

## **Kshetriya Kisan Gramin Bank vs D.B. Sharma And Ors on 15 November, 2000**

**Equivalent citations: 2000 AIR SCW 4046.2, 2001 (1) SCC 353, 2001 LAB. I. C. 56, 2000 ALL. L. J. 3041, (2001) 88 FACLR 28, (2000) 3 SCJ 242, 2001 SCC (L&S) 1000, (2000) 5 SERVLR 770, (2000) 7 SCALE 489, (2001) 1 ALL WC 279, (2001) BANKJ 306, (2001) 1 LABLJ 10, (2001) 1 LAB LN 24, (2000) 8 SUPREME 29, (2001) 1 BANKCLR 405, AIR 2001 SUPREME COURT 168**

**Author: U.C.Banerjee**

**Bench: U.C.Banerjee**

PETITIONER:  
KSHETRIYA KISAN GRAMIN BANK

Vs.

RESPONDENT:  
D.B. SHARMA AND ORS.

DATE OF JUDGMENT: 15/11/2000

BENCH:  
U.C.Banerjee, G.B.Pattanaik

JUDGMENT:

L.....I.....T.....T.....T.....T.....T.....T.....T..J PATTANAIAK,J.

The appellant is a Regional Rural Bank, established under Section 3 of the Regional Rural Banks Act, 1976 and is sponsored by the Uttar Pradesh Co-operative Bank Limited, Lucknow, which is a society registered under the U.P. Co- operative Societies Act. There are 196 Regional Rural Banks in the country but out of them 195 banks are sponsored by the nationalised banks and it is only the appellant bank, which is sponsored by the U.P. Co-operative Bank. Under Section 3 of the Regional Rural Banks Act, 1976, it is the Central Government, who by Notification in the official Gazette, establishes one or more Regional Rural Banks, only on being requested by a sponsor bank to establish the same. Under sub-section (3) of Section 3 of the said Act it is the duty of the sponsor bank to aid and assist the Regional Rural Bank sponsored by it by subscribing to the share capital, training personnel of such Regional Rural Bank and providing such managerial and financial assistance to such Regional Rural Bank during the first five years of its functioning as may be mutually agreed upon between the Sponsor Bank and the Regional Rural Bank. Under sub- section

(2) of Section 6, of the capital issued by a Regional Rural Bank fifty per cent shall be subscribed by the Central Government, fifteen percent by the concerned State Government and thirty five per cent by the Sponsor Bank. Under Section 17, the Regional Rural Bank is empowered to appoint such number of officers and other employees as it may consider necessary and may determine the terms and conditions of their appointment and service. Under Second proviso to aforesaid Section 17 remuneration of officers and other employees appointed by Regional Rural Bank will be such as may be determined by the Central Government and in determining such remuneration the Central Government shall have due regard to the salary structure of the employees of the State Government and the local authorities of comparable level and status in the notified area. The employees of the Regional Rural Banks filed Writ Petitions in this Court under Article 32, being Writ Petition Nos. 7149-50 of 1982 and 132 of 1984 seeking parity in respect of pay, salary, allowances and other benefits with the employees of Nationalised Banks in corresponding or comparable posts. This Court by order dated 1.9.1987 disposed of those Writ Petitions as the Central Government agreed to appoint a National Industrial Tribunal to decide the question relating to pay, salary, allowances and other benefits payable to the employees of the Regional Rural Banks constituted under the Regional Rural Banks Act, 1976. Pursuance to the aforesaid order the Government of India by Notification dated 26th November, 1987 referred the disputes raised in Writ Petition Nos. 7149-50 of 1982 and 132 of 1984 to the Industrial Tribunal consisting of a Retired Chief Justice of Andhra Pradesh High Court Justice Obul Reddy. The said Tribunal elaborately considered the materials placed before it and gave its Award on 30th April, 1988. The said Tribunal by its Award came to hold that so far as the equation of posts and consequent fixation of new scale of pay, allowances and other benefits for officers and other employees of the Regional Rural Banks at par with the officers and other employees of comparable level in the corresponding posts in the Sponsor Banks and their fitment into new scale of pay, as are applicable to officers of Sponsor Bank in corresponding posts of comparable level, it is a matter which has to be decided by the Central Government in consultation with such authorities as it may consider necessary. In view of the aforesaid observations of the Tribunal the government of India constituted a Committee, called the Equation Committee and referred the Award to the Committee seeking for a report in the matter of Equation. On the basis of the recommendation of the Equation Committee dated 22nd February, 1991, the Union Government in exercise of power under Proviso to sub-section (1) of Section 17 of the Act issued certain directions whereunder the Branch Managers post has been equated with the post of Assistant Manager of the U.P. Co-operative Bank Ltd. and the scale of pay for the latter post has also been made applicable to the former post. This Notification of the Union Government was assailed by the concerned officers of the Bank by filing Writ Petition Nos. 19929 of 1991. The High Court of Allahabad having allowed the Writ Petitions and having issued certain directions relating to the salary of the employees of Kshetriya Kisan Gramin Bank the present appeal has been filed by the Bank on getting Special Leave to Appeal. By the impugned judgment the High Court set aside the circular of the Central Government dated 27th February, 1991, and directed not to make any discrimination between the officers and employees of the Kshetriya Kisan Gramin Bank with the officers of the other Gramin Banks and, further directed that the Assistant Branch Managers of the Appellant Bank should get the same scale of pay as the Assistant Managers of other Gramin Banks sponsored by the Nationalised Banks. For issuing aforesaid direction the High Court came to the conclusion that the Tribunal has accepted the claim of the employees of Appellant Bank and had held that they are entitled to the pay scales which are given to the employees of the Commercial

