

MANAGING DIRECTOR CHHATTISGARH STATE
CO-OPERATIVE BANK MARYADIT

A

v.

ZILA SAHKARI KENDRIYA BANK MARYADIT & ORS.

(Civil Appeal No.1961 of 2020)

B

MARCH 04, 2020

**[DR. DHANANJAYA Y CHANDRACHUD AND
AJAY RASTOGI, JJ.]**

Chhatisgarh Cooperative Societies Act, 1960 - ss.49-E(2), 56(3) – Appellant, a State Cooperative body is the apex body of Cooperative Banks in the State of Chhatisgarh – First respondent is a District Central Cooperative Bank – Appointment of the CEO of the first respondent – Division Bench of High Court held that in terms of s.54(3), appellant had no role in the appointment of the CEO and the power to appoint a CEO could only be exercised by the Registrar upon the failure of the District Central Cooperative Bank to make an appointment within a specified time period – Held: Sub-section (1) of s.49E deals with appointment of CEO of an Apex Society while sub-section (2) with CEO of Central Society – s.54 talks about the cadre of officers – Sub-section (3) of s.54 makes it obligatory upon such class of societies to accept and appoint cadre officers on cadre posts as and when they are deputed by the Apex or Central Societies – Provisions of s.54(3) was amended by Amendment Act 2016 – Present dispute arose by virtue of the 2016 Amending Act which inserted clauses (a) and (b) in s.54(3) of the 1960 Act – Clause (a) of sub-section (3) stipulated that the eligibility criteria for the post of CEO of a Cooperative Bank are those prescribed by the RBI in this regard and clause (b) stipulated that if the concerned Cooperative Bank failed to appoint a CEO under the eligibility criteria within a specified period, the Registrar may appoint an eligible officer of the Bank – The term ‘class of societies’ in s.54(3) excluded Cooperative Banks for the limited purpose of the appointment of their CEO – However, where a Cooperative Bank is a Central Society within the ambit of s.49-E(2), the CEO shall be appointed from among the officers of the cadre constituted and maintained under s.54, where such cadre has been constituted –

C

D

E

F

G

H

- A *State Government is empowered to issue a notification in pursuance of the power conferred upon it under s.54(3) specifying that such Cooperative Bank shall appoint its CEO from the cadre maintained by the Apex Society as notified therein – The notified Apex Society shall forward to the concerned Cooperative Bank a panel of officers, from which the Cooperative Bank shall appoint its CEO, subject to such officer possessing the eligibility criteria as stipulated by the RBI; and where no cadre has been constituted under s.54, the CEO of a Cooperative Bank which is a Central Society under s.49-E(2) shall be appointed with the prior approval of the Registrar as stipulated in s.49-E(2)(b)(ii) – In the instant case, first respondent*
- B *is a Central Society falling within the ambit of s.49-E(2) of the 1960 Act – In exercise of the power conferred by s.54(3) of the 1960 Act, the State Government issued a notification dated 12 January 1971 specifying that Central Cooperative Banks were obligated to employ officers, according to their availability, only from the cadres created by the State Cooperative Bank – Seventh respondent is not an officer from the cadre maintained by the appellant – Consequently, the action of the first respondent in seeking to appoint the seventh respondent as the CEO was not sustainable in law – Appointment of sixth respondent by the appellant as the CEO of first respondent was ratified by the Registrar of Societies and accepted by the BoD of the first respondent – Thus, appointment of sixth respondent was in terms of s.54(3) and was legally sustainable – Order of Division Bench of High Court set aside.*

Interpretation of Statutes: Harmonious construction – Held:

- In interpreting two provisions of a statute, courts must adopt the*
- F *interpretation which does not defeat either provision and advances the remedy envisaged by their enactment – It is settled principle of law that where two provisions of an enactment appear to conflict, courts must adopt an interpretation which harmonises, to the best extent possible, both provisions – Where two provisions of an enactment appear to be in conflict, courts do not readily presume an ‘either/or’ situation – Courts must construe the provisions harmoniously to ensure, as far as possible, the effective operation of both provisions in a manner that furthers the purpose of the enactment – Every provision, phrase, clause and word must be interpreted in a manner to further the object of the enactment – No word or part of a statute should be construed in isolation – Chhattisgarh Cooperative Societies Act, 1960.*

Allowing the appeal, the Court

A

HELD: 1. Section 54 contains provisions for the appointment of Managers, Secretaries and other officers of societies. Sub-section (1) stipulates that a Manager, Secretary, Accountant or other paid officer shall be appointed only if they possess the prescribed qualifications. A reading of the sub-section denotes that the power to make appointments vests with the society itself. Sub-section (2) of Section 54 casts an obligation upon Apex and Central Societies to maintain such cadre of officers as the State Government may, by order, direct. The Registrar is empowered to frame the conditions of service of the members of the cadre so constituted. [Paras 21, 22][327-E-F]

B

C

2. Section 49-E of the 1960 Act deals specifically with the appointment of Managing Directors and Chief Executive Officers in certain circumstances. The provision deals only with the appointment of the Managing Director and the CEO. It covers appointments “in certain circumstances,” which are specified therein. Sub-section (1) of Section 49-E deals with the appointment of the Managing Director of an Apex Society. Sub-section (2) deals with the appointment of the Managing Director (who shall be the CEO) of Central Societies. Section 49-E applies to a situation where the State Government has: contributed to the share capital; or given loans or financial assistance; or guaranteed the repayment of loans, debentures or advances; or given grants in any other form. The provisions of both sub-sections (1) and (2) of Section 49-E begin with an overriding non-obstante stipulation. The provisions operate notwithstanding anything contained to the contrary in the 1960 Act, rules thereunder or bye-laws of the society. Section 49-E thus carves out an exception to the power vested in societies to make appointments under Section 54(1). Sub-section (2)(a) stipulates that for every Central Society, there shall be a Managing Director not below the rank of a Class-II officer, who shall be the CEO of the society. Clause (b) of Section (2) stipulates that the CEO would be appointed from among the officers of the cadre maintained under Section 54, if such a cadre has been constituted and in all other cases, with the prior approval of the Registrar of

D

E

F

G

H

- A Cooperative Societies. Thus, for Central Societies which fall within the purview of Section 49-E(2), the source of appointment for the Managing Director or the General Manager (who shall be the CEO) must be from the officers drawn from the cadre constituted under Section 54, if such cadre has been constituted.
- B In all other cases, the Central Society may appoint the Managing Director or General Manager with the prior approval of the Registrar of Cooperative Societies. [Para 23][327-G-H; 328-A-E]
 - 3. A pre-requisite to bring a Central Society within the fold of Section 49-E(2) is that the State Government has contributed to its share capital, given loans or financial assistance, guaranteed the repayment of loans, debentures or advances or has given grants in any other form. Evidently, this provision has been introduced by the legislature as an effort to maintain regulatory control over Central Societies to whom financial assistance has been extended by the State Government in the terms set out in the provision. For this reason, where the society is a Central Society that satisfies the requirements of Section 49-E(2), the general power vested in it to appoint its CEO under Section 54(1) is limited to appointment from the cadres constituted and maintained under Section 54. [Para 24][328-F-G]
 - 4. Sub-section (3) of Section 54 empowers the State Government to specify, by notification, the class of societies which shall employ officers from cadres maintained by Apex or Central Societies as specified therein. The provision stipulates that upon the issuance of such notification, it shall be obligatory for the class of societies notified therein to accept and appoint such cadre officers on cadre posts as and when deputed by the Apex or Central Society, as the case may be. Upon the issuance of a notification under Section 54(3), an exception is carved to the power of appointment conferred upon the notified class of societies under Section 54(1). Where a class of societies has been notified by the State Government to employ officers from cadres constituted by the Apex or Central Society, the power of appointment vests with the Apex or Central Society, as specified in the notification. The notified class of societies is under an obligation to accept and
- H

appoint cadre officers deputed to cadre posts by the Apex or Central Society, as the case may be. [Para 25][328-H; 329-A-C] A

