**HIGH COURT OF JUDICATURE AT ALLAHABAD**

**WRIT – C No. - 10013 of 2026**

Baijanth .....Petitioners(s)

Versus

State of U.P. and 3 Others .....Respondents(s)

| | | |
|---|---|---|
| Counsel for Petitioners(s) | : | Kanchan Devi, Krishna Kant Shukla, Rajendra Kumar Yadav |
| Counsel for Respondent(s) | : | Abhishek Sharma, C.S.C., Vivek Kumar Rai |

**Along with:**

| Sl. No. | Case No. | Case Title |
|---|---|---|
| 1. | Writ-C No.26049 of 2025 | Mohd. Tahseem @ Tahseen v. State of U.P. and 4 Others |
| 2. | Writ-C No.27372 of 2025 | Sukhvinder Singh v. State of U.P. and Another |
| 3. | Writ-C No.40160 of 2025 | Munshilal and Another v. State of U.P. and 2 Others |
| 4. | Writ-C No.9718 of 2026 | Ram Raj Tiwari v. State of U.P. and 3 Others |
| 5. | Writ-C No.9879 of 2026 | Lallu @ Lallu Prasad v. State of U.P. and 3 Others |
| 6. | Writ-C No.11378 of 2026 | Jaipal Singh v. State of U.P. and 2 Others |
| 7. | Writ-C No.15208 of 2026 | Ramkali v. State of U.P. and 6 Others |
| 8. | Writ-C No.16069 of 2026 | Rajeshwar Singh v. State of U.P. and 3 Others |
| 9. | Writ-C No.16235 of 2026 | Ramjilal v. State of U.P. and 2 Others |
| 10. | Writ-C No.17737 of 2026 | Rampal v. State of U.P. and 3 Others |
| 11. | Writ-C No.18300 of 2026 | Nakched Pandey v. State of U.P. and 2 Others |
| 12. | Writ-C No.18369 of 2026 | Smt. Sushila Devi v. State of U.P. and 2 Others |
| 13. | Writ-C No.18436 of 2026 | Veerpal v. State of U.P. and 3 Others |
| 14. | Writ-C No.18525 of 2026 | Siyaram v. State of U.P. and 3 Others |
| 15. | Writ-C No.18543 of 2026 | Om Prakash Patel v. State of U.P. and 3 Others |

Court No.- 38

**AFR**
Reserved on:29.05.2026
Delivered on:22.07.2026

**HON'BLE VINOD DIWAKAR, J.**

## I- PROVOGUE:

## THE OBJECTIVE OF DEALING THE ISSUE IN DEPTH

A common and pressing issue has been raised across a bunch of petitions, warranting a thorough examination by this Court. The Uttar Pradesh Sahkari Gram Vikas Bank Ltd. (hereinafter referred to as "the Bank"), established in the year 1959 and registered under the Sahkari Samiti Adhiniyam, 1912, has been functioning in accordance with the Uttar Pradesh Sahkari Gram Vikas Bank Act, 1964. It has come on record that the Bank has been charging an exorbitant rate of interest averaging 14% per annum from the farming community.

This stands in stark contrast to the prevailing credit facilities extended by nationalized banks, which offer Kisan Credit Card loans and agricultural loans up to Rs.3,00,000/- (Rupees Three Lakhs) at an interest rate of 7% per annum, with an additional subvention of 3% for timely repayment, effectively reducing the net interest burden on the farmer to a mere 4% per annum.

The Bank's own official website, under the message of its Managing Director, publicly espouses the vision of *"Atmanirbhar Uttar Pradesh"* and declares the institution's pivotal role in making the State self-reliant through the promotion of agricultural and allied sector development. It further professes a commitment to strengthening rural infrastructure by way of long-term credit, adoption of modern technology, and active engagement with farmers through awareness, guidance, and facilitation in accessing Government schemes. The stated commitment is encapsulated in the assurance: *"Your Bank- ever ready to serve the farmers."*

It is against this backdrop that the levy of interest at the rate of 14% per annum on agricultural loans by the Bank assumes particular significance and calls for in-depth judicial examination. Such a rate of interest, being nearly three-and-a-half times the effective rate available to farmers under nationalized banking schemes, runs directly counter to the very object and purpose for which the Bank was established- namely, to support and protect the farming community by raising their social and financial status. Far from serving that purpose, the imposition of such a disproportionate financial burden upon farmers operates as an instrument of oppression, defeating the institutional mandate and rendering illusory the very promise of welfare that the Bank publicly proclaims.

In view of the foregoing, the issue raised in the petitions assumes considerable importance and merits a detailed and considered examination by this Court.

## II- BRIEF FACTS OF THE CASE AND CHRONOLOGICAL SUMMARY OF THE ORDERS PASSED BY THIS COURT:

**1.** On the first date of hearing, this Court directed the local Branch Manager of the respondent- Uttar Pradesh Sahkari Gram Vikas Bank Ltd. to appear in person, so as to explain the basis on which a loan amount of Rs.50,000/- was enhanced to Rs.3,49,862/-. The petitioner had initially taken a loan of Rs.50,000/- and, being aggrieved by the disproportionate enhancement of the outstanding amount, has approached this Court by way of the present petition.

**2.** In compliance thereof, Branch Manager, Kulpahar, District Mahoba, appeared in person along with the original file pertaining to the petitioner's loan account. The facts that emerged from the loan account file are briefly delineated hereinbelow.