Bank. After referring to paragraph 4.428 of the Award the High Court further came to the conclusion that the Equation Committee wrongly came to the conclusion that the petitioners being Branch Managers are entitled to the pay scales of Assistant Manager on the plea that since the Banks where petitioners were previously employed have been sponsored by Uttar Pradesh Cooperative Bank Limited, Lucknow and not by other nationalised Bank. Since the Kshetriya Kisan Gramin Bank, Mainpuri is the only Bank which is sponsored by the Uttar Pradesh Cooperative Bank Limited, Lucknow and all other rural Banks have been sponsored by the nationalised banks, the High Court is of the opinion that the distinction made by the Equation Committee is in gross violation of catena of decisions of the Supreme Court relating to the principle equal pay for equal work. The High Court also came to the conclusion that 27 officers of the Appellant Bank have been discriminated in the payment of salary and pay scales as they are otherwise entitled to get the same pay scales of the Commercial Banks as well as Nationalised Banks. On the question of job evaluation the High Court also came to the conclusion that the nature of job being performed by the officers of the Appellant Bank is not dissimilar to that being performed by those sponsored by commercial or nationalised banks and, therefore, there cannot be a discrimination in the matter of pay scales and other benefits with their counterparts.

At the outset, it may be stated that Appellant Bank did not file any counter-affidavit in support of the Government order or the recommendation of the Equation Committee. Mr. Raju Ramachandran, learned senior counsel appearing for the appellant submitted that without controverting any facts which the employees of the Bank might have averred in the Writ Petitions filed before the High Court, the appellant would be able to assail the conclusions of the High Court emanating from the ultimate direction with reference to the very award of the Tribunal and the report of the Equation Committee in as much as the High Court has failed to appreciate the basic principles on which the Tribunal proceeded and has mis-read the findings of the Tribunal which has vitiated the ultimate conclusions. According to Mr. Ramachandran the Tribunal had specifically negated the applicability of the plea of equal pay for equal work. On the other hand the Tribunal thought it fit to apply the principle of parity for determining the salary and other conditions of service of the employees of the Regional Rural Banks. If the principle of parity is to be applied then the employees of the Appellant Bank can have their pay structure with reference to the sponsor bank of the appellant, namely, U.P. Cooperative Bank Ltd., Lucknow, and not the salary of Commercial or Nationalised Banks who happen to be the sponsor of 195 other Regional Rural Banks. Mr. Ramachandran also further urged that under the statute the remuneration of officers appointed by Regional Rural Bank could be determined by the Central Government under the Second proviso to sub-section (1) of Section 17 and while making such determination the Central Government is duty bound to have due regard to the salary structure of the employees of the State Government and the local authorities of comparable level and status in the notified area where the Bank is situated. The aforesaid criteria fixed under the statute will also weigh with the Tribunal appointed for determining the pay structure of these employees who in essence is discharging the function of the Central Government. This being the position, it is obvious that the pay structure of the sponsor bank at the State level will be the relevant guiding factor and, as such, the Equation Committee had rightly determined the pay structure of the respondent employees bearing in mind the criteria fixed under the statute. The High Court, therefore, contended by Mr. Ramachandran, completely overlooked aforesaid statutory criteria while recording its conclusions and giving ultimate directions. Mr.