**5. By virtue of the 2016 Amending Act, clauses (a) and (b) was inserted in Section 54(3) of the 1960 Act. Clause (a) of sub-section (3) stipulates that the eligibility criteria for the post of CEO of a Cooperative Bank are those prescribed by the RBI in this regard. Clause (b) stipulates that if the concerned Cooperative Bank fails to appoint a CEO under the eligibility criteria within a specified period, the Registrar may appoint an eligible officer of the Bank. While Section 54(3) deals with a class of societies, clauses (a) and (b), as inserted by the 2016 Amendment Act are specific in their application to only Cooperative Banks. Furthermore, while Section 54(3) deals with the appointment of deputed cadre officers on cadre posts, clauses (a) and (b) deal only with the appointment of the CEOs of Cooperative Banks. Clause (a) contemplates that the eligibility guidelines prescribed by the RBI will apply to officers holding the post of the CEO of a Cooperative Bank. Significantly, clause (b) of Section 54(3) begins with the words “if the concerning co-operative Bank fails to appoint” which denotes an intention to vest with Cooperative Banks the power to appoint their CEO. The provision also stipulates that where the Cooperative Bank fails to appoint the CEO within a specified period, the Registrar may appoint an eligible officer of the bank. The stipulation that in the case of default, the CEO shall be an officer of the bank and not an officer from the cadre as notified under Section 54(3) demonstrates the intention of the legislature to vest with Cooperative Banks the power to appoint their CEO. Evidently, by virtue of the 2016 Amendment Act, clauses (a) and (b) were inserted as specific provisions for the appointment of the CEO of Cooperative Banks, vesting in them the power of appointment. Where two interpretations of potentially conflicting provisions are possible, courts must adopt the interpretation that furthers the intention of the legislature as encapsulated in the maxim Verba ita sunt intelligenda ut res magis valeat quam pereat. In this view of the matter, a harmonious construction of Section 54(3) and clauses (a) and (b) of the 2016 Amendment Act leads to the B
C
D
E
F
G**

- A conclusion that clauses (a) and (b) are special provisions concerning the appointment of the CEO of Cooperative Banks which are carved out of power of the State Government to issue a notification under Section 54(3). This view is strengthened by the deletion of Section 57-B(19) and the simultaneous insertion of clauses (a) and (b) in Section 54(3). [Paras 26, 34, 35, 36] [329-D-F; 335-C-G]

JK Cotton Spinning and Weaving Mills Co Ltd v. State of Uttar Pradesh AIR 1961 SC 1170 : [1961] 3 SCR 185;

Commercial Tax Officer, Rajasthan v. M/s Binani Cements Ltd. (2014) 8 SCC 319 : [2014] 3 SCR 1;

- C *South Indian Corporation (P) Ltd. v. Secretary, Board of Revenue AIR 1964 SC 207 : [1964] 4 SCR 280;*
- D *Paradip Port Trust v. Their Workmen AIR 1977 SC 36 : [1977] 1 SCR 537;*
- E *Maharashtra State Board of Secondary and Higher Education v. Paritosh Bhupesh Kumar Sheth (1984) 4 SCC 27;*
- F *CCE v. Jayant Oil Mills (1989) 3 SCC 343 : [1989] 2 SCR 291;*
- G *P S Sathappan v. Andhra Bank Ltd (2004) 11 SCC 672 : [2004] 5 Suppl. SCR 188;*
- H *Sarabjit Rick Singh v. Union of India (2008) 2 SCC 417 : [2007] 13 SCR 321;*
- I *Pankajakshi v. Chandrika (2016) 6 SCC 157 : [2016] 3 SCR 1018 – relied on.*

7. Both sub-section (2) and sub-section (3) of Section 54 are not provisions confined only to Cooperative Banks. However, clauses (a) and (b) of sub-section (3) specifically deal with the appointment of CEOs of Cooperative Banks. While introducing

- F clauses (a) and (b) into sub-section (3) of Section 54 by the 2016 Amendment Act, the legislature has nonetheless left intact the provisions of Section 49-E. Section 49-E(2) stipulates that the CEO shall be appointed from among the officers of the cadre maintained under Section 54, where such cadre has been
- G constituted. Section 49-E is a provision governing Apex and Central Societies to whom financial assistance has been extended by the State Government in the forms stipulated therein. The expression “Central Society” is defined to mean a Cooperative Land Development Bank or any other society whose operation is confined to a part of the State, as noticed earlier in Section

(2)(c-i). The provisions contained in Section 49-E are intended to bring about regulatory control of the State Government by requiring the appointment of the CEO from among the officers of the cadre maintained under Section 54. The 2016 Amendment Act which brought in the provision of clauses (a) and (b) of sub-section (3) has not affected the operation of Section 49-E. Hence, the appointment of a CEO of Central Society governed by Section 49-E(2) has to be from the officers of the cadre maintained under Section 54. Significantly, sub-section (2) of Section 49-E contains a non-obstante stipulation. As a consequence, notwithstanding the 2016 Amendment Act, the CEO of a Central Society falling within the description of sub-section (2) of Section 49-E has to be appointed from among the officers of the cadre maintained under Section 54, if such cadre has been constituted. [Para 38][336-C-G]

A

B

C

D

E

F

G

H

8. Section 49-E(2) is not a self-contained provision. Section 49-E(2)(b)(i) merely stipulates that the CEO of a Central Society that falls within its ambit, shall be appointed from among the officers of the cadres maintained under Section 54. Thus, where a cadre under Section 54 has been constituted, a Central Society falling within the ambit of Section 49-E(2) is obligated to appoint its officer from such cadre. Neither Section 49-E nor Section 54(2) specify whether the appointment is to be made from the cadre of the Apex Society or Central Society as constituted under Section 54(2). Section 54(3) empowers the State Government to issue a notification specifying the class of societies which shall employ officers from such cadres maintained by Apex or Central Societies as may be specified therein. In addition to conferring upon the State Government the general power to notify the class of societies which would employ officers from the cadres maintained by Apex or Central Societies, the notification under Section 54(3) operationalizes the regulatory control of the State Government envisaged in Section 49-E(2) in the manner specified therein. [Para 39][336-H; 337-A-C]

9. It is settled principle of law that where two provisions of an enactment appear to conflict, courts must adopt an interpretation which harmonises, to the best extent possible, both provisions. No word or part of a statute can be construed in

- A isolation. Courts must be mindful that an interpretation which renders either provision otiose must be avoided unless the conflict does not yield any possible reconciliation. In this view, this Court must ensure that neither provision – Section 49-E(2) nor Sections 54(3)(a) and (b) is reduced to a dead letter of law. It cannot be said that the carving out of Cooperative Banks for the appointment of their CEO from the enabling power conferred upon the State Government under Section 54(3) applies in equal measure to those Cooperative Banks that are Central Societies within the ambit of Section 49-E(2). The State Government is empowered to issue a notification under Section 54(3) for
- B Cooperative Banks which are Central Societies falling within the ambit of Section 49-E(2) specifying that the Cooperative Bank shall appoint its CEO from the cadre constituted by the Apex Society. At the same time, to ensure that clauses (a) and (b) of Section 54(3) are given effect, the notified Apex Society shall forward to the concerned Cooperative Bank a panel of officers from which the it shall appoint its CEO, subject to the officer satisfying the eligibility criteria prescribed by the RBI. In this view, the regulatory control of the State Government over Cooperative Banks which have received state funding in the manner specified in Section 49-E(2) is retained, which furthers
- C the object of the provision. [Paras 41, 45, 46][337-G-H; 338-D-E; 341-A-D]

Principles of Statutory Interpretation by Justice G P Singh; Statutory Interpretation by Francis Benion – referred to.

- F 10. The State Government is empowered to issue a notification in pursuance of the power conferred upon it under Section 54(3) specifying that such Cooperative Bank shall appoint its CEO from the cadre maintained by the Apex Society as notified therein. The notified Apex Society shall forward to the concerned
- G Cooperative Bank a panel of officers, from which the Cooperative Bank shall appoint its CEO, subject to such officer possessing the eligibility criteria as stipulated by the RBI; and Where no cadre has been constituted under Section 54, the CEO of a Cooperative Bank which is a Central Society under Section 49-E(2) shall be appointed with the prior approval of the Registrar as stipulated in Section 49-E(2)(b)(ii). [Para 47][342-D-F]
- H

11. In the instant case, it was not disputed that the first respondent is a Central Society falling within the ambit of Section 49-E(2) of the 1960 Act. In exercise of the power conferred by Section 54(3) of the 1960 Act, the State Government issued a notification dated 12 January 1971 specifying that Central Cooperative Banks were obligated to employ officers, according to their availability, only from the cadres created by the State Cooperative Bank. A similar notification was issued on 26 June 1971 in terms of which, Central Cooperative Banks were permitted to maintain cadres of officers and, it was stipulated that Village Cooperative Societies including Large Sized Agricultural Credit Societies would have to employ officers drawn only from the cadres maintained by the Central Cooperative Bank. Similarly, by another notification dated 26 June 1971, Central Cooperative Banks were directed to maintain cadres of officers for the appointment of managers in rural cooperative societies including Large Sized Agricultural Credit Societies. The seventh respondent is not an officer from the cadre maintained by the appellant. Consequently, the action of the first respondent in seeking to appoint the seventh respondent as the CEO is not sustainable in law. The appointment of the sixth respondent as CEO was ratified by the Registrar of Societies and accepted by the BoD of the first respondent. [Paras 48, 49][342-G-H; 343-A-C]

Krishan Kumar v. State of Rajasthan (1991) 4 SCC 258 : [1991] 3 SCR 500; British Airways Plc v. Union of India (2002) 2 SCC 95 : [2001] 5 Suppl. SCR 152 – relied on.

