

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 28TH DAY OF AUGUST, 2026

PRESENT

THE HON'BLE MRS. JUSTICE ANU SIVARAMAN

AND

THE HON'BLE MR. JUSTICE VENKATESH NAIK T

WRIT APPEAL NO.1232 OF 2024 (CS-RES)

BETWEEN:

VITLA GRAMEENA SAHAKARI BANK LTD.

BANTWAL TALUK

VITLA TOWN

D.K. DISTRICT-574 423

REP. BY ITS CHIEF EXECUTIVE OFFICER

SRI. MONAPPA GOWDA (RETIRED)

NOW CHIEF EXECUTIVE OFFICER

KRISHNA MURALI SHAM K.

S/O GOPALAKRISHNA BHAT

AGED ABOUT 37 YEARS

R/AT. BANTWAL TALUK

VITLA TOWN

D.K. DISTRICT-574 423

...APPELLANT

(BY SRI. G. BALAKRISHNA SHASTRY, ADVOCATE)

Digitally
signed by
RAKSHA
Location:
High Court
of Karnataka



AND:

THE DEPUTY REGISTRAR
OF CO-OPERATIVE SOCIETY
JANATHA BAZAR
1ST FLOOR
GANAPATHY HIGH SCHOOL ROAD
MANGALURU
D.K. DISTRICT-575 001

...RESPONDENT

(BY SRI. VIKAS ROJIPURA, AGA)

THIS WRIT APPEAL IS FILED U/S 4 OF THE KARNATAKA HIGH COURT ACT, 1961, PRAYING TO SET ASIDE THE ORDER DATED 10.06.2024 PASSED IN WRIT PETITION No.9051/2019 (CS-RES) SAID WRIT PETITION No.9051/2019 BE ALLOWED AS PRAYED FOR AND THIS WRIT APPEAL BE ALLOWED WITH COSTS THROUGHOUT.

THIS WRIT PETITION HAVING BEEN HEARD AND RESERVED FOR JUDGMENT ON 22.07.2026 AND COMING ON FOR PRONOUNCEMENT OF JUDGMENT THIS DAY, **ANU SIVARAMAN J.**, PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE MRS. JUSTICE ANU SIVARAMAN
and
HON'BLE MR. JUSTICE VENKATESH NAIK T

CAV JUDGMENT**(PER: HON'BLE MRS. JUSTICE ANU SIVARAMAN)**

This writ appeal is filed challenging the Order dated 10.06.2024 passed by the learned Single Judge in Writ Petition No.9051/2019 (CS-RES).

2. We have heard Shri. G. Balakrishna Shastry, learned counsel appearing for the appellant and Shri. Vikas Rojipura, learned Additional Government Advocate, appearing for the respondent.

3. The appellant was initially registered on 06.08.1955 under Section 10 of the Madras Co-operative Societies Act, 1932. Upon coming into force of the Karnataka Co-operative Societies Act, 1959, the appellant was re-registered under the provisions of the Karnataka Co-operative Societies Act as Vitla Co-operative Rural Bank Limited. Pursuant to a resolution passed in the Annual General Meeting dated 29.03.1989, the name was changed as Vitla Grameena Sahakari Bank and the amended by-laws were approved and registered by the Assistant Registrar of Co-operative Societies on 28.07.1989. On 24.09.2001, the

Registrar of Co-operative Societies issued a Circular. Thereafter by letter dated 15.05.2002, the appellant was informed that non-agricultural Co-operative Societies registered under the Karnataka Co-operative Societies Act should neither carry on banking activities nor use the word "Bank" in their names. By order dated 13.12.2002, the Assistant Registrar directed the appellant to delete the word "Bank" from its name and substitute it with "Sangha."