**3.** The record indicates that the petitioner had applied for a loan of Rs. 50,000/- from the respondent-Bank for the purchase of two buffaloes. The said amount was sanctioned at an interest rate of 13% per annum. Pursuant to the execution of a loan agreement dated 05.11.2009 between the Bank and the petitioner, the loan amount was disbursed in two installments of Rs.25,000/- each- the first on 06.11.2009 and the second on 15.02.2010. The loan was repayable over a period of five years in two installments per annum. As security, land measuring 0.882 hectares situated at Mauja Mahoba Bandh, Thana Ajgar, Pargana and Tehsil Kulpahar, District Mahoba, was mortgaged. The loan was also insured under Policy No.223307/47/2010/995 (Insured Code No. 29398653). The insurance coverage commenced on 23.12.2009 and continued till midnight of 22.12.2012. A premium of Rs.1,200/- per installment was paid by the petitioner.

**4.** The counter affidavit filed by the respondent-Bank states that the petitioner repaid Rs.1,000/- on 20.10.2010 and Rs.2,000/- on 03.11.2010, totalling Rs.3,000/-. However, as per the comments dated 29.03.2026 furnished by the Bank in response to the writ petition, the petitioner is stated to have repaid only Rs. 2,500/-. It is further stated that recovery notices were issued from time to time by the Bank's field staff; however, the petitioner failed to repay the loan. The Bank had introduced a One Time Settlement Scheme operative from 2018 till 30.09.2022, and notice in this regard was also served upon the petitioner. Despite this, the petitioner neither availed the benefit of the said scheme nor repaid the outstanding dues. Consequently, recovery proceedings were initiated in the year 2022. The first demand notice was issued in 2017, followed by subsequent notices prior to the issuance of a recovery certificate in 2025, proposing sale of the mortgaged property. A notice dated 05.01.2026 indicated that the petitioner's land would be auctioned on 10.03.2026 by respondent no. 3. However, the auction could not take place, as the petitioner approached this Court seeking to set aside the auction notice.

**5.** The Branch Manager, present in Court, was queried on the following aspects: **(i)** why the provisions contained in Chapter V of the Uttar Pradesh Sahkari Gram Vikas Bank Rules, 1971 were not followed; **(ii)** why there was a delay on the part of the Bank officials resulting in escalation of the loan amount from Rs. 50,000/- to Rs. 3,49,862/-, and what the State policy in this regard is; **(iii)** why the situation arose necessitating auction of the petitioner's land measuring 0.882 hectares, and who is responsible for the same; **(iv)** on what basis interest at the rate of 13% per annum was levied; and **(v)** what are the objectives and purposes underlying the enactment of the Uttar Pradesh Sahkari Gram Vikas Bank Act, 1964 and the Rules of 1971 framed thereunder.

**6.** In response, the Branch Manager relied upon Rules 25 and 26 of the Uttar Pradesh Sahkari Gram Vikas Bank Rules, 1971. However, he did not offer any substantive response to the remaining queries.

**7.** Having heard learned counsel for the parties and the Branch Manager in person, and upon perusal of the original loan file, this Court *prima-facie* finds that there appears to be non-compliance with statutory provisions and applicable rules. The conduct of the Bank officials suggested disregard for governing policies. The petitioner, a farmer, appears to be at risk of losing his only landholding due to non-payment of a loan of Rs. 50,000/-. At this stage, the reasons for such a situation are not fully discernible. The scheme for disbursement of loans to farmers and the mechanism for recovery thereof requires judicial scrutiny.

**8.** It was therefore necessary for the Court to examine the objectives of the Bank as reflected on its official website. The Uttar Pradesh Sahkari Gram Vikas Bank Ltd. was established on 12.03.1959 with the objective of enhancing farmers' income by providing longterm credit for agricultural and allied activities and 'to free them from the exploitation of moneylenders'. For decades, the Bank has aimed to improve the socio-economic condition of rural farmers through long-term lending across its network.

**9.** There appeared to be absolutely no justifiable reason for permitting such an escalation. It is inconceivable, and wholly contrary to the stated objectives of the Bank as reflected in the message of its Managing Director, that a modest loan of Rs. 50,000/-, availed for the purchase of two buffaloes and secured by mortgaging land measuring 0.882 hectares, could be allowed to swell to Rs. 3,49,862/-. Such action runs directly counter to the very purpose for which the institution was established, namely, to support and protect farmers by raising their social and financial status, and instead imposes a wholly disproportionate and oppressive financial burden upon them.

**10.** In light of the above, and in the interest of farmers as well as to achieve the stated objectives of strengthening rural infrastructure and agricultural development, this Court deemed it appropriate to afford an opportunity to the Managing Director of the Bank to assist the Court on the queries raised herein, along with ancillary issues relating to recovery procedures, fixation of interest rates, and mechanisms to regulate administrative and establishment expenses of the Bank.

**11.** Accordingly, the Managing Director, Uttar Pradesh Sahkari Gram Vikas Bank Ltd. was directed to appear before this Court along with relevant records as he deemed fit and appropriate to assist the Court. The date was fixed keeping in view his convenience, as informed by learned counsel for the Bank after consultation with his office.

**12.** The order dated 21.04.2026 records that in compliance with the orders dated 31.03.2026 and 15.04.2026 passed in Writ-C No. 10013 of 2026 and Writ-C No. 40160 of 2025, respectively, Shri Rajesh Kumar Kulshreshtha, Managing Director, U.P. Sahkari Gram Vikas Bank Ltd., appeared before the Court and filed his personal affidavits, which were taken on record.

**13.** In Writ-C No. 11378 of 2026, Shri Yashpal Singh, Branch Manager, Fatehabad, District Agra, appeared and filed a counter affidavit in compliance with the Court’s order dated 01.04.2026.

**14.** The Court has perused and examined the affidavits filed by the Managing Director and the Branch Manager, Fatehabad, District Agra, U.P. Sahkari Gram Vikas Bank Ltd., and upon examination, it transpired that both the Managing Director and the Branch Manager have failed to adequately respond to the specific queries raised by this Court. *Prima-facie*, the issues referred to in paragraph 6 of the order dated 31.03.2026, paragraph 5 of the order dated 15.04.2026, and paragraph 5 of the order dated 01.04.2026, and other directions have not been satisfactorily or comprehensively addressed.

