BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

DATED : 19.08.2025

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THE HONOURABLE MR.JUSTICE G.R.SWAMINATHAN
and
THE HONOURABLE MR.JUSTICE K.RAJASEKAR

W.A.(MD)No.880 of 2023
and
C.M.P.(MD)Nos.7034 and 7036 of 2023

1.The Chairman and Managing Director,
Corporate Office, Indian Bank,
Chennai.

2.General Manager (Reviewing Authority),
Corporate Office, HRM Department,
Indian Bank, Chennai - 600 014.

3.Deputy General Manager / Appellate Authority,
Corporate Office, HRM Department,
Indian Bank, Chennai - 600 0014.

4.The Assistant General Manager/
Disciplinary Authority,
Indian Bank, Zonal Office,
Vigilance Department,
1/17, II New Floor, GRR Building,
Perumalpuram, Tirunelveli.

5.Branch Manager,
Indian Bank,
Kovilan Kulam Branch,
Virudhunagar District. ... Appellants

Vs.

P.Sampath Kumar ... Respondent

Prayer : Writ Appeal filed under Clause XV of Letters Patent, to allow the writ appeal by setting aside the order passed in W.P.(MD)No.10609 of 2016 dated 22.11.2022 on the file of this Court.

For Appellants : Mr.Jayesh B.Dolia, Senior Counsel,
For M/s.Aiyar and Dolia.

For Respondent : Mr.T.Lajapathi Roy, Senior Counsel,
For Mr.F.Deepak.

JUDGMENT
(By G.R.SWAMINATHAN, J.)

Heard both sides.

2.The management of Indian Bank is on appeal challenging the order dated 22.11.2022 passed by the learned Single Judge allowing W.P.(MD)No.10609 of 2019 filed by the respondent (herein after referred to as writ petitioner).

3.The writ petitioner joined Indian Bank in the year 1981 as a Clerk. He was promoted over the years and that in the year 2008, he was working as Branch Manager at Kovilankulam Branch, Virudhunagar District. He was relieved from the branch in September 2010. In the year 2012, he was issued with charge memo dated 29.02.2012. It contained as many as four articles of charge. They are as follows:-

> *"1)That you had sanctioned new term loans with increased amounts to four self help groups detailed in the statement imputations, immediately upon repayment of lumpsum amounts in the the of existing term loan accounts of these groups even before the expiry of the period granted in original sanction. There were no repayments in these new enhanced term loans granted by you for another four months from the dates of sanction. You had not appraised the proposals as per the prescribed guidelines of HO and there are no records of appraisals done, details of unit inspection, saving details of the groups. Hence, your lack of pre sanction appraisal, arbitrary sanction of enhanced loans to the groups immediately upon preclosure of the previous loans, accepting lump sum repayments, violating the prescribed HO guidelines have resulted in these accounts slipped/slipping to NPA. Further, you had wrongly fixed the half yearly repayments meant for Agri sector and also longer repayment periods, in the system, for*

these loan accounts violating the prescribed guidelines of HO and thereby avoided these accounts from appearing in the List of SMA/NPA and also from the monitoring by the controlling authorities.

2) That you had sanctioned term loans to SHGs under direct linkage, as detailed in the statement of imputations, immediately after opening of SB accounts by the group and without monitoring the transactions in Sb accounts for a minimum period of six months as required in the prescribed guidelines of HO. Your non observation of HO guidelines resulted in these accounts slipped to NPA under quick mortality category.

3)That you had sanctioned term loans to SHG, under direct linkage the quantum of loans sought approved by the members and the sharing details of the proposed loans among various members of the groups finalized in their meetings are not specified in the copies of resolution submitted by the groups. But you had arbitrarily sanctioned loans to these groups without following the prescribed guidelines of HO resulted in these accounts now turned NPA under quick mortality category.