<u>Case Law Reference</u>		
[1961] 3 SCR 185	relied on	Para 32
[2014] 3 SCR 1	relied on	Para 33
[1964] 4 SCR 280	relied on	Para 33
[1977] 1 SCR 537	relied on	Para 33
(1984) 4 SCC 27	relied on	Para 33
[1989] 2 SCR 291	relied on	Para 33

H

- A [2004] 5 Suppl. SCR 188 relied on **Para 33**
- [2007] 13 SCR 321 relied on **Para 33**
- [2016] 3 SCR 1018 relied on **Para 33**
- [1991] 3 SCR 500 relied on **Para 42**
- B [2001] 5 Suppl. SCR 152 relied on **Para 43**

CIVIL APPELLATE JURISDICTION: Civil Appeal No. 1961 of 2020.

- C From the Judgment and Order dated 07.08.2018 of the High Court of Chattisgarh at Bilaspur in WA No.96 of 2018.

Vikrant Singh Bais, Yogesh Tiwari, Advs. for the Appellant.

Sameer Shrivastava, Darpan K.M., D.K.Devesh, Rohit Singh, Advs. for the Respondents.

- D The Judgment of the Court was delivered by

DR. DHANANJAYA Y CHANDRACHUD, J.

- E 1. This appeal has arisen from a judgment of a Division Bench of the High Court of Chhattisgarh dated 7 August 2018. Allowing a Letters Patent Appeal, the Division Bench set aside the judgment of a Single Judge dated 19 January 2018. The Division Bench held that the appointment made by the appellant on 11 August 2017 of the Chief Executive Officer¹ of the first respondent bank and its subsequent ratification by the Registrar of Cooperative Societies, were without the authority of law. Consequently, the decision of the appellant was held to be not binding on the first respondent.
- F 2. The appellant – Chhattisgarh State Cooperative Bank - is the apex body of cooperative banks in the State of Chhattisgarh. The first respondent is a District Central Cooperative Bank which is governed by the provisions of the Chhattisgarh Co-Operative Societies Act 1960².
- G 3. The CEO of the first respondent bank was arrested on 9 August 2017 by the Economic Offences Wing of the State of Chhattisgarh on charges of corruption, under the Prevention of Corruption Act 1988³.

¹ “CEO”

² “1960 Act”

H ³ “PC Act”

Upon being produced before the designated Court, he was remanded to A
custody and placed under suspension from his office of the CEO.

4. On 10 August 2017, the seventh respondent was appointed as B
an interim CEO by the Chairperson of the first respondent, pending a
formal decision by the Board of Directors⁴. On 11 August 2017, the
appellant appointed the sixth respondent, who was discharging duties as
a ‘Special Class Managing Director’ at Raipur, as the CEO of the first
respondent. The appellant purported to take this action as the first
respondent had been appointed an interim CEO and the person appointed
did not fulfill the eligibility criteria prescribed by the Reserve Bank of
India⁵. The appellant also sought to justify its action of appointing the
sixth respondent as the CEO of the first respondent with reference to
Section 54(3) of the 1960 Act.

5. The sixth respondent was not given charge as the CEO of the C
first respondent on the ground that a meeting of the BoD was scheduled
to be convened on 16 August 2017. On 16 August 2017, the BoD of the
first respondent approved the appointment of the seventh respondent,
who was initially serving as the interim CEO, as the CEO. The first D
respondent instituted a Writ Petition⁶ before the High Court of
Chhattisgarh challenging the legality of the order dated 11 August 2017,
by which the appellant had appointed the sixth respondent as the CEO. E
Essentially, the case of the first respondent is that the appointment of its
CEO lies solely within its discretion and neither the appellant as the apex
society nor the Registrar has the power to appoint a CEO. The BoD of
the first respondent bank sought a clarification from the Registrar of
Cooperative Societies on 17 August 2017 regarding the appointment of F
the sixth respondent as the CEO. By his communication dated 21 August
2017, the Registrar stated that the appointment made by the appellant of
the sixth respondent was in accordance with law and that the order of
appointment should be complied with.

6. On 25 August 2017, the BoD of the first respondent resolved to G
accept the appointment of the sixth respondent and directed that the
seventh respondent shall hand over charge of the post of the CEO to the
sixth respondent.

⁴ “BoD”

⁵ “RBI”

⁶ W.P (C) 3875 of 2017

- A 7. A learned Single Judge of the Chhattisgarh High Court by a judgment dated 19 January 2018 dismissed the Writ Petition filed by the first respondent holding that the appointment of the sixth respondent was in terms of the provisions of Section 54(3) of the 1960 Act and was legally sustainable. The Single Judge also noted that the appointment had been ratified by the Registrar of Cooperative Societies and that the appointment had also been accepted at a meeting of the BoD of the first respondent.

- B 8. Aggrieved by the order of the learned Single Judge, the first respondent filed a Writ Appeal⁷ before the Division Bench, which was allowed by the impugned order dated 7 August 2018. The Division Bench held that under the amended provisions of Section 54(3), which were incorporated with effect from 14 December 2016, the appellant had no role in the appointment of the CEO. In the view of the Division Bench, the power to appoint a CEO could only be exercised by the Registrar upon the failure of the District Central Cooperative Bank to make an appointment within a specified time period. This, the Division Bench held, flows from clause (b) of Section 54(3). The Division Bench was of the view that there was no failure on the part of the first respondent in making an ad-interim arrangement, pending the meeting of the BoD on 16 August 2017 to appoint a regular CEO. The Division Bench found fault with the appellant for having stepped-in to fill a vacuum when none existed. Holding that this was a case of the usurpation of power by the Apex Body, the Division Bench held that the ratification of the appointment by the Registrar of Cooperative Societies was of no consequence. The judgment of the learned Single Judge was accordingly set aside.

- C 9. Before we note the rival submissions, it is necessary to advert to the relevant provisions of law, as applicable to the present dispute.

10. Section 49-E of the 1960 Act deals with the appointment of a Managing Director and CEO, as its marginal notes indicates, “in certain circumstances”. Section 49-E provides as follows:

- D “49-E. Appointment of Managing Director and Chief Executive Officer in certain circumstances.-(1)(a) Notwithstanding anything contained in this Act or rules or byelaws made thereunder for any Apex Society where

H

⁷ Writ Appeal No. 96 of 2018

the State Government has contributed to its share capital or has given loans or financial assistance or has guaranteed the repayment of loans granted in any other form, there shall be a Managing Director, not below the rank of a Class I Officer, who shall be selected by a committee constituted at the State level consisting of the Agriculture Production Commissioner, Chairman of the Apex Society, Registrar Co-operative Societies and one Director nominated by the Board of Apex Society.”

A

Provided that if the committee fails to select the Managing Director unanimously, the matter shall be referred to the State Government whose decision thereon shall be final.

B

C

(b) The Managing Director shall be ex-officio member of the committee.

D

(c) The Managing Director shall be the Chief Executive Officer of the society and shall perform such duties and exercise such powers as may be prescribed.

(2)(a) Notwithstanding anything contained in this Act, or the Rules or byelaws made thereunder for every Central society where the State Government has contributed to its share capital or has given loans or financial assistance or has guaranteed the repayment of loans, debentures, or advances or has given grants in any other form, there shall be a Managing Director or a General Manager not below the rank of a Class II Officer who shall be the Chief Executive Officer of the society and ex-officio member of the committee:

E

F

(b) The Chief Executive Officer shall be appointed:

(i) from among the Officers of the cadre maintained under Section 54 if such a cadre has been created; (ii) in other cases with the prior approval of the Registrar.

G

(c) The Chief Executive Officer shall perform such duties and exercise such powers as may be prescribed.”

11. Sub-section (1) of Section 49-E deals with the appointment of the Managing Director and CEO of an Apex Society. The expression ‘Apex Society’ is defined in Section 2(a-i) to mean

H

- A “a society whose principal object is to provide facilities for the operation of other societies affiliated to it and whose area of operation extends to the whole State...”

Sub-section (2) deals with the appointment of a Managing Director or a General Manager who shall be the CEO of a Central Society. The expression ‘Central Society’ is defined in Section 2(c-i) as follows:

- “Central Society” means a Co-operative Land Development Bank or any other society whose area of operation is confined to a part of the State and which has as its principal object the promotion of the principal objects and the provision of facilities for the operation of same type of societies and for other societies affiliated to it and not less than five members of which are societies.”

12. Sub-section (1) applies to an Apex Society while sub-section (2) applies to a Central Society. Sub-section (2), with which we are concerned, applies to a Central Society to which the State Government has: (i) contributed the share capital; or (ii) granted loans or financial assistance; or (iii) guaranteed the repayment of loans, debentures, or advances; or (iv) given grants in any other form. Sub-section (2)(b) provides that the CEO of every Central Society shall be appointed from among the officers of the cadre maintained under Section 54, if such a cadre has been created and, in other cases, with the prior approval of the Registrar.