**15.** Before undertaking a detailed analysis of the orders and the counter affidavits, it is considered appropriate to obtain a response from the Principal Secretary, Cooperative Department, Government of Uttar Pradesh, as to whether he is satisfied with the affidavits filed in compliance with the orders of this Court. The purpose of seeking such a response was to ascertain the view of the Head of the Department regarding whether the functioning of cooperative banks in Uttar Pradesh aligns with the State policy, as reflected in paragraphs 9 and 9.1 of the order dated 31.03.2026, and as promoted by the State Government. While responding, the Principal Secretary shall also bear in mind that nationalized banks extend Kisan Credit Card loans and agricultural loans up to Rs. 3 lakhs at an interest rate of 7%, with an additional 3% subvention for timely repayment, effectively reducing the rate to 4%. For ready reference, the copy of the order dated 31.03.2026 is enclosed as **Enclosure-I.**

**16.** The Managing Director, Uttar Pradesh Sahkari Gram Vikas Bank Ltd., was directed to serve copies of the aforesaid writ petitions, orders dated 31.03.2026, 01.04.2026, and 15.04.2026 passed therein, and the counter-affidavits filed, upon the Principal Secretary for his perusal and consideration.

**17.** Accordingly, the Principal Secretary, Cooperative Department, Government of Uttar Pradesh, was directed to file a comprehensive counter affidavit before the next date of listing, specifically addressing and satisfying the pointed queries raised by this Court. It was made clear that any additional information in this regard shall be appreciated.

**18.** The order dated 05.05.2026 records that upon perusal of the affidavit filed by the Principal Secretary, Cooperative Department, Government of Uttar Pradesh, Lucknow, this Court is constrained to record its serious dissatisfaction, inasmuch as the said affidavit does not constitute substantial compliance with the specific directions contained in paragraph no. 5 of the order dated 21.04.2026.

**19.** The affidavit was conspicuously silent on the principal issue for which a response was sought, namely, whether the Principal Secretary is satisfied with the affidavits earlier filed in compliance with the orders of this Court. Further, no clear or reasoned stand has been disclosed as to whether the present functioning of cooperative banks in the State is in consonance with the policy framework and objectives of the State Government, particularly having regard to the observations recorded in paragraphs 9 and 9.1 of the order dated 31.03.2026. The affidavit, thus, fails to address the concerns raised by this Court in their proper perspective.

**20.** This Court further observed that the affidavit appeared to have been filed in a routine and mechanical manner, without proper application of mind to the directions issued by this Court. From the contents of the affidavit, it *prima-facie* appeared that the Principal Secretary has neither properly examined the relevant record nor fully understood the scope and purpose of the order sought to be complied with, and has merely filed the affidavit in a casual manner. Such casual compliance of the orders passed by this Court cannot be appreciated.

**21.** In view of the aforesaid, the Principal Secretary, Cooperative Department, Government of Uttar Pradesh was directed to remain present virtually through video conferencing on the next date; it was further directed that a comprehensive affidavit with the pointed reply should also be filed.

**22.** On 12.05.2026, Shri Kartikeya Saran, learned Additional Advocate General assisted by Shri Prabhakar Tripathi, learned Standing

Counsel, appeared for the State, and Mr. Ajay Kumar Shukla, Principal Secretary, Cooperative Department, Government of Uttar Pradesh, along with the Managing Director, Uttar Pradesh Cooperative Gram Vikas Bank Ltd., were present virtually through video conferencing. They prayed and was granted one week's time to place a detailed response on record delineating the issues flagged by this Court, including the administrative and functional deficiencies brought to notice, and to suggest appropriate remedial measures and necessary policy decisions required for ensuring better, efficient, and effective functioning of the Bank.

**23.** Shri Kartikeya Saran submitted that the Department has constituted a committee vide order dated 16.05.2026 to address the issues raised by this Court.

**24.** On the next date, Shri Kartikeya Saran, learned Additional Advocate General, has placed before the Court instructions dated 23.05.2026. The said instructions disclosed that the Committee constituted vide order dated 16.05.2026 has been recalled in view of the multifaceted and complex challenges presently being faced by the Uttar Pradesh Sahkari Gram Vikas Bank Ltd., and considering that the members of the said Committee may not be adequately equipped to address the intricate issues for which it had been constituted. It was also informed that the Managing Director of the Bank has approached various organizations for seeking institutional assistance, including the Vaikunth Mehta National Institute of Cooperative Management, a grant-in-aid institution under the Ministry of Cooperation, Government of India. Consultations are presently underway for nomination of a Professor or Academician possessing extensive expertise and experience in designing and conducting training programmes and seminars aimed at capacity building and professional development within cooperative institutions and government departments.

**25.** During the course of hearing, it has also been suggested that certain independent domain experts engaged in cooperative management training, research, and consultancy be associated with the deliberative process so as to facilitate a comprehensive and holistic assessment for recommending structural reforms necessary to meet the requirements of the Bank. Accordingly: **(i)** the Chairman, Economic Advisory Council to the Hon'ble Prime Minister, was requested to suggest the name of an officer/expert for evolving institutional accountability mechanisms and for preparing a future roadmap for cooperative banking in the State of Uttar Pradesh, including governance reforms, institutional restructuring, professionalized management, strengthened accountability mechanisms, interest rate and credit reforms, alignment of repayment schedules with crop cycles, and allied aspects; **(ii)** the Secretary General, IIT Alumni Council, was also requested to suggest the name of an expert in the fields of financial management, forensic audit, rural and urban finance, and one having experience associated with regulatory and public sector practices, and **(iii)** the Director, Vaikunth Mehta National Institute of Cooperative Management (VAMNICOM)[1] was requested to suggest the name of a subject expert.

