aforesaid thinks just or to contribute such sum to the assets of the society by way of compensation in respect of the misappropriation, misapplication of funds, fraudulent retention, breach of trust, or wilful negligence as the Registrar or the person authorised as aforesaid thinks just :

Provided that no order shall be passed against any person referred to in this sub-section unless the person concerned has been given an opportunity of making his representation.

(2) Any sum ordered under this section to be repaid to a society or recovered as a contribution to its assets may be recovered on

a requisition being made in this behalf by the Registrar to the Collector in the same manner as arrears of land revenue.

(3) This section shall apply notwithstanding that such person or officer or servant may have incurred criminal liability by his act.

13.

Under Section 51, of the Act, the Registrar can direct an inquiry into the constitution, working and financial condition of a society. Such an Inquiry can be initiated on an application by a Society, supported by not less than 1/3rd of the members of the committee or not less than 1/5th of the total members of the society. However, discretion is also given to the Registrar to direct such inquiry, either if he satisfied that such an inquiry is required the general language, in which Section 51 of the Act is couched, makes it clear that the inquiry is into the affairs of the society. It may be that such an inquiry may reveal that actions of non employees or non members may have affected the working of the society. Such a finding, would not preclude, an Inquiry, under Section-51 of the Act. In the view of this Court, the Registrar has the discretion to order an inquiry into the affairs of a society where the Registrar deems it necessary to conduct such an inquiry either on the basis of information received by the Registrar or on the basis of the application by a society. To that extent, we would reject the contention, of the learned counsel appearing for the appellants, that an inquiry which goes into the conduct of non employees or non members of the society, is not maintainable.

14. The consequences of any findings given in an inquiry under Section 51 of the Act or in the course of an audit under Section 50 or an inspection under Sections 52 & 53 of the Act are set out in Sections 59 & 60 of the Act. Under Section 59 of the Act, the Registrar can suspend any officer or servant of the society, if there is *prima facie* evidence of misfeasance or misdoing by such paid officer or servant. Apart from this, the Registrar, or any person specially authorized by the Registrar, can initiate steps for recovering the money or property, which had been lost by the society, on account of the misfeasance or misdoing of such employees or the persons entrusted with the affairs of the society.

15. Section 60 of the Act, stipulates that surcharge proceedings can be initiated against any past or present officer or servant of the society or any person who is or was entrusted with authorization the affairs or management of the society. The relevant part of Section 60, is as follows:

“it appears that any person who is or was entrusted with the organisation, affairs or management of the society or any past or present officer or servant of the society has misappropriated or fraudulently retained any money or other property or has been guilty of breach of trust in relation to the society or has caused any deficiency in the assets of the society by breach of trust or wilful negligence or has made any payment contrary to the provisions of this Act, the rules or the bye-laws,”

In view of the specific language of Section 60, Surcharge proceedings, under this provision, can be initiated, only against past or present employees or persons who had been entrusted with the affairs of the society. Surcharge proceedings cannot be initiated against any person, other than those enumerated in Section 60 of the Act.

16. In the present case, the appellants are either past or present officers or servants of the primary societies, whose affairs had been subjected to an inquiry under Section 51 of the Act. In the present case, no material has been produced before this Court nor is the case of the authority that the appellants were persons who were entrusted with the organization, affairs or management of the society. The appellants in the present case are employees of the District Bank. They are not employees of the primary society, whose affairs were subjected to an inquiry.

17. A Learned Single Judge of the erstwhile High Court of Andhra Pradesh in the case of **K. Satyanarayana and Ors. Vs. A.P. Co-operative Tribunal, Visakhapatnam, Rep. by its Registrar and Ors**³, while considering a similar situation, had held that employees of one cooperative society who may have been involved in the disbursement of the loans, of another society, cannot be subjected to the surcharge proceedings under

³ 2018(1) ALD 555

Section 60 of the Act. We would affirm the said view of the Learned Single Judge.

18. As far as the disciplinary proceedings or the criminal proceedings, that are contemplated by the authorities, against the appellants are concerned, this Court does not find any reason to interfere with the Judgment of the Learned Single Judge.

19. As observed above, an inquiry under Section 51 of the Act, is a general inquiry into the affairs of the society and there is no restriction that in the course of such inquiry, the role of outsiders cannot be gone into. Once an inquiry reveals or points that certain actions, of outsiders, have been harmful to the interest of the society and the affairs of the society, resulting in loss, for that society, it would be always open to the authorities to proceed further, on the basis of such information. This would not mean that the report submitted by the Inquiry officer is to be treated as settled fact. It would only be that the authorities, on the basis of the information available in the inquiry report, can take action, either in disciplinary proceedings or in criminal proceedings.

20. In these circumstances, these Writ Appeals are disposed of with a direction to the respondents not to take any further steps, under Section 60 of the Act, while it would still be open to the respondents to initiate such disciplinary proceedings or criminal proceedings that are thought fit.

Needless to say, the appellants would have every right to rebut any allegations made against by them, in the disciplinary proceedings or criminal proceedings, if any. It is also made clear that neither this order or the judgment of the learned single Judge, shall be treated as any finding of fact and all questions of fact are left open.

As a sequel, pending miscellaneous petitions, if any, shall stand closed.

DHIRAJ SINGH THAKUR, CJ

R RAGHUNANDAN RAO, J

RJS/BSM

**HON'BLE MR. JUSTICE DHIRAJ SINGH THAKUR, CHIEF JUSTICE
&
HON'BLE SRI JUSTICE R. RAGHUNANDAN RAO**

WRIT APPEAL NOS.915, 917, 918, 919, 920 & 921 of 2024

(per Hon'ble Sri Justice R.Raghunandan Rao)

23.04.2026

RJS/BSM