13. Section 49-E(2)(b)(i) refers to the cadre of officers maintained under Section 54. Section 54 is in the following terms:

- “54. Appointment of Managers, Secretaries and other officers.-
F (1) No society shall appoint a Manager, Secretary, Accountant or other paid officer unless he holds such qualifications as may be prescribed.
(2) The Apex and Central Societies shall maintain such cadres of officers and other servants as the State Government may, by order, direct and the conditions of service of members of such cadre shall be such as the Registrar may, by order, determine.
G (3) The State Government may, by notification, specify the class of societies which shall employ officers from such cadres maintained by the Apex or Central Societies under sub-section (2) as may be specified therein and it shall be obligatory on the part of such class of societies to accept and appoint such cadre

officers on the cadre posts as and when deputed by the Apex or A
Central Societies.”

Sub-section (1) of Section 54 provides that a society shall not appoint a Manager, Secretary, Accountant or other paid officer unless the person holds such qualifications as are prescribed. Under sub-section (2), Apex and Central Societies have to maintain such cadres of officers and other servants as the State Government may, by order, direct. Under sub-section (3), the State Government is empowered to issue a notification specifying the class of societies which shall employ officers from the cadres maintained by the Apex or Central Societies. Sub-section (3) also makes it obligatory upon such class of societies to accept and appoint cadre officers on cadre posts, as and when they are deputed by the Apex or Central Societies.

14. In exercise of the power conferred by sub-section (3) of Section 54, a notification was issued by the State of Madhya Pradesh (prior to its reorganisation) on 12 January 1971. The notification is extracted below:

“Notification No. 258-413-Fifteen-1.71 dated 12.01.1971

By exercising powers under sub-section 3 of section 54 of Madhya Pradesh Cooperative Societies Act 1960 (No. 17 of 1961), The State Govt. vide this notification notifies that the cooperative societies mentioned in column 3 of the schedule given below shall appoint officers from the cadre constituted by the Apex Cooperative Society mentioned in column 2 of the schedule given below in front of them as per their availability.

SCHEDULE

Sl. No.	Name of Apex Cooperative Society	Name of Cooperative Society
(1)	(2)	(3)
1	M.P. State Cooperative Bank Ltd.	Central Cooperative Bank
2	Madhya Pradesh State land Development Bank	Primary Cooperative Land Development Bank
3	Madhya Pradesh State Cooperative Marketing Federation	Primary Cooperative Marketing Societies and Process Committee

(Published in part-1 of Gazette of M.P. dated 19.02.1971)”

- A 15. In terms of the above notification, it was stipulated that a cooperative society specified in column (3) of the Schedule shall appoint officers from the cadre constituted by the Apex Cooperative Societies mentioned in column (2) of the Schedule. The first entry in the Schedule specifies the Madhya Pradesh State Cooperative Bank Ltd. as the Apex Cooperative Society and the Central Cooperative Bank as the Cooperative Society. In other words, the Central Cooperative Bank is required to appoint officers from the cadre constituted by the State Cooperative Bank. This notification, it is not in dispute, applies to the State of Chhattisgarh.
- B 16. The provisions of Section 54(3) were amended by the Chhattisgarh Cooperative Societies (Amendment) Act 2016⁸, with effect from 14 December 2016. The following provisions were inserted at the end of Section 54(3):
- C “(a) The eligibility criteria to hold the office of Chief Executive Officer of any Co-operative Bank shall be as such as may be prescribed by the Reserve Bank in this regard.
- D (b) If the concerning Co-operative Bank fails to appoint the Chief Executive Officer under the eligibility criteria within a specified period, in such a condition the Registrar may appoint such eligible officer of the Bank.”
- E 17. The present dispute has been occasioned by the insertion of clauses (a) and (b) in Section 54(3) of the 1960 Act by virtue of the Amending Act of 2016.
- F 18. The appellant has urged the following submissions:
- G (i) The CEO of the first respondent (which is a District Central Cooperative Bank) is a paid officer whose appointment is regulated by Section 54(1), which mandates the appointment of only persons who possess the prescribed qualifications. The appointment which was made by the first respondent was of a person who did not fulfill the prescribed qualifications;
- H (ii) Section 54(2) mandates the first appellant to maintain cadre of officers as the State Government may, by order, direct. In exercise of the power conferred by Section 54(3), the State Government issued a notification dated 12 January 1971

H ⁸“2016 Amendment Act”

which stipulated that the Central Cooperative Bank must appoint officers from the cadre constituted by the State Cooperative Bank. By virtue of Section 54(3) and the notification dated 12 January 1971, the first respondent (as a District Central Cooperative Bank) is obligated to accept and appoint the officer deputed by the appellant (as the Apex Society) as the CEO. In the present case, the person who was appointed by the first respondent did not fulfill the prescribed eligibility criteria. Hence, the sixth respondent was appointed as CEO in exercise of the appellant's authority under Section 54(3) to make that appointment;

- (iii) Pursuant to Section 54(3), a notification was issued on 26 June 1971 under which all Central Cooperative Banks in the state were permitted to maintain cadres of officers from whom appointments to Village Cooperative Societies, including Large Sized Agricultural Credit Societies would be made. By another notification dated 26 June 1971 also under Section 54(3), Central Cooperative Banks were permitted to maintain cadres of employees from whom managers for rural cooperative societies would be appointed. Thus, all Central Cooperative Banks in the State of Chhattisgarh have to maintain a cadre of employees in terms of the above notifications dated 26 June 1971 and all Village Cooperative Societies including Large Sized Agricultural Credit Societies shall employ officers only from the said cadres;
- (iv) Sub-section (2) of Section 49-E specifically deals with the appointment of the Managing Director or a General Manager who shall be the CEO of Central Societies to which the State Government has made a contribution of share capital, furnished loans or granted financial assistance or any other grant. Sub-clause (b)(i) of sub-section (2) clearly stipulates that the CEO shall be appointed from among officers in the cadre constituted under Section 54;
- (v) Rule 3 of the Central Cooperative Bank Staff Services Rules 1982 stipulates that appointments to all posts classified as Class-I posts shall be made by the Apex Bank from the list of cadre officers maintained by it. The Bye-laws of the first respondent stipulate that appointments to the post of Managing

A

B

C

D

E

F

G

H

- A Director/General Manager/Manager shall be from the cadre of officers maintained by the Apex Bank. If a cadre officer is not available due to unforeseen circumstances, a temporary appointment may be made by the first respondent with the prior permission of the appellant, subject to such terms and conditions as may be imposed;
- B (vi) The 2016 Amendment Act which amended Section 54(3) must be read together with other provisions and not independently. The amendment in sub-section (3) only deals with the eligibility criteria and is equally applicable to both the Apex Society and to any Central Society. Both the appellant and the first respondent are cooperative banks. The appellant is an Apex Society while the first respondent is a Central Society;
- C (vii) Under sub-section (2) of Section 54, both Apex Societies and Central Societies have to maintain cadres of officers and other servants as the State Government may, by order, direct. Sub-section (3) makes it obligatory on the first respondent (which is a Central Society) to accept and appoint a cadre officer to a cadre post as and when deputed by the appellant (which is the Apex Society). It is only if the CEO is not appointed within a specified period, that the Registrar is empowered to appoint an eligible officer as the CEO.
- D (viii) In the present case, the earlier CEO of the first respondent was arrested on a charge of corruption under the PC Act. The Chairperson of the first respondent appointed a **Manager** as an interim CEO, who was not from the cadre of officers maintained by the Apex Bank. Hence, the appellant in exercise of its powers under Section 54(3) read with the notification dated 12 January 1971, deputed the sixth respondent as CEO of the first respondent on 11 August 2017 which appointment, the first respondent was bound to accept. On a clarification sought by the BoD of the first respondent, the Registrar of Cooperative Societies, by his reply dated 21 August 2017 observed that the appointment made by the appellant was in accordance with law. Consequently, the BoDs accepted the appointment of the sixth respondent at a meeting on 25 August 2017. The order deputing the sixth respondent as CEO was ratified by the Registrar and accepted by the BoD of the first respondent; and

(ix) The learned Single Judge correctly dismissed the Writ Petition filed by the first respondent. The Division Bench allowed the Writ Appeal on an erroneous appreciation of the applicable legal regime. In the case of all Central Cooperative Banks in Chhattisgarh, the CEO is an officer drawn from the cadre maintained by the Apex Bank. This is in consonance with Sections 49-E and 54(3) of the 1960 Act and notifications issued from time to time. The consequence of the impugned decision would be to deprive the Apex Bank of its authority to monitor the affairs of Central Cooperative Societies. Financial control can be maintained through the power to appoint CEOs. Such a position was occasioned as huge amounts of public funds is at stake. The view of the Division Bench will have far-reaching repercussions in the cooperative set up and the beneficial purpose of the legislation would be defeated resulting in mismanagement and misappropriation of public funds. A