Ramachandran also contended that the Tribunal, bearing in mind the germane considerations for determination of pay structure of the employees of the Regional Rural Banks came to hold that maintaining a parity with the employees of the sponsor bank would not be inconsistent with the second proviso to sub-section (1) of Section 17, but the High Court, however, had totally ignored the aforesaid statutory criteria provided under the second proviso to sub-section (1) to Section 17, and thus committed gross error in equating the employees of the Appellant Bank with the employees of the other Regional Rural Banks whose sponsoror are the Nationalised Banks in the matter of the pay structure of the employees. According to Mr. Ramachandran under the scheme of the Act the umbilical links between the sponsor bank and the Regional Rural Bank sponsored by them cannot be ignored and on the other hand the same must be borne in mind while deciding the pay structure and other service conditions of the employees. Mr. Ramachandran also contended that a single Gramin Bank, like Appellant Bank may constitute a class by itself and having regard to the sponsorship in question in fact such a classification would be permissible and would not violate the provisions of Article 14. According to Mr. Ramachandran, if the impugned direction of the High Court is given effect to then necessarily the pay scales of the Sponsor Bank of the appellant namely, U.P. Cooperative Bank Ltd. will have to be raised and it would lead to absurd consequences which must be avoided. Mr. Ramachandran lastly submitted that in the matter of equation of posts or equation of salary of employees, the Expert Body appointed for the purposes is the best judge by virtue of its expertise and the decision of such Expert Body should not be interfered with by the Court unless either malafides are alleged and proved or the Court comes to a conclusion that the decision is on account of extraneous consideration or it makes a hostile discrimination and arbitrary in nature. In the case in hand none of these having been alleged and established the High Court committed serious error in interfering with the conclusion of the Equation Committee who had gone into detail and had determined the pay structure of the officers of the Appellant Bank.

Mr. Anantharaman, advocate appearing for some of the respondents, however, submitted that in terms of industrial jurisprudence the Regional Rural Bank employees are entitled to claim parity with the employees of Nationalised and Commercial Banks on the ground of similarity of duties and function and the same would be within the guidelines contained in the second proviso to sub-section (1) of Section 17 of the Act and in fact the Tribunal has held so, and this being the position, the Equation Committee could not have decided the pay structure of the employees of the Appellant Bank differently from the employees of the other Regional Rural Banks and, accordingly the High Court was fully justified in coming to its conclusion about the discrimination meted out to the officers of the Appellant Bank and was fully justified in issuing the impugned direction which need not be interfered with by this Court. According to Mr. Anmantharaman the Award of the Tribunal having been accepted by the Central Government in toto it is the Equation Committee which committed error in granting different pay structure for the officers of the Appellant Bank on the basis of so-called parity with the employees of its Sponsor Bank and as such, it was just and reasonable for the High Court to interfere with the same and the impugned judgment does not suffer from any legal infirmity so as to be interfered with by this Court. The counsel, further contends that neither the Bank nor the Union of India nor even the Sponsor Bank having filed any counter-affidavit in the High Court, are not entitled to assail the conclusions of the High Court which is based on a reading of the findings of the Tribunals and based on the sound principles of discrimination under the Constitution and it would not be appropriate for this Court to interfere

with the same. In his submissions as well as in the written submissions filed in this Court, the learned counsel referred to various paragraphs of the Award to indicate that the very grievance of the employees of the Bank was to have parity with the employees of the Nationalised and Commercial Banks and that grievance has been satisfied only by impugned judgment of the High Court. Consequently the impugned judgment does not require to be interfered with by this Court.

Mr. Vijay Hansaria, learned counsel appearing for some of the respondents on the other hand submitted that even in the matter of equation the Equation Committee was not justified in equating the officers of the Appellant Bank with clerks and other grades of employees of the Sponsor Bank, as is apparent from the conclusion made and in this view of the matter it would constitute hostile discrimination and such discrimination having been struck down by the High Court the judgment of the High Court need not be interfered with by this Court.