4)Your non observance of prescribed HO guidelines in pre sanction appraisal and post sanction follow up have resulted in 94 SHG (Agri) loan accounts amounting to Rs.165.61 lacs sanctioned by you during your tenure as Branch Manager as *detailed in the statement of imputations have turned NPA under quick mortality category and difficult of recovery."*

4.The writ petitioner offered his explanation dated 12.03.2012. The explanation was not found to be satisfactory, the disciplinary authority vide order dated 19.06.2012 imposed the following punishment:-

> *"In view of the foregoing lapses on the part of CSO and deviation from the prescribed guidelines which has resulted in a huge financial loss of Rs.195.58 lacs to the bank, I impose the following punishment under minor penalty of*
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> *Reduction to a lower stage in time scale of pay by three stages for a period of two years, without cumulative effect and not adversely affecting his pension under regulation 4(e) of Indian Bank Officer Employees (Discipline and Appeal) Regulation 1976 as amended from time to time"*

5.Aggrieved by the same, the writ petitioner filed appeal before the appellate authority. The appellate authority dismissed the appeal vide order dated 30.11.2012. The reviewing authority vide order dated 22.03.2013 modified the punishment as follows:-

"I have perused the review petition and other related papers and I do not accept the reasons/rationale put forth by the officer. However, considering that SHG portfolio is a difficult portfolio to manage, I take a lenient view on the deviations committed by the officer. Therefore, I hereby modify the punishment imposed on him from "Reduction to a lower stage in time scale of pay by three stages for a period of two years without cumulative effect and not adversely affecting his pension" under Regulation 4(e) of Indian Bank Officer Employees' (Discipline and Appeal) Regulations, 1976 by Disciplinary Authority and confirmed by the Appellate Authority to "Reduction of pay by two stages for a period of one year without cumulative effect and not adversely affecting his pension" under Regulation 4 (e) of Indian Bank Officer Employees' (Discipline and Appeal) Regulations, 1976, as amended from time to time."

6.Challenging these orders, the writ petitioner filed W.P.(MD)No.10609 of 2016. The learned Single Judge set aside the orders impugned in the writ petition and allowed the writ petition vide order dated 22.11.2022. The learned Single Judge went primarily by the fact that the writ petitioner was not charged with any act of misappropriation. The learned Single Judge also took note of the fact that the writ petitioner was dealing with self help groups which was a difficult portfolio by itself as observed by the reviewing authority himself. Challenging the said order dated 22.11.2022 passed by the learned Single Judge, the management has filed this writ appeal.

7.The writ petitioner was working as Assistant Branch Manager and had disbursed loans to self help groups. The charge against the writ petitioner was that he was rather negligent in processing the loan papers and as a result, the bank had been put to loss to the tune of Rs.195.58 Lakhs.

8.We need to bear in mind that what was eventually imposed on the writ petitioner was only a minor penalty. The learned senior counsel for the appellant / management drew our attention to a catena of case laws in which it was held that if the findings of guilt arrived at by the disciplinary authority is based on some evidence, the Writ Court ought not to interfere with the same.

9.We carefully went through the contents of the order dated 19.06.2012 passed by the disciplinary authority. It is well settled that in minor penalty proceedings, no enquiry is conducted. Charge memo is issued and explanation from the delinquent is obtained and after summary analysis, either explanation is accepted and the proceedings are dropped or minor penalty is imposed. In the case on hand, the disciplinary authority after setting out the charges individually also carefully dealt with the replies submitted by the delinquent and after a careful analysis, gave his finding that the reply submitted by the delinquent was not satisfactory and not acceptable.

10.As already pointed out, the case on hand involved granting loans to self help groups. The order of the disciplinary authority runs to more than 13 closely typed papers. The analysis portion alone comes to more than three pages. We notice that the disciplinary authority has given solid reasons as to why, he found the delinquent's explanation to be not acceptable. For easy reference, we extract the analysis of the disciplinary authority verbatim:-

*"**My Analysis and orders**:*

I have carefully gone through the Charge Sheet ZO:TNY :VIG: 11-12 dated 27.02.2012 issued to

Mr.P.Sampathkumar (CSO) and the reply dated 12.3.2012 & 17.3.2012 submitted by CSO in connection with the irregularities observed in the large number of SHG loans sanctioned and disbursed by CSO during his tenure as BM, Kovilangulam.