## III- OBJECTIVES FOR CONSTITUTING AN EXPERT COMMITTEE ON COOPERATIVE BANKING REFORMS IN UTTAR PRADESH:

### A. Facts emerged and issue discussed during the hearing of the case -

*The Bank – A brief introduction of the bank and challenges ahead*

**26.** The Uttar Pradesh Sahkari Gram Vikas Bank Ltd. was established in 1959, when no institutional mechanism existed for long-term agricultural credit in rural areas. It remains the principal provider of long-term Loans and Investment Loans to farmers in rural Uttar Pradesh. Subsequent milestones in rural credit- nationalization of banks (1969), establishment of NABARD (1982), and introduction of the Kisan Credit Card with inclusion of agricultural credit in Priority Sector Lending

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1 A National Institute of the National Council for Cooperative Training) Ministry of Cooperation, Government of India- and Centre for International Cooperation & Training in Agricultural Banking (CICTAB) was also requested to suggest a subject expert. [Promoted by Government of India and Food and Agriculture Organization of United Nations addressed at Ganeshkhind Road, Near Savitribai Phule Pune University, Pune-411007, Maharashtra, India]

(1998)- have shaped the institutional landscape in which the Bank operates.

**27.** The Bank operates through 323 branches, with a three-tier democratic structure: ordinary members elect a Branch Representative at each branch; all 323 Branch Representatives constitute the General Body; and, under Section 29 of the U.P. Cooperative Societies Act, 1965 read with the Bank's bye-laws, 14 Directors are elected from 14 constituencies, who in turn elect the Chairman and Vice-Chairman. The State Government and NABARD nominate representatives on the Board, whose tenure is five years, and all elections are conducted by the U.P. State Cooperative Societies Election Commission under the 2014 Election Rules. Branch-level affairs are managed by Branch Management Committees.

**28.** The Bank is outside the purview of the Banking Regulation Act, 1949 and is neither a scheduled nor a commercial bank; consequently, it cannot accept public deposits and has no low-cost funds of its own. It borrows money, almost entirely, from NABARD at about 8% per annum on State Government guarantee, and after loading administrative cost, risk cost, and margin, on-lends to farmers at 11.50-14%- except for SC/OBC members. For SC/ST & OBC, the bank receives loans at 8% through NSFDC/NBCFDC and refinances at 4% to farmers.

**29.** The Bank's difficulties are structural and mutually reinforcing: high-cost refinance compels high lending rates; high rates to small and marginal farmers with limited repayment capacity produce defaults; the NPA has averaged an alarming 75% over the last three years; fresh lending is consequently shrinking (from Rs. 408 crore in 2023-24 to Rs. 363 crore in 2025-26) even as loan outstanding grows (from Rs. 2,408 crore to Rs. 2,600 crore); borrowings stand at Rs. 1,300 crore; competition from institutions with cheaper funds is eroding its clientele; interest subvention available on short-term loans (but not long-term loans) diverts farmers away; and non-computerization of branches keeps the Bank outside the mainstream financial architecture and government scheme delivery.

**30.** Following the creation of the Ministry of Cooperation, a NABARD/NABCONS study recommended a comprehensive revival package: grant of Small Finance Bank/Universal Bank status with RBI license to financially sound banks (U.P. and Gujarat); permission to accept public deposits under the Banning of Unregulated Deposit Schemes Act, 2019 and to render diversified services; computerization and integration into the national financial architecture; centralized recruitment through IBPS; prescribed qualifications for domain-expert Directors; financial assistance from the Central and State Governments; interest relief on long-term loans on the pattern of short-term loans; and cheaper NABARD refinance. Computerization of branches, funded jointly by the Government of India, the State Government, and the Bank, has recently commenced.

**31.** The Uttar Pradesh Sahakari Gram Vikas Bank Ltd., Lucknow, has furnished a period-wise statement of outstanding dues as on 01.07.2025, which presents a revealing picture of the state of loan recovery. As per the statement, a total of 2,74,166 borrowers are in default, against whom the outstanding principal amounts to Rs.1,56,787.32 lakh (approximately Rs.1,567.87 crore), whereas the total outstanding amount, inclusive of interest, has swollen to Rs.7,06,122.35 lakh (approximately Rs.7,061.22 crore)- nearly four and a half times the principal.

**32.** The period-wise break-up is as follows: dues outstanding for up to five years pertain to 44,625 borrowers, with an outstanding principal of Rs.26,364.02 lakh (Rs.263.64 crore) and a total outstanding, including interest, of Rs.57,137.31 lakh (Rs.571.37 crore). Dues outstanding for a period of five to ten years pertain to 66,811 borrowers, with an outstanding principal of Rs. 50,273.01 lakh (Rs.502.73 crore) and a total outstanding of Rs. 1,69,657.06 lakh (Rs.1696.57 crore). Dues outstanding for ten to fifteen years- the largest category- pertain to 82,698 borrowers, with an outstanding principal of Rs. 46,178.38 lakh

(Rs.461.78 crore) and a total outstanding of Rs. 2,26,621.62 lakh (Rs.2266.21 crore). Dues outstanding for fifteen to twenty years pertain to 55,882 borrowers, with an outstanding principal of Rs. 24,758.97 lakh (Rs.247.58 crore) and a total outstanding of Rs. 1,66,950.13 lakh (Rs.1669.50 crore). Most strikingly, dues outstanding for more than twenty years pertain to as many as 24,150 borrowers, whose outstanding principal of Rs. 9,212.84 lakh (Rs.92.12 crore) has, with the accretion of interest, mounted to Rs. 85,756.23 lakh (Rs.857.56 crore)- more than nine times the principal amount.

**33.** The statement thus demonstrates that in the older categories of default, the interest component has far outstripped the principal, rendering repayment progressively more burdensome for the borrowers- predominantly rural and agricultural borrowers- while simultaneously locking the Bank's funds in dues that grow on paper but remain unrealized in fact.