In view of the rival submissions at the Bar, the first question that arises for our consideration is whether the Tribunal had really accepted the plea of principle of Equal pay for Equal work or had rejected the same and instead, had applied the principle of parity. We have gone through the award passed by Justice Obul Reddi. The dispute which had been referred to the tribunal for its decision was the dispute relating to pay, salary, allowances and other benefits payable to the employees of the Regional Rural Banks in terms of the pleadings of the parties in the Writ Petition (Civil) Nos. 7149-50/82 and 132 of 1984, filed in the Supreme Court of India. The first two writ petitions had been filed by the All India Grameena Bank Workers Organisation and the third one had been filed by the All India Regional Rural Bank Employees Association. It is undoubtedly true that in the writ petition, prayer had been made for issuance of a mandamus to fix the emoluments of the Regional Rural Bank employees in conformity with the laid down judicial maxims of equal pay for equal work and industry-cum-region formula and bring about parity in emoluments between the employees of Regional Rural Banks inter se and employees of the Nationalised Commercial Banks. The Tribunal on consideration of the stand of the parties and various statistics given by the Banks, came to a conclusion that there would be no serious economic repercussions, if the parity in the matter of pay-scales and allowances, is given to the Regional Rural Banks employees. It also came to the conclusion that there cannot be any comparison between the District Central Co-operative Banks and Regional Rural Banks inasmuch as Co-operatives are a State subject and the said banks are run by the State Governments; whereas Regional Rural Banks are run by the Central Government under an Act of Parliament. It also found that the work carried out by Regional Rural Bank employees and Nationalised commercial bank employees is the same, both in quality and quantity. It further found that there are absolutely no grounds whatsoever to deny parity between the employees of the rural branches of the commercial banks and those of Regional Rural Banks, applying the yardstick of cost of living and volume of business. It also found that the Regional Rural Banks and the rural branches of the commercial banks perform the identical functions and duties. The tribunal came to hold on the basis of evidence on record that the employees of Regional Rural Banks form a separate class under a separate statute and so are the employees of the commercial banks. In paragraph 4.422, the tribunal held:

4.422. I further observed in para 4.149 that I must make it very clear in this connection and let there be no ambiguity about it, that my finding that the RRB

employees form a separate class and that, therefore, they are not discriminated against so as to attract the doctrine of equal pay for equal work, has to be disengaged and de-linked from the question of their claim for parity in their pay structure with the sponsor bank employees in corresponding and comparable posts within the framework of the 2nd proviso on the facts and circumstances of the case.

Shred of legal nuances, their claims have to be examined on the principles of justice and equity.

Ultimately, the tribunal held that the officers and employees of the Regional Rural Banks will be entitled to claim parity with the officers and other employees of the sponsor banks in the matter of pay scales, allowances and other benefits. In paragraph 4.428, the tribunal held as follows:

4.428. So far as the equation of posts and the consequent fixation of the new scales of pay, allowances and other benefits for Officers and other employees of the RRBs on par with the Officers and other employees of comparable level in corresponding posts in sponsor banks and their fitment into the new scales of pay as are applicable to Officers of sponsor banks in corresponding posts of comparable level, it is a matter which has to be decided by the Central Government in consultation with such authorities as it may consider necessary. This will also include the pay scales, benefits, other allowances and fitment of sub-staff of the RRBs with the sub- staff of sponsor banks.

This Award is accordingly passed and it shall cover all existing RRBs. The Award shall be given effect to from 01st day of September, 1987.

In view of the aforesaid conclusions of the tribunal on the basis of evidence placed before it, the conclusion is irresistible that the tribunal never applied the principle of equal pay for equal work and on the other hand was of the view that the employees of the Regional Rural Banks will be entitled to claim parity with the officers and other employees of the sponsor banks in the matter of pay scales, allowances and other benefits and for determining the parity, it left the matter to be decided by the Central Government in consultation with such authorities as it may consider necessary. We are, therefore, persuaded to accept the submissions of Mr. Ramachandran, appearing for the appellant that while resolving the dispute of the employees of the Regional Rural Banks, the tribunal did not apply the so- called principle of equal pay for equal work and on the other hand applied the principle of parity with the officers of the respective sponsor banks.

The next question then arises for consideration is as to what has been done by the Central Government to arrive at the parity. The Central Government appointed an Equation Committee, which Committee discharged the function of equation of posts with the sponsor banks. The Equation Committee was a Committee of five Members with Shri P. Kotaiah as its Chairman. It referred to the findings of the tribunal in its Award in paragraph 4.425, which entitles the employees to claim parity with the officers and employees of the sponsor banks in the matter of pay scales, allowances and other benefits. It considered also the suggestions of the different Associations. It opined that the Personnel of the appellant bank should be equated only with the Personnel of