I observe the following deficiencies in the sanction and disbursement of large number of SHG loans by the CSO at Kovilangulam branch

1). Some of the groups already availed term loans from us had been sanctioned with enhanced loan amounts immediately after these groups had foreclosed the then existing term loans, making bulk repayment in the accounts.

2) The reasons stated by CSO in his replies dated 12.3.2012 and 17.3.12 for the fresh terms loans for higher amounts sanctioned to the groups which had foreclosed the then existing term loans, making bulk lump sum repayments in the accounts are contradictory which establishes that CSO had not done proper pre sanction appraisal before sanction. Not only that subsequent to the disbursement of fresh term loans for higher amounts to the SHGs, there were no monthly repayments in these accounts for more then four months which confirms which confirms the lack of pre sanction appraisal of CSO.

3) Many SHGs are functioning at Aruppukottai town, away from the command area of the branch. Many banks including our *bank have branches at Aruppukottai to cater to the needs of SHGs, CSO had not observed the minimum safety measures such as obtention of no due cum no objection certificates from previous bankers when the groups are located in a far away town and number of bank branches are functioning in the area, before venturing to extend financial assistance at Kovilangulam branch.*

4) In some of the groups, term loans were sanctioned without watching the transactions in the SB accounts of the groups for atleast six months as per extant guidelines

5) Unattested xerox copies of Bank Pass books of the groups with different banks are held in loan documents as evidences for the age of the groups and the level of savings in the groups. These supporting documents are held as justification for the term loans sanctioned to these groups even within six months from the date of opening of SB accounts by these groups with us. Nevertheless, no due cum no objection certificates for these groups had not been obtained from their previous bankers.

6)Non availability of Rating of the groups, copies of resolutions passed by the groups, details of visit to the groups, details of group meeting attended and even if the copies of resolutions held, the quantum of loan proposed and how it will be shared among various members of the group are not found in many accounts as per latest regular inspection report of the branch and further confirmed by the branch vide their letter dated 02.4.12 and

10.04.12. There is no appraisal note nor any separate recording about the visits to the groups and attending of their meetings by BM/ Branch officials. The rating is the only proof evidencing the visit and attending the meetings of the groups by the branch. The assessment of homogeneity and strength of the groups are reflected in the ratings. In short, rating the groups on the specific parameters is the main tool based on which only the request of the groups can be considered for direct linkage. This important criteria was not properly looked into by CSO, but granted large number of SHG loans and many of them happened to be functioning at Aruppukottai town, away from the branch

7) As per extant guidelines, the copies of resolution passed in the group meeting specifying the quantum of loan proposed and how the loan amount will be shared among various members of the groups in order to ensure complete transparency among members of the groups about the bank transaction and the quantum of loan proposed to be availed is not held. This is another vital point not properly looked into by CSO, while sanctioning large number of loans to SHGs, during his tenure as BM, Kovilangulam Further, CSO, granted large number of loans to SHGs under the sponsorship of NGO - Pengal Membattu Maiyam (PMM). There are allegations leveled against the NGO - PMM by Self Help Groups functioning in those areas. The Mahalir thittam have also investigated into the conduct of these groups and their findings are yet to be shared with us.

In short, CSO had sanctioned large number of term loans to SHGs without following any of the prescribed guidelines as detailed above, which resulted in 93 SHG loans with outstanding balance including MOI amounting to Rs. 195.58 lacs sanctioned and disbursed by CSO turned NPA and difficult of recovery.