**B. Background and Statement of Purpose**

**34.** The cooperative banking sector in India comprises Rural Cooperative Banks (RCBs) and Urban Cooperative Banks (UCBs). The Short-Term Cooperative Credit Structure (STCCS) includes 34 State Cooperative Banks (STCBs) and 351 District Central Cooperative Banks (DCCBs), which channel credit through 1.07 lakh Primary Agricultural Credit Societies (PACS) at the village level. The Long-Term Cooperative Credit Structure (LTCCS) comprises 14 State Cooperative Agriculture and Rural Development Banks (SCARDBs) and 500 Primary Cooperative Agriculture and Rural Development Banks (PCARDBs), which provide long-term investment credit but remain unlicensed as banks. Approximately 1,500 Urban Cooperative Banks operate in urban and semi-urban areas, and around 80,000 thrift and credit societies function across rural and urban areas under the cooperative model.

**35.** As of 2023, Uttar Pradesh has 7,543 PACS, 50 DCCBs, and 3 PCARDBs. The State has also undertaken steps to form 1,343 multipurpose PACS and dairy and fishery cooperative societies during 2024-25. Despite refinance support from NABARD, interest subvention, State subsidies, and recapitalization efforts, cooperative credit institutions are failing to provide affordable, transparent, and sustainable rural finance.

**C. Nature of the Problem**

**36.** The cooperative credit structure in Uttar Pradesh has entered a prolonged phase of institutional deterioration, characterized by the issues delineated herein:

**(a)** PACS defaults lead to DCCB stress, which in turn leads to STCB stress. Principal causes include weak appraisal systems, politically influenced lending, poor recovery mechanisms, inaccurate land records, loan waivers, and weak governanpce leading to persistent NPAs across all tiers.

**(b)** The structure increasingly functions as politically influenced administrative machinery rather than as autonomous, member-owned institutions. Key symptoms include delayed elections, board super-sessions, weak member participation, and politicized lending decisions, thereby weakening the cooperative character.

**(c)** Despite subsidized schemes such as the Kisan Credit Card (KCC), farmers face high effective borrowing costs owing to penal interest, hidden deductions, delayed subsidy adjustment, and non-transparent charges.

**(d)** The Uttar Pradesh Cooperative Societies Act, 1965 has resulted in limited operational autonomy and significant political influence. Regulatory control is fragmented among the Registrar of Cooperative Societies, the State Government, NABARD, the Reserve Bank of India, and audit authorities, creating overlap, weak accountability, and delayed corrective action. Many cooperative institutions also lack professional boards, trained management, and modern banking expertise.

**(e)** Outdated mutation records, informal tenancy arrangements, fragmented holdings, and a mismatch between the actual cultivator and the legal owner result in inaccurate KCC limits, duplicate financing, poor collateral verification, and exclusion of actual cultivators from formal credit.

**(f)** Concessional refinance passing through multiple tiers is diluted at each stage by inefficiency, administrative costs, and leakages. Delayed reimbursements, penal interest, and hidden deductions increase the actual burden on borrowers notwithstanding official subsidies.

**(g)** Many PACS suffer from poor bookkeeping, manual systems, inadequate staffing, low digital capability, and weak internal controls. Uttar Pradesh has been repeatedly identified among States contributing heavily to loss-making, under-capitalized, and structurally weak DCCBs. Operational weaknesses have been noticed across all PACS and DCCBs.

**(h)** The cooperative credit system operates between two conflicting objectives- a banking objective and a welfare objective. The absence of institutional separation between these objectives generates fiscal stress, governance distortion, repayment indiscipline, and chronic dependence on subsidies.

**D. The Scope of the Committee**

**37. The Committee shall examine and report its findings on the following:**

**(a)** The institutional, financial, legal, and operational loopholes through which funds, land records, member assets, and cooperative resources are being misappropriated, diverted, or siphoned off in PCARDBs, SCARDBs, PACS, DCCBs, and related institutions in Uttar Pradesh;

**(b)** The extent to which governance failures, political interference, weak audits, collusion, poor digital controls, and lack of accountability have enabled embezzlement, fraudulent lending, manipulation of member records, illegal land transfers, and exploitation of borrowers; and

**(c)** Whether cooperative institutions are functioning in the interest of members and farmers as originally intended, or whether systemic distortions have resulted in financial exploitation, excessive interest burdens, denial of rightful benefits, and erosion of member trust.

**38. The Committee shall be entrusted with the following functions:**

**(a)** Examine and recommend the legal, administrative, regulatory, technological, institutional, and policy reforms- including amendments to statutory provisions, rules, procedures, governance frameworks, and operational guidelines- necessary to strengthen governance standards, improve operational efficiency, prevent financial irregularities, enhance public trust, and make the cooperative banking sector transparent, accountable, professionally managed, financially sustainable, and member-centric;

**(b)** Prepare a comprehensive five-year Strategic Action Plan setting out reform priorities, phased implementation measures, timelines, stakeholder responsibilities, resource requirements, and risk-mitigation measures, together with an Implementation Matrix containing measurable Key Performance Indicators (KPIs) relating to governance, financial performance, recovery efficiency, digitization, transparency, member participation, audit compliance, and institutional sustainability;

**(c)** Recommend an institutional framework for periodic, KPI-based review of reform implementation and performance assessment at the State, district, and institutional levels;

**39. In framing its recommendations, the Committee shall address the following reform areas:**

**(a)** Introduce governance reforms that restore cooperative autonomy by reducing administrative interference and ensuring regular democratic elections; professionalize management through mandatory inclusion of banking professionals, agricultural finance experts, and risk-management specialists; introduce fit-and-proper criteria for directors, Chief Executive Officers, and senior management; and strengthen accountability through performance-linked evaluation, transparent audit disclosure, and NPA accountability mechanisms;