4. The appellant challenged the said order in Writ Petition No.4602/2003. An interim order of stay was granted on 17.02.2003 and by Order dated 17.08.2004, the writ petition was allowed, the Order dated 13.12.2002 was quashed and the matter was remanded to the Assistant Registrar for fresh consideration after issuing notice and affording an opportunity of hearing to the appellant. Thereafter, the Deputy Registrar of Co-operative Societies passed an Order dated 28.04.2018 directing deletion of the word "Bank" from the appellant's name and substitution of the word "Sangha." Subsequently, by communication dated 13.02.2019, the Deputy Registrar directed the appellant to

implement the said order. Aggrieved thereby, the appellant filed Writ Petitions No.9051/2019 challenging the Orders dated 28.04.2018 and 13.02.2019.

5. The learned Single Judge observed that the co-ordinate Bench had considered not only Section 98W of the Karnataka Co-operative Societies Act but also Sections 56(f) and 7 of the Banking Regulation Act, 1949, and held that a Co-operative Society can use the word "Bank" in its name only upon complying with the requirements of the Banking Regulation Act, including obtaining the requisite licence from the Reserve Bank of India and fulfilling the statutory regulatory obligations. It was held that the provisions of the Banking Regulation Act apply to all Co-operative Societies carrying on banking activities, irrespective of the specific reference in Section 98W of the Karnataka Co-operative Societies Act. The writ petition was dismissed holding that the matter was fully covered by the binding co-ordinate Bench decision.

6. The learned counsel appearing for the appellant contends that the impugned orders are vitiated by violation

of the principles of natural justice, as no effective show-cause notice or opportunity of hearing was afforded before the Deputy Registrar exercised powers under Sections 12(5) and 12(6) of the Karnataka Co-operative Societies Act. It is further contended that the Deputy Registrar acted in disregard of the directions issued by this Court in Writ Petition No.4602/2003, wherein the matter had been remanded with a specific direction to issue notice and afford an opportunity of hearing before passing fresh orders.

7. It is further contended that the mandatory procedure prescribed under Section 12 of the Karnataka Co-operative Societies Act and Rule 6 of the Karnataka Co-operative Societies Rules for amendment of the by-laws, including placing the proposed amendment before the General Body, was not followed before directing substitution of the word "Bank" with "Sangha." It is also contended that the circular dated 24.09.2001 is inapplicable, as the appellant was registered as Vittal Co-operative Rural Bank Limited in the year 1955, prior to the coming into force of the Karnataka Co-operative Societies Act and the name Vitla

Grameena Sahakari Bank was duly approved by the Competent Authority in the year 1989. It is contended that the authorities failed to consider these undisputed facts while directing amendment of the appellant's name.

8. It is also contended that, by virtue of the saving provisions under Section 131 of the Karnataka Co-operative Societies Act, the appellant is entitled to continue under its existing registered name. The appellant is a Primary Credit Co-operative Society and therefore, falls within the exemption contemplated under the Banking Regulation Act, rendering the restrictions on the use of the word "Bank" inapplicable.

9. The learned Additional Government Advocate appearing for the respondent, on the other hand, contended that although the appellant was originally registered under the Madras Co-operative Societies Act, by virtue of Section 131 of the Karnataka Co-operative Societies Act, it is governed by the provisions of the Karnataka Co-operative Societies Act. Following the insertion of Section 98W by the Karnataka Co-operative Societies (Amendment) Ordinance,

2009, every Co-operative Society using the word "Bank" was required to remove the said word from its name within three months unless permitted under law. The appellant failed to comply with this statutory mandate.

10. It is further contended that the appellant's financial performance, profitability and audit classification are irrelevant and do not exempt it from compliance with Section 98W of the Karnataka Co-operative Societies Act. It is contended that pursuant to the order of remand in Writ Petition No.4602/2003, the Deputy Registrar issued communications dated 26.09.2017 and 19.03.2018, followed by a Notice dated 20.04.2018 under Sections 12(5) and 12(6) of the Karnataka Co-operative Societies Act, informing the appellant of the proposed action and calling upon it to submit its objections. The appellant, instead of filing objections on the merits, sought one month's time to challenge the proposed action. After considering the appellant's reply and the records, the Deputy Registrar passed the Order dated 28.04.2018 directing substitution of the word "Bank" with "Sangha." It is therefore contended

that adequate opportunity of hearing was afforded and the principles of natural justice were fully complied with.