Thus, the quantum of loss on account of the lapses on the part of CSO in sanctioning large number of SHG loans at Kovilangulam branch are as under:

(in lacs)

S No	Name of NGO	No. of SHGs Financed turned NPA	Balance as on 10.04.2012	MOI	Total
1	PMM	67	122.62	24.77	147.39
2	Auro	14	21.26	6.05	27.31
3	Seeds	6	6.98	1.34	8.32
4	Sarvathra	5	8.44	2.42	10.86
5	Nadar Maha Jana Sangham	1	1.45	0.25	1.70
	Total	93	160.75	34.83	195.58

The statements given by CSO in the two letters dated 12.3.12 and 173 12 about the four SHG loans referred in the charge sheet as charge No.1 are contradictory to each other. In the letter dated 12.03.12, the four SHGs referred in Charge No.1 were having certain problems among the members due to which their activities were hampered. Problems were primarily in joint approach and shifting to fresh activities.

But what was the original activity in which the groups were engaged and what was the activity to which the groups wanted to shift and whether the members had the required expertise to successfully engage in the proposed activity were not discussed in the appraisal Even in the reply dated 17.3.12, it was not spelt out properly. But CSO stated that the same four groups were functioning well and the monthly repayments were regular and the groups wanted increased limits/loans and hence sanctioned fresh loans of Rs.3 lacs against fore closure of the then existing loans accounts against bulk repayments. Groups were sanctioned term loans with repayment period of 36 months. This amply explains that the existing loans were foreclosed by the groups with bulk repayments only to avail fresh loan for increased amounts. After availing such increased loan amounts, no repayments for the next four months and subsequently few irregular repayments in the accounts. These accounts have now turned NPA. The source of bulk amounts mobilized by the groups just to foreclose the loan accounts had also not been verified.

Further, CSO had not obtained no due certificates from previous bankers of the groups especially when the groups are located in a far away town wherein many bank branches are already functioning from which there is every chance of these groups having availed loans many bank branches are functioning and there is every of chance of these groups having loans.

As per extant guidelines, the role of NGO is to form homogenious groups, educate and develop them to function well independly, to conduct meetings, to maintain accounts and other records. If the groups are mature enough to be considered for direct linkage by the bank, the role of NGO ceases at the point of time. Self Help Groups should have been advised to remit their monthly savings, dues in their respective accounts directly at the bank The CSO in his reply stated that consequent to the inspector of branches advising the groups to repay directly at the bank, the channalised repayment through NGOs got affected/stopped Thus, CSO was depending on NGOs for recoveries.

In the following accounts, no evidence of having maintained accounts with any banker is available as as per the letter dated 02.04 12 from the branch.

1)868326083 - Saronin Roja
2)868332100-Jupitor
3)868/551473-Sowmiya
4)838815897- Atshaya

But CSO in his reply dated 12.3.12 and 17.3.12, claimed that the records of the previous barks of these groups had been verified and available at the branch is untrue.

Not only that in the other accounts referred in charge No.2, only unattested xerox copies of pass books are held and no due cum no objection certificates from these bankers not obtained.

Hence, the reply submitted by the CSO is not satisfactory and not acceptable.

In view of the foregoing lapses on the part of CSO and deviation from the prescribed guidelines which has resulted in a huge financial loss of Rs. 195.58 lacs to the bank, I impose the following punishment under minor penalty of

"Reduction to a lower stage in time scale of pay by three stages for a period of two years, without cumulative effect and not adversely affecting his pension under regulation 4(e) of Indian Bank officer employees (Discipline and Appeal) regulation 1976 as amended from time to time)".

11.When a speaking order has been passed by the disciplinary authority and he had also given findings on each of the charges, they have been brushed aside on the solitary ground that the delinquent was not charged with misappropriation and that he was dealing with a difficult portfolio. In our view, these reasons are patently not convincing. More over, the reviewing authority has also shown his due application of mind by suitably modifying the punishment. Interference with such a lenient order was absolutely uncalled for. The order of the learned Single Judge is set aside and the writ appeal is allowed. No costs. Consequently, connected miscellaneous petitions are closed.

(G.R.S. J.,) & (K.R.S. J.,)
19.08.2025

NCC : Yes/No
Index : Yes / No
Internet : Yes/ No
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G.R.SWAMINATHAN, J.
and
K.RAJASEKAR, J.

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