**(b)** Develop integrated digital land records synchronizing mutation records, encumbrances, crop records, and loan charges; adopt cultivator-based lending by formally recognizing tenant farmers and sharecroppers; establish a Rural Credit Registry to prevent duplicate financing and overlapping KCC exposure; and adopt GIS and geo-verification tools, including satellite mapping and digital acreage verification;

**(c)** Mandate transparent disclosure of the effective interest rate to every borrower; rationalize penal interest structures to distinguish distress from willful default; align repayment schedules with harvesting cycles and weather variability; and ensure time-bound, digitally tracked, and automatically settled subsidy reimbursements;

**(d)** Consolidate PACS by merging or reviving dormant and non-functional societies; diversify PACS activities into warehousing, input distribution, procurement, dairy, and digital banking services; modernize technology through universal adoption of Core Banking Systems, digital audit systems, and real-time management information systems; and restore credit discipline through prompt-repayment incentives, credit-rating-linked benefits, and graduated penalty systems, paving the way for institutional restructuring; and

**(e)** Commission studies on political-economy factors, including political capture and electoral incentives; borrower behaviour, including strategic default and loan-waiver expectations; institutional ethnography of PACS functioning and informal practices; comparative analysis of cooperative models in Maharashtra, Gujarat, Karnataka, and Kerala; and effective interest-rate assessment examining hidden charges and subsidy leakages.

**40.** To constitute a Committee, this Court requested **(i)** the Chairman, Economic Advisory Council to the Hon'ble Prime Minister, EAC-PM (Economic Advisory Council to Prime Minister), Government of India,

**(ii)** the Secretary General, IIT Alumni Council, and **(iii)** the Director, VAMNICOM & CICTAB to suggest the name of a subject expert.

**41.** Pursuant to the request of this Court, the Chairman, Economic Advisory Council to the Hon'ble Prime Minister suggested the name of Dr. K.K. Tripathi[2], and Secretary General, IIT Allumni Council suggested the name of Shri Satish Mehta[3], and his brief introduction has also been communicated to this Court.

**42.** In the light of the critical issues raised hereinabove, this Court takes *suo-motu* cognizance of the matter and hereby directs the Chief Secretary, Government of Uttar Pradesh, to constitute a Committee comprising Dr. K.K. Tripathi; Shri Satish Mehta; Shri Yogesh Kumar, Commissioner and Registrar, Cooperative Department, Uttar Pradesh, Shri Rajesh Kumar Kulshreshtha, Managing Director, Uttar Pradesh Sahkari Gram Vikas Bank Ltd.; and, to comprehensively examine all the relevant factors outlined hereinabove and to address the legislative necessities arising from the issues discussed. The issued with respect to constitution of Committee has also been deliberated upon and discussed with Secretary, Cooperative, Government of Uttar Pradesh.

**43.** The Chief Secretary may co-opt any other Member as he deems fit and necessary for achieving the objectives of the Committee hereby directed to be constituted. The collective inputs and findings of the Committee may thereafter be utilized to develop a comprehensive and well-structured legislative framework for the regulation and monitoring of cooperative affairs in the State.

**44.** The Chief Secretary shall also nominate an Officer to provide all logistical support to the Committee, including payment of TA/DA to its

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2 Dr. K.K. Tripathy (Kamala Kanta Tripathy) is a 1999-batch Indian Economic Service (IES) officer who serves as Joint Secretary in the Economic Advisory Council to the Prime Minister (EAC-PM), NITI Aayog. Dr. Tripathy brings extensive experience in economic policy, governance and cooperative sector reforms to the EAC-PM.

3 Satish Mehta is an alumnus of IIT Bombay and the Jamnalal Bajaj Institute of Management Studies, Mehta began his career in the mid-1980s with A.F. Ferguson & Co. (now part of Deloitte), one of India's leading audit and taxation firms. He spent sixteen years at A.F. Ferguson, where he was part of the firm's disinvestment, technology, regulation and public-sector practice. During this period, he was instrumental in the creation of several important Indian institutions and regulatory bodies, including SEBI, SIDBI, TRAI, the Competition Commission of India and BSNL.

Members in accordance with government norms, and the contact details of the said Officer shall be shared with the Members of the Committee.

**45.** This Court places on record its deep appreciation for **(i)** the Chairman, Economic Advisory Council to the Hon'ble Prime Minister (EAC-PM), Government of India, and **(ii)** the Secretary General, IIT Alumni Council, for their prompt response to the request of this Court. Such promptness bespeaks the vision of the Chairman and his readiness to engage with critical issues of public importance, thereby contributing to the Government's resolve to build a moneylender-free, agriculture-based economy and to empower the farmers – the backbone of the agrarian economy.

**46.** Whereas, despite the communication from the Registrar (Compliance) of this Court to the Director, VAMNICOM & CICTAB, no response has been received from the Director till date. This is unfortunate. The request to the Institute was made for the reason that the Cooperative Department, Government of Uttar Pradesh, holds in high regard the work carried out by the Institute, as it understands. This Court was also impressed by the message from the Director's Desk. A selected excerpts in this regard is reproduced hereinafter: *'...we are working towards the incubation centre for knowledge innovations and skill sets to bring a change through <u>cooperation and collectives</u>.',* but disappointed by the cavalier attitude of the Director. The displeasure of this Court is directed to be communicated to the Additional Secretary (Cooperation), Ministry of Cooperation, Government of India, who also holds the office of Chairman, Management Committee, VAMNICOM & CICTAB.

**47.** On the merits of the case, the respondent-Bank is hereby directed not to recover from the borrower any amount in excess of double the principal loan amount till the proceedings of the Committee are concluded. If a request is made by the borrowers before the local branch of the Bank for payment of dues in installments, the same shall be considered sympathetically in the interest of smooth recovery of the loan. Once the entire exercise is completed by the Committee and its recommendations are submitted to the Government, the Bank shall be at liberty to take steps in accordance therewith.