19. On the other hand, learned counsel appearing on behalf of the first respondent urged that:

(i) Section 57-B of the 1960 Act was inserted by the Chhattisgarh Cooperative Societies (Amendment) Act 2012⁹. Sub-section (19) of Section 57-B provides that the CEO of State Cooperative Banks and Central Cooperative Banks shall be appointed by the members of the board of the State Cooperative Bank and the Central Cooperative Bank, as the case may be, from among a panel of names not exceeding three persons eligible to hold the office of CEO in accordance with the criteria stipulated by the RBI. The aforesaid panel was to be recommended by a selection board consisting of the following persons, all of whom shall be the members of the Board of the State Cooperative Bank or the Central Cooperative Bank, as the case may be: E

a) The nominee of the State government on the board; F

b) The nominee of the National Bank on the board; and

c) One other member of the board, whether elected or co-opted. G

⁹ “2012 Amendment Act”

- A (ii) Section 57-B of the 1960 Act was omitted by the 2016 Amendment Act and clauses (a) and (b) were inserted in sub-section (3) of Section 54 of the 1960 Act, whereby the power was given to the Cooperative Bank to appoint the CEO within a specified time period and in default, the Registrar is empowered to appoint such eligible officer of the bank as the CEO;
- B (iii) The language of the 1960 Act indicates that the CEO of Cooperative Societies, be it a Primary Cooperative Society, Central Cooperative Society or State Cooperative Society, can be appointed by that Cooperative Society only. A plain reading of Section 54(3) (a) and (b) makes it crystal clear that the power to appoint a CEO lies with the Cooperative Society and not with the Apex Society. It is also clear from the reading of the provision that the CEO of the Cooperative Bank shall be appointed from the eligible officers of the said Cooperative Bank. This can also be inferred from the fact that the said power was earlier given under section 57-B of the 1960 Act but by the 2016 Amendment Act, Section 57-B was omitted and the provision of appointment was inserted in Section 54(3)(b);
- C
- D
- E (iv) Clause (b) of sub-section (2) of Section 49-E enumerates that a CEO shall be appointed from among the Officers of the cadre maintained under Section 54, if such a cadre has been created. Section 54(1) provides that the “no society shall appoint a Manager, Secretary, Accountant and other paid officer unless he holds such qualifications as may be prescribed”. The word “**Society**” mentioned in sub-section (1) of Section 54 includes Primary Cooperative Societies, Central Cooperative Societies and State Cooperative Societies, which means that every society shall appoint its Manager, Secretary, Accountant and other paid officers;
- F
- G (v) The notification dated 12 January 1971 issued by the State Government under Section 54(3) will be considered to be nullified by the 2012 Amendment Act and subsequently by the 2016 Amendment Act. The said notification is not applicable in appointing a CEO in view of the omission of Section 57-B of the 1960 Act and the subsequent insertion
- H

of Section 54(3)(a) and (b). The 1960 Act does not mention that the CEO of the Central Cooperative Bank shall be appointed by the State Cooperative Bank from the cadre officers of the State Cooperative Bank. What is not provided in the statute cannot be read into it. This is more so when the language of section 54(3)(b) is plain, clear and unambiguous that the Cooperative Society shall appoint the CEO;

A

- (vi) It is settled law that if the language of the statute is clear, plain and unambiguous and admits of only one meaning, then no question of interpretation arises. The appellant cannot be permitted to add words in the statute to make it workable for it; and
- (vii) The action of the State Cooperative Bank in appointing the CEO of the Central Cooperative Bank is arbitrary and illegal as it is beyond the powers of the State Cooperative Bank under the 1960 Act.

B

C

D

20. The rival submissions now fall for consideration.

21. Section 54 contains provisions for the appointment of Managers, Secretaries and other officers of societies. Sub-section (1) stipulates that a Manager, Secretary, Accountant or other paid officer shall be appointed only if they possess the prescribed qualifications. A reading of the sub-section denotes that the power to make appointments vests with the society itself.

E

22. Sub-section (2) of Section 54 casts an obligation upon Apex and Central Societies to maintain such cadre of officers as the State Government may, by order, direct. The Registrar is empowered to frame the conditions of service of the members of the cadre so constituted.

F

23. Section 49-E of the 1960 Act deals specifically with the appointment of Managing Directors and Chief Executive Officers in certain circumstances. The provision deals only with the appointment of the Managing Director and the CEO. It covers appointments “in certain circumstances,” which are specified therein. Sub-section (1) of Section 49-E deals with the appointment of the Managing Director of an Apex Society. Sub-section (2) deals with the appointment of the Managing Director (who shall be the CEO) of Central Societies. Section 49-E applies to a situation where the State Government has:

G

H

- A (i) contributed to the share capital; or
 - (ii) given loans or financial assistance; or
 - (iii) guaranteed the repayment of loans, debentures or advances;
- or
- B (iv) given grants in any other form.

The provisions of both sub-sections (1) and (2) of Section 49-E begin with an overriding non-obstante stipulation. The provisions operate notwithstanding anything contained to the contrary in the 1960 Act, rules thereunder or bye-laws of the society. Section 49-E thus carves out an

- C exception to the power vested in societies to make appointments under Section 54(1). Sub-section (2)(a) stipulates that for every Central Society, there shall be a Managing Director not below the rank of a Class-II officer, who shall be the CEO of the society. Clause (b) of Section (2) stipulates that the CEO would be appointed from among the officers of the cadre maintained under Section 54, if such a cadre has been constituted
- D and in all other cases, with the prior approval of the Registrar of Cooperative Societies. Thus, for Central Societies which fall within the purview of Section 49-E(2), the source of appointment for the Managing Director or the General Manager (who shall be the CEO) must be from the officers drawn from the cadre constituted under Section 54, if such
- E cadre has been constituted. In all other cases, the Central Society may appoint the Managing Director or General Manager with the prior approval of the Registrar of Cooperative Societies.

24. A pre-requisite to bring a Central Society within the fold of Section 49-E(2) is that the State Government has contributed to its share

- F capital, given loans or financial assistance, guaranteed the repayment of loans, debentures or advances or has given grants in any other form. Evidently, this provision has been introduced by the legislature as an effort to maintain regulatory control over Central Societies to whom financial assistance has been extended by the State Government in the terms set out in the provision. For this reason, where the society is a
- G Central Society that satisfies the requirements of Section 49-E(2), the general power vested in it to appoint its CEO under Section 54(1) is limited to appointment from the cadres constituted and maintained under Section 54.

25. Sub-section (3) of Section 54 empowers the State Government
- H to specify, by notification, the class of societies which shall employ officers

from cadres maintained by Apex or Central Societies as specified therein. The provision stipulates that upon the issuance of such notification, it shall be obligatory for the class of societies notified therein to accept and appoint such cadre officers on cadre posts as and when deputed by the Apex or Central Society, as the case may be. Upon the issuance of a notification under Section 54(3), an exception is carved to the power of appointment conferred upon the notified class of societies under Section 54(1). Where a class of societies has been notified by the State Government to employ officers from cadres constituted by the Apex or Central Society, the power of appointment vests with the Apex or Central Society, as specified in the notification. The notified class of societies is under an obligation to accept and appoint cadre officers deputed to cadre posts by the Apex or Central Society, as the case may be.

A

B

C

D

E

F

G

H

26. The present dispute has arisen by virtue of the 2016 Amending Act which inserted clauses (a) and (b) in Section 54(3) of the 1960 Act. Clause (a) of sub-section (3) stipulates that the eligibility criteria for the post of CEO of a Cooperative Bank are those prescribed by the RBI in this regard. Clause (b) stipulates that if the concerned Cooperative Bank fails to appoint a CEO under the eligibility criteria within a specified period, the Registrar may appoint an eligible officer of the Bank. The submission of the first respondent, which has found acceptance with the Division Bench of the High Court, is that as a result of the amendment which was made in 2016, the exclusive jurisdiction to appoint a CEO of a Cooperative Bank vests with the Bank itself. However, according to the submission, the CEO must fulfill the eligibility criteria prescribed by the RBI. Moreover, it is only where the Cooperative Bank fails to appoint an eligible CEO within a specified period, that clause (b) of Section 54(3) empowers the Registrar of Cooperative Societies to appoint an eligible officer of the bank.

27. In the submission of the first respondent, clauses (a) and (b) are special provisions enacted for Cooperative Banks and are intended to have an overriding effect over: (i) the power of the State Government to issue a notification in exercise of its powers under Section 54(3); and (ii) Section 49-E(2) which mandates that Central Societies shall appoint their CEOs from the cadre constituted under Section 54. Clauses (a) and (b) of Section 54(3), it was contended, vests with Cooperative Banks the absolute power to appoint their CEOs, notwithstanding any other provision in the 1960 Act. The effect of the amended provision may be

- A considered in two parts: first, its effect on the power of the State Government to issue a notification in pursuance of the power conferred upon it under Section 54(3); and second, its effect on Section 49-E(2).