11. It is further contended that Sections 12(1), 12(5) and 12(6) of the Karnataka Co-operative Societies Act empower the Registrar to secure amendment of the by-laws where a Society fails to bring them in conformity with statutory amendments. Since the appellant failed to amend its by-laws despite the mandate of Section 98W of the Karnataka Co-operative Societies Act, the Deputy Registrar validly exercised the statutory power to amend the by-laws. It is also contended that under the Banking Regulation Act, entities using the word "Bank" are required to possess the requisite statutory authorisation. As the appellant had not obtained the necessary licence under the Banking Regulation Act, it was not entitled to continue using the word "Bank" in its name.

12. It is contended that the impugned order dated 28.04.2018 and the consequential communication dated 13.02.2019 were passed strictly in accordance with the

provisions of the Karnataka Co-operative Societies Act and the Banking Regulation Act and do not warrant interference.

13. The learned Additional Government Advocate places reliance on the decision of a co-ordinate Bench in ***The Bajpe Vyavasaya Seva Sahakari Bank Limited v. State Government of Karnataka and Others*** in ***Writ Petition No.11255/2011 and connected matters***, decided on ***11.09.2023***, and submitted that the co-ordinate Bench, while considering similar challenges by co-operative societies, held that Co-operative Societies not complying with the requirements of the Banking Regulation Act were not entitled to use the word "Bank" in their names.

14. Reliance is also placed on the decision of the Apex Court in the case of ***Thalappalam Service Co-operative Bank Ltd and Others v. State of Kerala and Others*** reported in ***(2013) 16 SCC 82***.

15. Having considered the contentions advanced, we are of the opinion that the only question that has to be decided is, whether a Primary Co-operative Society

registered under the provisions of the Karnataka Co-operative Societies Act is permitted to use the word 'Bank' in its name under the provisions of the Banking Regulation Act.

16. A "Co-operative Bank" is defined under Section 2(b-1) of the Karnataka Co-operative Societies Act to mean a Co-operative Society, which is doing the business of Banking. The explanation provides that for the purpose of this clause, Banking shall have the same meaning assigned to it in Section 5 of the Banking Regulation Act. The Banking Regulation Act defines 'Banking' to mean the accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdrawal by cheque, draft, order or otherwise. Section 5A of the Banking Regulation Act provides that the provisions of the Banking Regulation Act shall have effect notwithstanding anything to the contrary contained in the Memorandum of Articles of a Banking Company or in any agreement executed by it. Section 7 of the Banking Regulation Act provides that no Company other than a Banking Company shall use, as a part of its name or in connection with its

business, any of the words 'Bank', 'Banker' or 'Banking' and no Company shall carry on the business of Banking in India unless it uses as part of its name at least one of such words. Therefore, it is clear that a Co-operative Society to be a Co-operative Bank must be involved in the banking business. A Banking Company or a Banking Co-operative Society can use the word 'Bank', provided it is answering the definition under the provisions of the Banking Regulation Act as well. For a Co-operative Society to be a Co-operative Bank, it must be involved in the business of Banking and must have a registration for that purpose.

17. In the instant case, it is the admitted case of the appellant that the appellant is only a Credit Society, extending loans and accepting deposits from its members alone and therefore is not a Co-operative Bank for the purpose of the Karnataka Co-operative Societies Act or the Banking Regulation Act. The provisions of Section 7 of the Banking Regulation Act being clear, we are of the opinion that there is no doubt that a Co-operative Society, which is not involved in the business of Banking, admittedly, even

according to their own showing, cannot under any circumstances use the word 'Bank' in their name. It is only a Banking Company or a Banking Institution, that is, enabled to use the word 'Bank' in its name.

18. In the above circumstances, we are of the opinion that the contentions raised by the learned counsel for the appellant cannot be accepted. The findings of the learned Single Judge requires no interference in this intra-Court appeal. The appeal fails and the same is accordingly ***dismissed.***

All pending interlocutory applications shall stand *disposed of.*

**Sd/-
(ANU SIVARAMAN)
JUDGE**

**Sd/-
(VENKATESH NAIK T)
JUDGE**

cp*