**48.** The petitioner of the present petition may approach Uttar Pradesh Sahkari Gram Vikas Bank Ltd., Kulpahar, District Mahoba, to pay dues in installments, provided recovery does not exceed double the principal amount. This arrangement is interim, as discussed aforesaid.

**49.** So far as the connected petitions[4] are concerned, the same are disposed of, with the liberty granted to the petitioners to approach the concerned branch of the Bank for consideration of their request, if made,

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4 **(i)** Writ-C No.26049 of 2025: An agricultural loan of Rs. 1,40,000/- was availed by the petitioner during the year 2005–2006 at an interest rate of 11.50% per annum. By the year 2025, the outstanding loan amount had increased to Rs. 5,31,000/-

**(ii)** Writ-C No.27372 of 2025: An agricultural loan of Rs. 5,00,000/- was availed by the petitioner in the year 2014. By the year 2024, the outstanding loan amount had increased to Rs. 22,00,299/-

**(iii)** Writ-C No.40160 of 2025: An agricultural loan of Rs. 50,000/- was taken by the petitioner in the year 2010, and by the year 2023, the outstanding loan amount had increased to Rs. 1,95,000/-

**(iv)** Writ-C No.9718 of 2026: A loan of Rs. 1,20,000/- for the purchase of buffaloes was taken by the petitioner in the year 2013, and by the year 2018, the outstanding loan amount had increased to Rs. 4,09,000/-.

**(v)** Writ-C No.9879 of 2026: A loan of Rs. 1,50,000/- for dairy purposes was availed by the petitioner in the year 2016, carrying interest at the rate of 1% with a 50% subsidy. By the year 2024, the outstanding loan amount had increased to Rs. 4,93,000/-

**(vi)** Writ-C No.11378 of 2026: A loan of Rs. 3,50,000/- for dairy purposes was availed by the petitioner in the year 2016 at an interest rate of 14% per annum. By the year 2026, the outstanding loan amount had increased to Rs. 8,13,757/-

**(vii)** Writ-C No.15208 of 2026: A loan of Rs. 56,000/- for the purchase of buffaloes was taken by the petitioner during the year 2004–2005. By the year 2024, the outstanding loan amount had increased to Rs. 4,88,771/-.

**(viii)** Writ-C No.16069 of 2026: An agricultural loan of Rs. 85,000/- was taken by the petitioner in the year 2011, carrying interest at the rate of 12% per annum. By the year 2025, the outstanding loan amount had increased to Rs. 3,32,000/-

**(ix)** Writ-C No.16235 of 2026: An agricultural loan of Rs. 1,20,000/- was availed by the petitioner in the year 2017. It is the petitioner's case that an amount of Rs. 1,28,000/- has already been repaid, and a prayer has been made for permission to liquidate the remaining outstanding amount along with simple interest in equal instalments

**(x)** Writ-C No.17737 of 2026: An agricultural loan of Rs. 2,75,000/- was availed by the petitioner in the year 2012. By the year 2023, the outstanding loan amount had increased to Rs. 7,34,905/-

**(xi)** Writ-C No.18300 of 2026: An agricultural loan of Rs. 1,60,000/- was availed by the petitioner during the year 2013–2014. By the year 2026, the outstanding loan amount had increased to Rs. 6,04,629/-

**(xii)** Writ-C No.18369 of 2026: An agricultural loan of Rs. 30,000/- was availed by the petitioner in the year 2006. By the year 2025, the outstanding loan amount had increased to Rs. 1,62,055/-

**(xiii)** Writ-C No.18436 of 2026: An agricultural loan of Rs. 48,000/- was taken by the petitioner in the year 2009, carrying interest at the rate of 12% per annum. By the year 2026, the outstanding loan amount had increased to Rs. 2,61,213/-

**(xiv)** Writ-C No.18525 of 2026: An agricultural loan of Rs. 98,000/- was taken by the petitioner in the year 2009, carrying interest at the rate of 12% per annum. By the year 2023–2024, the outstanding loan amount had increased to Rs. 7,10,504/-

**(xv)** Writ-C No.18543 of 2026: An agricultural loan of Rs. 96,000/- was taken by the petitioner in the year 2009, carrying interest at the rate of 12% per annum. By the year 2023–2024, the outstanding loan amount had increased to Rs. 6,36,890/-

**Note:** The facts set out hereinabove have been delineated from the contentions advanced by the petitioners.

to permit payment in easy installments. However, the Bank shall not charge an amount exceeding double the principal amount until the Committee, as may be constituted, submits its recommendations in this regard.

**50.** The Registrar (Compliance) is directed to transmit a copy of this order forthwith to **(i)** the Chief Secretary, Government of Uttar Pradesh, **(ii)** the Secretary, Cooperative, Department Uttar Pradesh, **(iii)** the Additional Secretary, Cooperative, Government of India, for information.

**51.** List this case on 08.09.2026 before this Court, at the end of the board, for reporting compliance.

**July 22, 2026**
Shafique

**(Vinod Diwakar, J.)**

**Enclosure-I**

Order dated 31.03.2026:

1. Heard learned counsel for the petitioner and Shri Abhishek Sharma, learned counsel appearing for the respondent-Bank.

2. On the previous date of hearing, the respondent? Branch Manager was directed to remain present before this Court. In compliance thereof, Shri Suresh Kumar Verma, Branch Manager, Kulpahad, District Mahoba, appeared in person along with the original file pertaining to the petitioner's loan account.

3. Shri Abhishek Sharma, learned counsel for the respondent-Bank, has filed a counter affidavit, which is taken on record.