28. By virtue of the 2012 Amendment Act, Section 57-B was introduced as a new Chapter V-A with provisions for short term Co-operative Credit Structure Societies. The term ‘short term Co-operative Credit Structure Societies’ was defined as including “the State Co-operative Bank, a Central Co-operative Bank and a Primary Agricultural Credit Co-operative Society”. Section 57-B(19) stipulated that the Chief Executive Officer of the State Co-operative Bank and a Central Co-operative Bank, shall be appointed by the members of the Board of the State Co-operative Bank or the Central Co-operative Bank, as the case may be. The appointment was to be made from a panel of names eligible to hold the post in accordance with the criteria stipulated by the RBI. The constitution of the Selection Board was also set out in sub-section (19). By virtue of this provision, an exception was carved out for the appointment of the CEO of Central Co-operative Banks and State Co-operative Banks, subject to the conditions prescribed therein.

29. By the 2016 Amendment Act, Section 57-B was deleted and clauses (a) and (b) were inserted in Section 54(3). Significantly, sub-section (3) of Section 54 is not confined only to Cooperative Banks. E Section 54(3) empowers the State Government to specify, by notification, the **class of societies** which shall employ officers from cadres maintained by Apex or Central Societies. The term ‘class of societies’ employed in Section 54(3) includes any type of society covered by the provisions of the 1960 Act, including Cooperative Banks (as resource societies). This view is strengthened by Section 10 of the 1960 Act which mandates that the Registrar of Cooperative Societies shall classify all societies under one or more of the following heads:

- (i) Consumer Society;
(ii) Farming Society;
G (iii) Housing Society;
(iv) Marketing Society;
(v) Multipurpose Society;
(vi) Producer’s Society;

H

- (vii) Processing Society; A
- (viii) Resource Society;
- (ix) General Society; and
- (x) Industrial Society.

Section 10 also empowers the Registrar to further classify societies B
falling under any of the above classifications into:

- (i) Apex Society;
- (ii) Central Society; and
- (iii) Primary Society. C

30. The 1960 Act covers a myriad of societies under its ambit. D
Though the term ‘class of societies’ includes within its ambit Cooperative Banks, the learned counsel for the first respondent has contended that clause (a) and (b) of Section 54(3) were intended to carve out Cooperative Banks from the enabling power conferred upon the State Government and vest with them the exclusive power to appoint their CEOs. It was been urged that were this Court to hold that there is an obligation upon a Cooperative Bank, as a notified society under Section 54(3), to accept from the Apex or Central Society as specified in the notification a deputed cadre officer as its CEO, clauses (a) and (b) would be rendered otiose. E

31. It is a settled principle of law that where two provisions of an F
enactment appear to conflict, courts must adopt an interpretation which harmonises, to the best extent possible, both provisions. **Justice G P Singh** in his seminal work *Principles of Statutory Interpretation* states:

“To harmonise is not to destroy. A familiar approach in all such cases is to find out which of the two apparently conflicting provisions is more general and which is more specific and to construe the more general one as to exclude the more specific...The principle is expressed in the maxims *Generalia specialibus non derogant* and *Generalibus specialia*.” G

Similarly, **Craies** in *Statute Law* states:

“The rule is, that whenever there is a particular enactment and a general enactment in the same statute, and the latter, taken in its most comprehensive sense, would overrule the former, the particular enactment must be operative, and the general enactment H

- A must be taken to affect only the other parts of the statute to which it may properly apply.”

Where two provisions conflict, courts may enquire which of the two provisions is specific in nature and whether it was intended that the specific provision is carved out from the application of the general

- B provision. The general provision operates, save and except in situations covered by the specific provision. The rationale behind this principle of statutory construction is that were there appears a conflict between two provisions, it must be presumed that the legislature did not intend a conflict and a subject-specific provision governs those situations in exclusion to the operation of the general provision.

- C 32. In an early decision of this Court in **JK Cotton Spinning and Weaving Mills Co Ltd v State of Uttar Pradesh**¹⁰, a three judge Bench of this Court considered whether the principle applied to conflicts within the same enactment. Clause 5(a) of the Government Order dated

- D 10 May 1948 conferred upon, *inter alia*, any employee or a registered trade union of employers the right to move the Board constituted under the Order to initiate an enquiry into an industrial dispute. Clause 23 stipulated that where an enquiry is pending before the Regional Conciliation Officer, notwithstanding the pendency of a case before the Board or Industrial Court, no employer shall discharge or dismiss any

- E workman. Under Clause 24, an order of the Board, unless modified in appeal, was final and conclusive. The appellant, representing the employer's union, contended that once an order is made under Clause 5(a), Clause 23 has no application and the employer may proceed to dismiss the workmen. The Court rejected the contention noting that any employer could defeat the provisions of Clause 23 merely by an application

- F under Clause 5(a). The Court held that Clause 23 was made with a definite purpose. Consequently, where an enquiry was pending under Clause 23, an application under Clause 5(a) was barred. The Court held:

- G “9...We reach the same result by applying another well-known rule of construction that general provisions yield to special provisions. The learned Attorney-General seemed to suggest that while this rule of construction is applicable to resolve the conflict between the general provision in one Act and the special provision in another Act, the rule cannot apply in resolving a conflict between general and special provisions in the same legislative instrument.

This suggestion does not find support in either principle or authority. The rule that general provisions should yield to specific provisions is not an arbitrary principle made by lawyers and Judges but springs from the common understanding of men and women that when the same person gives two directions one covering a large number of matters in general and another to only some of them his intention is that these latter directions should prevail as regards these while as regards all the rest the earlier direction should have effect.

A

B

C

D

E

F

G

10. Applying this rule of construction that in cases of conflict between a specific provision and a general provision the specific provision prevails over the general provision and the general provision applies only to such cases which are not covered by the special provision, we must hold that clause 5(a) has no application in a case where the special provisions of clause 23 are applicable.”

This Court affirmed that the principle that the general excludes the specific is a tool of statutory interpretation even in cases of conflict within the same enactment. Where one of the conflicting provisions is general in nature and the other is specific, ‘common understanding’ dictates that the specific provision is given effect, while the general provision continues to apply to all other situations.

33. In **Commercial Tax Officer, Rajasthan v M/s Binani Cements Ltd.**,¹¹ the question concerned whether the respondent-assessee was entitled for the grant of an eligibility certificate for exemption from payment of Central Sales Tax and Rajasthan Sales Tax under Entry 4 in Annexure ‘C’ of the Sales Tax New Incentive Scheme for Industries, 1989. Annexure ‘C’ to the Scheme was titled the ‘Quantum of Sales Tax Exemption under the new Scheme’. Entry 4 of the Annexure stipulated that ‘Prestigious Units’ would be entitled to a 75% exemption from tax liability with 100% in terms of Fixed Capital Investment. By an amendment, Entry 1E was inserted which covered ‘new cement units’ and stipulated that large-scale units would be entitled 25% tax exemption. A two judge Bench of this Court held:

“27. Before we deal with the fact situation in the present appeal, we reiterate the settled legal position in law, that is, if in a Statutory

¹¹Civil Appeal No. 336 of 2003, decided on 19 February 2014.

H

- A Rule or Statutory Notification, there are two expressions used, one in General Terms and the other in special words, under the rules of interpretation, it has to be understood that the special words were not meant to be included in the general expression. Alternatively, it can be said that where a Statute contains both a General Provision as well as specific provision, the later must prevail.
- B 29...It is well established that when a general law and a special law dealing with some aspect dealt with by the general law are in question, the rule adopted and applied is one of harmonious construction whereby the general law, to the extent dealt with by the special law, is impliedly repealed. This principle finds its origins in the latin maxim of *generalia specialibus non derogant...*"
- C The Court held that where two provisions are in question – one of general application and the other specific in nature, a harmonious interpretation would mean that the general law, to the extent it is dealt with by the special law, is impliedly repealed. This Court, relying on the principle *generalia specialibus non derogant* held that Item 1E is a "subject specific provision". The Court noted that the amendment removed "new cement industries" from the non-eligible Annexure 'B' and placed it into Annexure 'C' amongst the eligible industries.
- D E Consequently, the Court rejected the contention of the respondent-assessee and held that as Item 1E concerned the more specific unit, it was excluded in its application from other general entries.
- F The principle that the general provision excludes the more specific has been consistently applied by this Court in **South Indian Corporation (P) Ltd. v Secretary, Board of Revenue**¹², **Paradip Port Trust v Their Workmen**¹³, **Maharashtra State Board of Secondary and Higher Education v Paritosh Bhupesh Kumar Sheth**¹⁴, **CCE v Jayant Oil Mills**,¹⁵ **P S Sathappan v Andhra Bank Ltd**¹⁶, **Sarabjit Rick Singh v Union of India**¹⁷ and **Pankajakshi v Chandrika**¹⁸.
- G