comparable level in its sponsor bank, viz. the Uttar Pradesh Co-operative Bank Ltd. It thereafter, took up the task of equation of posts and recommended the equation on the basis of some broad criteria and held that whereas the officers and employees of the Regional Rural Banks other than the appellant bank can be equated with the officers and employees of their sponsor banks namely the Nationalised Banks or the Commercial Banks, but so far as the officers of the appellant bank is concerned, they have to be equated with the officers of its own sponsor bank namely the U.P. Co-operative Bank. The Committee also took up the case of equation in detail and submitted its recommendation. We see no infirmity with the Equation made by the Equation Committee on the basis of the pay structure of the employees of the respective sponsor banks and the same is in consonance with the directions of the tribunal as well as the second proviso to sub-section(1) of Section 17. The High Court however in the impugned judgment without properly applying its mind to the relevant conclusions of the tribunal as well as the very basis on which the Equation Committee discharged its obligation of doing the job of equation, erroneously, came to the conclusion that since the nature of job performed by the employees of the appellant bank is not dis-similar to that being performed by those sponsored by commercial or nationalised banks, a difference of pay scales and other benefits would tantamount to discrimination. The aforesaid conclusion is wholly mis-conceived and in utter disregard to the findings of the tribunal as well as the principles enshrined in Article 14 of the Constitution. It is too well settled that even a single institution can form a class by itself and while deciding the question of violation of Article 14 what is required to be found out is whether there are any reasonable basis on which a single person or group of persons are left out of the group and whether there is any rational relation for such differentiation with the object sought to be achieved. In other words, what is necessary is that there must be a nexus between the basis of classification and the object of such classification. This being the test and the test being applied to the case in hand in the light of the provisions of the Regional Rural Banks Act, 1976, it is the sponsor bank, which plays a vital role in the establishment of the rural banks by Government of India and when the Union Government is called upon to determine the remuneration of the officers and employees, appointed by the Regional Rural Banks, the statutory requirements that the Central Government shall have due regard to the salary structure of the employees of the State Government and the local authorities of comparable level and status in the notified area. This being the position and the tribunal having specifically held that the employees of the Regional Rural Banks are entitled to claim parity with the employees of their sponsor banks, the ultimate decision of the Equation Committee on the basis of such parity, cannot be held to be discriminatory nor can it be held to be violative of Article

14. The High Court, in our opinion, therefore, committed serious error on the basis that the employees of all the Regional Rural Banks are entitled to the same parity, irrespective of the pay structure of the employees of their respective sponsor banks. The impugned judgment of the High Court on this score stands vitiated.

The next question that arises for consideration is, as to what extent the High Court would be justified in exercise of its extraordinary jurisdiction under Article 226 to interfere with the findings of an Expert Body like the Equation Committee. In *State of U.P. and Ors. Vs. J.P. Chaurasia and Ors.*, 1989(1) S.C.C. 121, this Court unequivocally held that in the matter of equation of posts or equation of pay, the same should be left to the Executive Government, who can get it determined by

expert bodies like Pay Commission, and such Expert body would be the best judge to evaluate the nature of duties and responsibilities of posts and when such determination by a Commission or Committee is made, the Court should normally accept it and should not try to tinker with such equivalence unless it is shown that it was made with extraneous consideration. Bearing in mind the aforesaid parameters and on examining the impugned judgment of the Allahabad High Court, we have no hesitation to come to the conclusion that the High Court has tried to tinker with the conclusions and decisions of the Equation Committee, even in the absence of any allegations or materials that such decision of the Equation Committee was on extraneous considerations. The Judgment and direction of the High Court on this score is accordingly vitiated. The further conclusion of the High Court to the effect :

in our view although Tribunal arrived at the necessary conclusion that the petitioners may be paid equal pay for equal work because of similarity in the nature of job performed by them being at par with the Branch Manager of the Commercial Bank, there was no reason for making any discrimination on the part of the Central Government to take the contrary view on the basis of the fact that since the petitioners are attached to Rural Banks, which is sponsored by U.P. Cooperative Bank Ltd.

is a thorough mis-reading of the findings of the Tribunal. As has been stated earlier, the Tribunal in no uncertain terms, came to the conclusion that the principle of equal pay for equal work cannot be applied, though the employees of the Regional Rural Banks can claim parity with the employees of their sponsor banks. The concept of equal pay for equal work and the concept of claim of parity with some others are two different concepts and the conclusion of the High Court having been based on a mis-reading of the findings of the Tribunal, the said conclusion is vitiated and must be set aside. The conclusion of the High Court that the Equation Committee erroneously equated the Branch Managers of the Appellant Bank with the Assistant Managers of other Banks is also a conclusion not based upon any rational basis and the High Court was fully in error in applying the pay structure of the Regional Rural Banks sponsored by the Nationalised Bank to the pay structure of the Appellant Bank which was sponsored by U.P. Co-operative Bank. The Equation Committee consisting of specialised personnel having examined the relevant datas and having made the equation with their expertise the same could not have been interfered with by the High Court, particularly when neither there has been any allegation of malice or extraneous consideration nor any materials on that score were there before the Court.

In the aforesaid premises, the impugned judgment of the Allahabad High Court is set aside and this appeal is allowed. The employees of the Appellant Bank would get their pay structure as per the Report of the Equation Committee which was duly accepted by the Government.