4. Briefly stated, the record indicates that the petitioner had applied for a loan of Rs. 50,000/- from the respondent-Bank for the purchase of two buffaloes. The said amount was sanctioned at an interest rate of 13% per annum. Pursuant to the execution of a loan agreement dated 05.11.2009 between the Bank and the petitioner, the loan amount was disbursed in two instalments of Rs. 25,000/- each? the first on 06.11.2009 and the second on 15.02.2010. The loan was repayable over a period of five years in two instalments per annum. As security, land measuring 0.882 hectares situated at Mauja Mahoba Bandh, Thana Ajgar, Pargana and Tehsil Kulpahad, District Mahoba, was mortgaged. The loan was also insured under Policy No. 223307/47/2010/995 (Insured Code No. 29398653). The insurance coverage commenced on 23.12.2009 and continued till midnight of 22.12.2012. A premium of Rs. 1,200/- per installment was paid by the petitioner.

5. The counter affidavit filed by the respondent-Bank states that the petitioner repaid Rs. 1,000/- on 20.10.2010 and Rs. 2,000/- on 03.11.2010, totalling Rs. 3,000/-. However, as per the comments dated 29.03.2026 furnished by the Bank in response to the writ petition, the petitioner is stated to have repaid only Rs. 2,500/-. It is further stated that recovery notices were issued from time to time by the Bank's field staff;

however, the petitioner failed to repay the loan. The Bank had introduced a One Time Settlement Scheme operative from 2018 till 30.09.2022, and notice in this regard was also served upon the petitioner. Despite this, the petitioner neither availed the benefit of the said scheme nor repaid the outstanding dues. Consequently, recovery proceedings were initiated in the year 2022. The first demand notice was issued in 2017, followed by subsequent notices prior to the issuance of a recovery certificate in 2025, proposing sale of the mortgaged property. A notice dated 05.01.2026 indicated that the petitioner's land would be auctioned on 10.03.2026 by respondent no. 3. However, the auction could not take place, as the petitioner approached this Court seeking to set aside the auction notice.
6. The Branch Manager, present in Court, was queried on the following aspects: (i) why the provisions contained in Chapter V of the Uttar Pradesh Sahkari Gram Vikas Bank Rules, 1971 were not followed; (ii) why there was a delay on the part of the Bank officials resulting in escalation of the loan amount from Rs. 50,000/- to Rs. 3,71,384/-, and what the State policy in this regard is; (iii) why the situation arose necessitating auction of the petitioner's land measuring 0.882 hectares, and who is responsible for the same; (iv) on what basis interest at the rate of 13% per annum was levied; and (v) what are the objectives and purposes underlying the enactment of the Uttar Pradesh Sahkari Gram Vikas Bank Act, 1964 and the Rules of 1971 framed thereunder.

7. In response, the Branch Manager relied upon Rules 25 and 26 of the Uttar Pradesh Sahkari Gram Vikas Bank Rules, 1971. However, he did not offer any substantive response to the remaining queries.

8. Having heard learned counsel for the parties and the Branch Manager in person, and upon perusal of the original loan file, this Court *prima facie* finds that there appears to be non-compliance with statutory provisions and applicable rules. The conduct of the Bank officials suggests disregard for governing policies. The petitioner, a farmer, appears to be at risk of losing his only landholding due to non-payment of a loan of Rs. 50,000/-. At this stage, the reasons for such a situation

are not fully discernible. The scheme for disbursement of loans to farmers and the mechanism for recovery thereof require judicial scrutiny.

9. It is, therefore, necessary to examine the objectives of the Bank as reflected on its official website. The Uttar Pradesh Sahkari Gram Vikas Bank Limited was established on 12.03.1955 with the objective of enhancing farmers' income by providing long-term credit for agricultural and allied activities and 'to free them from the exploitation of moneylenders'. For decades, the Bank has aimed to improve the socio-economic condition of rural farmers through long-term lending across its network.

9.1 The website further indicates, under the message of the Managing Director, for "Atmanirbhar Uttar Pradesh" initiative, the Bank is expected to play a pivotal role in making the State self-reliant and in promoting agricultural and allied sector development. It emphasizes strengthening rural infrastructure through long-term credit, adoption of modern technology, and engagement with farmers by way of awareness, guidance, and facilitation in accessing government schemes. The stated commitment concludes with the assurance: "Your Bank? ever ready to serve the farmers."

10. There appears to be absolutely no justifiable reason for permitting such an escalation. It is inconceivable, and wholly contrary to the stated objectives of the Bank as reflected in the message of its Managing Director, that a modest loan of Rs. 50,000/-, availed for the purchase of two buffaloes and secured by mortgaging land measuring 0.882 hectares, could be allowed to swell to Rs. 3,71,384/-. Such action runs directly counter to the very purpose for which the institution was established, namely, to support and protect farmers by raising their social and financial status, and instead imposes a wholly disproportionate and oppressive financial burden upon them.

11. In light of the above, and in the interest of farmers as well as to achieve the stated objectives of strengthening rural infrastructure and agricultural development, this Court deems it appropriate to afford an

opportunity to the Managing Director of the Bank to assist the Court on the queries raised herein, along with ancillary issues relating to recovery procedures, fixation of interest rates, and mechanisms to regulate administrative and establishment expenses of the Bank.

12. Accordingly, the Managing Director, Uttar Pradesh Sahkari Gram Vikas Bank Ltd is directed to appear before this Court on 21.04.2026 at 2:00 PM along with relevant records as he deem fit and appropriate to assist the Court. The date has been fixed keeping in view his convenience, as informed by learned counsel for the Bank after consultation with his office.

13. The original file pertaining to the petitioner's loan account is returned to the Branch Manager after dictation of this order.

14. Put up this matter as fresh on 21.04.2026 at 2:00 PM.

15. The recovery proceedings initiated qua petitioner shall remain stayed till the pendency of this petition.

Sd/-

(Vinod Diwakar, J.)

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