 - ¹² AIR 1964 SC 207
 - ¹³ AIR 1977 SC 36
 - ¹⁴ (1984) 4 SCC 27
 - ¹⁵ (1989) 3 SCC 343
 - ¹⁶ (2004) 11 SCC 672
 - ¹⁷ (2008) 2 SCC 417
 - ¹⁸ (2016) 6 SCC 157
- H

34. While sub-section (3) of Section 54(3) deals with a **class of societies**, clauses (a) and (b), as inserted by the 2016 Amendment Act are specific in their application to only **Cooperative Banks**. Furthermore, while Section 54(3) deals with the appointment of deputed cadre officers on cadre posts, clauses (a) and (b) deal only with the appointment of the CEOs of Cooperative Banks. Clause (a) contemplates that the eligibility guidelines prescribed by the RBI will apply to officers holding the post of the CEO of a Cooperative Bank. Significantly, clause (b) of Section 54(3) begins with the words “if the concerning co-operative Bank fails to appoint” which denotes an intention to vest with Cooperative Banks the power to appoint their CEO. The provision also stipulates that where the Cooperative Bank fails to appoint the CEO within a specified period, the Registrar may appoint an eligible officer **of the bank**. The stipulation that in the case of default, the CEO shall be an officer of the bank and not an officer from the cadre as notified under Section 54(3) demonstrates the intention of the legislature to vest with Cooperative Banks the power to appoint their CEO.

35. Evidently, by virtue of the 2016 Amendment Act, clauses (a) and (b) were inserted as specific provisions for the appointment of the CEO of Cooperative Banks, vesting in them the power of appointment. Where two interpretations of potentially conflicting provisions are possible, courts must adopt the interpretation that furthers the intention of the legislature as encapsulated in the maxim *Verba ita sunt intelligenda ut res magis valeat quam pereat*. **Craies** on *Legislation* states:

“...if two constructions of a provision are possible on its face, and one would clearly advance the legislative purpose and the other would clearly achieve little or nothing, the former is to be preferred.”

36. In this view of the matter, a harmonious construction of Section 54(3) and clauses (a) and (b) of the 2016 Amendment Act leads to the conclusion that clauses (a) and (b) are special provisions concerning the appointment of the CEO of Cooperative Banks which are carved out of power of the State Government to issue a notification under Section 54(3). We are strengthened in this view by the deletion of Section 57-B(19) and the simultaneous insertion of clauses (a) and (b) in Section 54(3).

37. The difficulty in the present matters arises from the contention of the first respondent that the exception carved out by clauses (a) and

A

B

C

D

E

F

G

H

- A (b) of Section 54(3) also applies to Central Societies that fall within the ambit of Section 49-E(2) of the 1960 Act. In this submission, where a Cooperative Bank as a Central Society has received funds from the State Government in the manner stipulated in Section 49-E(2), such Central Banks may independently appoint a CEO and would not be obligated to appoint its CEO from the cadre constituted under Section 54, even if such cadre has been constituted.

38. As we have noted, both sub-section (2) and sub-section (3) of Section 54 are not provisions confined only to Cooperative Banks. However, clauses (a) and (b) of sub-section (3) specifically deal with the appointment of CEOs of Cooperative Banks. While introducing clauses

- C (a) and (b) into sub-section (3) of Section 54 by the 2016 Amendment Act, the legislature has nonetheless left intact the provisions of Section 49-E. Section 49-E(2) stipulates that the CEO shall be appointed from among the officers of the cadre maintained under Section 54, where such cadre has been constituted. Section 49-E is a provision governing
- D Apex and Central Societies to whom financial assistance has been extended by the State Government in the forms stipulated therein. The expression “Central Society” is defined to mean a Cooperative Land Development Bank or any other society whose operation is confined to a part of the State, as noticed earlier in Section (2)(c-i). The provisions contained in Section 49-E are intended to bring about regulatory control
- E of the State Government by requiring the appointment of the CEO from among the officers of the cadre maintained under Section 54. The 2016 Amendment Act which brought in the provision of clauses (a) and (b) of sub-section (3) has not affected the operation of Section 49-E. Hence, the appointment of a CEO of Central Society governed by Section 49-E(2) has to be from the officers of the cadre maintained under Section 54. Significantly, sub-section (2) of Section 49-E contains a non-obstante stipulation. As a consequence, notwithstanding the 2016 Amendment Act, the CEO of a Central Society falling within the description of sub-section (2) of Section 49-E has to be appointed from among the officers of the cadre maintained under Section 54, if such cadre has been constituted.

39. It is necessary here to note that Section 49-E(2) is not a self-contained provision. Section 49-E(2)(b)(i) merely stipulates that the CEO of a Central Society that falls within its ambit, shall be appointed from among the officers of the cadres maintained under Section 54. Thus,

- H where a cadre under Section 54 has been constituted, a Central Society

falling within the ambit of Section 49-E(2) is obligated to appoint its officer from such cadre. Neither Section 49-E nor Section 54(2) specify whether the appointment is to be made from the cadre of the Apex Society or Central Society as constituted under Section 54(2). Section 54(3) empowers the State Government to issue a notification specifying the class of societies which shall employ officers from such cadres maintained by Apex or Central Societies **as may be specified therein**. In addition to conferring upon the State Government the general power to notify the class of societies which would employ officers from the cadres maintained by Apex or Central Societies, the notification under Section 54(3) operationalizes the regulatory control of the State Government envisaged in Section 49-E(2) in the manner specified therein.

40. This is evident in the notification dated 12 January 1971 issued by the State Government in exercise of the power conferred upon it which stipulated that the first respondent (as a District Central Cooperative Bank) is obligated to accept and appoint the officer deputed by the appellant (as the Apex Society) as the CEO. Had Section 49-E(2) an inbuilt mechanism for the determination of the officer who would be appointed as the CEO, no difficulty would arise given the use of a non-obstante provision therein. The difficulty arises precisely because of the link between Section 49-E and the notification issued by the State Government under Section 54(3). To hold that clauses (a) and (b) vest in Cooperative Banks which are Central Societies falling within the ambit of Section 49-E(2) the overriding power to appoint their CEO would render the provision inoperative. This would defeat the salient purpose of ensuring the regulatory control of the State Government over Societies to which it has made a financial contribution. On the other hand, to hold that a Cooperative Bank which is a Central Society within the ambit of Section 49-E(2) must accept and appoint the cadre officer deputed by the Apex Society, defeats the special provision inserted for Cooperative Banks in clauses (a) and (b) of Section 54(3). Both Section 49-E(2)(b) and clauses (a) and (b) of Section 54(3) deal with the appointment of a CEO.

41. As we have noted before, it is settled principle of law that where two provisions of an enactment appear to conflict, courts must adopt an interpretation which harmonises, to the best extent possible, both provisions. **Justice G P Singh** in his seminal work *Principles of Statutory Interpretation* states:

A

B

C

D

E

F

G

H

- A "...It is the duty of the court to avoid "a head on clash" between two sections of the same Act and, "whenever it is possible to do so, to construe provisions which appear to conflict so that they harmonise."

Francis Benion in his work *Statutory Interpretation* states:

- B "Inconsistent enactments – A common application of the principle is in relation to contradictory enactments within the same Act. Enactment A may in itself be clear and unambiguous. So may enactment B, located elsewhere in the Act. But if they contradict each other, they cannot both be applied literally. A undoes B, and B undoes A. The court must do the best it can to reconcile them, but this can be achieved only by giving one or both a strained construction."

Where two provisions of an enactment appear to be in conflict, courts do not readily presume an 'either/or' situation. Courts must

- D construe the provisions harmoniously to ensure, as far as possible, the effective operation of both provisions in a manner that furthers the purpose of the enactment. Every provision, phrase, clause and word must be interpreted in a manner to further the object of the enactment. No word or part of a statute can be construed in isolation. Courts must be mindful that an interpretation which renders either provision otiose must be avoided
- E unless the conflict does not yield any possible reconciliation.

42. In **Krishan Kumar v State of Rajasthan**,¹⁹ the Rajasthan State Road Transport Corporation, Jaipur proposed a scheme in 1977 under Section 68-C of the Motor Vehicles Act 1939²⁰ for the exclusive operation of the disputed road. Upon the enactment of the Motor Vehicles Act 1988²¹, a Writ Petition was filed contending that due to undue delay in notifying the scheme under 1939 Act, the scheme was not saved by the 1988 Act. Section 100(4) of the 1988 Act stipulated that a draft scheme must be finalized within one year from the date of its publication, failing which it would lapse. Section 217(2)(e) stipulated that notwithstanding the repeal of the 1939 Act, a scheme proposed under Section 68-C, if pending immediately before the commencement of the 1988 Act, shall be finalised in accordance with the provisions of Section 100 of the 1988 Act. The Court noted that, contrary to legislative intent,

¹⁹ (1991) 4 SCC 258

H ²⁰ "1939 Act"

no scheme under the 1939 Act would be saved if schemes under that Act were to be assessed with reference to the date of their publication. Noting the apparent conflict between the two provisions, a two judge Bench of this Court interpreted both provisions harmoniously and held:

“10. There appears to be some apparent conflict between Section 100(4) and Section 217(2)(e) of the Act. While Section 217(2)(e) permits finalisation of a scheme in accordance with Section 100 of the new Act sub-section (4) of Section 100 lays down that a scheme if not finalised within a period of one year shall be deemed to have lapsed. If the appellant’s contention is accepted then Section 217(2)(e) will become nugatory and no scheme published under Section 68-C of the old Act could be finalised under the new Act. On the other hand if the period of one year as prescribed under Section 100(4) is not computed from the date of publication of the scheme under Section 68-C of the old Act and instead the period of one year is computed from the date of commencement of the Act both the provisions could be given full effect.

11. It is settled principle of interpretation that where there appears to be inconsistency in two sections of the same Act, the principle of harmonious construction should be followed in avoiding a head on clash. It should not be lightly assumed that what the Parliament has given with one hand, it took away with the other. The provisions of one section of statute cannot be used to defeat those of another unless it is impossible to reconcile the same.”

The Court held that where the Parliament confers a benefit, it must not be readily assumed that it intends to withdraw a benefit at the same time. Furthermore, the provisions of one section cannot be used to defeat another, unless there is no possibility of reconciling the two conflicting provisions.

43. In **British Airways Plc v Union Of India**²², the appellant was an aircraft carrier engaged in the business of international air transport of passengers and cargo. It was contended that as they were not a “person-in-charge” as defined in Section 2(31) of the Customs Act 1962, no penalty can be imposed upon them under Section 116 for shortages in offloading the quantity of goods consigned. Section 42 required an officer under the Act to issue a written order for the conveyance of the goods

²¹ “1988 Act”

²² (2002) 2 SCC 95

A

B

C

D

E

F

G

H

- A from the customs house. Clause (e) of sub-section (2) of Section 42 prescribes that no such order shall be given until the person-in-charge of the conveyance has satisfied the proper officer that no penalty is leviable on them under Section 116 or the payment of any penalty that may be levied upon them under that section has been secured by such guarantee or deposit of such amount as the proper officer may direct. The appellant contended that once a clearance order is issued, no liability can be imposed on them.

44. A two judge Bench of this Court noted held that while Section 42 operated to expedite the clearance of goods, Section 116 operated to ensure the protection of cargo. Consequently, the two provisions subserved different purposes. Further, by an amendment in Section 148 which was a provision for the liability of an agent of the person in charge, sub-section (2) was inserted which stipulated that any person who represents himself to any officer of customs as an agent of any such person-in-charge, and is accepted as such by that officer, shall be liable for the fulfillment of any obligation of the person-in-charge. The Court held that effect must be given to the amendment, which would be rendered redundant if the contention of the appellant was accepted. Relying on the principle of harmonious interpretation, the Court held:

- E “It is a cardinal principle of construction of a statute that effort should be made in construing the different provisions so that each provision will have its play and in the event of any conflict a harmonious construction should be given. The well-known principle of harmonious construction is that effect shall be given to all the provisions and for that any provision of the statute should be construed with reference to the other provisions so as to make it workable. A particular provision cannot be picked up and interpreted to defeat another provision made in that behalf under the statute. It is the duty of the court to make such construction of a statute which shall suppress the mischief and advance the remedy.”
- G This Court held that courts must ensure that every provision is construed in a manner to render seemingly contradictory provisions workable. In interpreting two provisions of a statute, courts must adopt the interpretation which does not defeat either provision and advances the remedy envisaged by their enactment.
- H

45. In this view, this Court must ensure that neither provision – Section 49-E(2) nor Sections 54(3)(a) and (b) is reduced to a dead letter of law. It cannot be said that the carving out of Cooperative Banks for the appointment of their CEO from the enabling power conferred upon the State Government under Section 54(3) applies in equal measure to those Cooperative Banks that are Central Societies within the ambit of Section 49-E(2). We hold that the State Government is empowered to issue a notification under Section 54(3) for Cooperative Banks which are Central Societies falling within the ambit of Section 49-E(2) specifying that the Cooperative Bank shall appoint its CEO from the cadre constituted by the Apex Society. At the same time, to ensure that clauses (a) and (b) of Section 54(3) are given effect, the notified Apex Society shall forward to the concerned Cooperative Bank a panel of officers from which it shall appoint its CEO, subject to the officer satisfying the eligibility criteria prescribed by the RBI.

46. In the view which we have taken, the regulatory control of the State Government over Cooperative Banks which have received state funding in the manner specified in Section 49-E(2) is retained, which furthers the object of the provision. The High Court was in error in holding that in the matter of an appointment of the CEO, “the Apex Body or the Central Society have no power or role to play”. The decision of the High Court will have serious ramifications in terms of divesting the regulatory control over the affairs of Central Societies. At the same time, conferring the power to the Cooperative Bank to appoint its CEO from a panel gives effect to the special provision inserted by virtue of clauses (a) and (b) in Section 54(3). This view is strengthened by virtue of the fact that prior to its deletion, Section 57-B(19) was a provision in Chapter VA of which sub-section (1) read thus:

“Notwithstanding anything contained in this Act or Rules framed there under or bylaws of any registered society or orders issued there under, the provisions of this chapter shall have overriding effect.”

(Emphasis supplied) G

Section 57-B(19), which was intended to have overriding effect, was deleted and clauses (a) and (b) were inserted in Section 54(3) of the 1960 Act. The absolute power conferred upon Cooperative Banks to appoint the CEO was deleted. In this view, Section 49-E(2) and clauses

A

B

C

D

E

F

G

H

- A (a) and (b) of Section 54(3) are to be read harmoniously in the manner noted above.

47. The position of law that emerges from the above discussion is thus:

- B (i) Clauses (a) and (b) of Section 54(3), as special provisions for the appointment of the CEO of Cooperative Banks confer upon them the power to appoint their CEO, subject to such officer satisfying the eligibility criteria prescribed by the RBI in this regard. The term 'class of societies' in Section 54(3) excludes Cooperative Banks for the limited purpose of the appointment of their CEO;
- C (ii) However, where a Cooperative Bank is a Central Society within the ambit of Section 49-E(2), the CEO shall be appointed from among the officers of the cadre constituted and maintained under Section 54, where such cadre has been constituted. The State Government is empowered to issue a notification in pursuance of the power conferred upon it under Section 54(3) specifying that such Cooperative Bank shall appoint its CEO from the cadre maintained by the Apex Society as notified therein. The notified Apex Society shall forward to the concerned Cooperative Bank a panel of officers, from which the Cooperative Bank shall appoint its CEO, subject to such officer possessing the eligibility criteria as stipulated by the RBI; and
- F (iii) Where no cadre has been constituted under Section 54, the CEO of a Cooperative Bank which is a Central Society under Section 49-E(2) shall be appointed with the prior approval of the Registrar as stipulated in Section 49-E(2)(b)(ii).

- G 48. In the present case, it was not disputed that the first respondent is a Central Society falling within the ambit of Section 49-E(2) of the 1960 Act. In exercise of the power conferred by Section 54(3) of the 1960 Act, the State Government issued a notification dated 12 January 1971 specifying that Central Cooperative Banks were obligated to employ officers, according to their availability, only from the cadres created by the State Cooperative Bank. A similar notification was issued on 26 June 1971 in terms of which, Central Cooperative Banks were permitted to maintain cadres of officers and, it was stipulated that Village
- H

Cooperative Societies including Large Sized Agricultural Credit Societies would have to employ officers drawn only from the cadres maintained by the Central Cooperative Bank. Similarly, by another notification dated 26 June 1971, Central Cooperative Banks were directed to maintain cadres of officers for the appointment of managers in rural cooperative societies including Large Sized Agricultural Credit Societies.

A

B

49. The seventh respondent is not an officer from the cadre maintained by the appellant. Consequently, the action of the first respondent in seeking to appoint the seventh respondent as the CEO is not sustainable in law. The appointment of the sixth respondent as CEO was ratified by the Registrar of Societies by his reply dated 21 August 2017 and accepted by the BoD of the first respondent on 25 August 2017.

C

50. We accordingly allow the appeal and set aside the impugned judgment and order of the High Court dated 7 August 2018. In consequence, we uphold the order of the learned Single Judge dismissing the Writ Petition, though for the reasons that we have indicated above. There shall be no order as to costs.

D

Devika Gujral

Appeal allowed.

