2026 INSC 955

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NOS. 5351 – 5352 OF 2025

SANDEEP S. GHANDAT & ORS. ... APPELLANTS

VERSUS

RESERVE BANK OF INDIA & ORS. ... RESPONDENTS

J U D G M E N T

ALOK ARADHE, J.

1. The present appeals concern the extent to which the constitutional mandate of democratic governance of co-operative societies limits the power of the Reserve Bank of India (RBI) to supersede the Board of a multi-State co-operative bank and continue such supersession under the Banking Regulation Act, 1949 (the 'BR Act').

2. The appeals assail the judgment and order dated 18.11.2024 rendered by the High Court[1] in two Writ Petitions[2] whereby the order dated 24.11.2023 passed by the RBI superseding the Board of Directors ('BoD') of Abhyudaya Co-operative Bank Limited (the 'Bank') and appointing an Administrator in its place, was upheld and the said writ petitions came to be dismissed.

[1] High Court of Judicature at Bombay
[2] Writ Petition (L) Nos. 34124-34125 of 2023

FACTS

3. At the outset, the material facts, shorn of unnecessary details, may be noticed. The Bank was originally incorporated as a co-operative society registered under the Maharashtra Co-operative Societies Act, 1960 which later was converted into a bank in the year 1965 with the permission of RBI and the Commissioner of Co-operation. In the year 1988, the Bank was declared as a Scheduled Bank by RBI under Section 42(6)(a) of the Reserve Bank of India Act, 1934 (the 'RBI Act'). Pursuant to a direction issued by RBI under Section 45 of the Banking Regulation Act, 1949 (the 'BR Act'), the Bank was amalgamated with two banks in Gujarat and one bank in Karnataka, in consequence whereof it became a multi-State co-operative society carrying on the business of banking, and is thus a 'Multi-State Co-operative Bank' within the meaning of the BR Act.

4. In May 2019, the appellants were elected as members of the BoD by the shareholders of the Bank for a statutory term of five years. By an order dated 24.11.2023, the RBI, in exercise of power conferred by Section 36AAA (1) and (2) read with Section 56 of BR Act, superseded the BoD of the Bank for a period of one year (the 'First Supersession Order') and appointed Mr. Satya Prakash

Pathak as the Administrator. The First Supersession Order proceeded on the following three grounds, namely, (i) the financial health of the Bank had deteriorated to a dangerous level; (ii) supersession was necessary to protect the interest of the depositors and to save the Bank from collapse; and (iii) the affairs of the Bank were required to be managed through expert professionals so as to restore it to sound financial health.

5. Aggrieved, the appellants instituted writ petitions before the High Court seeking to quash the First Supersession Order. During the pendency of those proceedings, the appellants' statutory term of five years expired on 24.05.2024.

6. On 18.11.2024, the RBI extended the period of supersession for a further period of one year with effect from 24.11.2024 (the 'Second Supersession Order'). By the impugned judgment dated 18.11.2024, the High Court held, *inter alia*, that Section 36AAA of BR Act continues to operate and is not rendered otiose by Articles 243ZL and 243ZT of the Constitution of India ('the Constitution'); that the proviso to Section 36AAA of the BR Act requiring consultation with the State Government has no application to a multi-State co-operative bank; and that the principles of natural justice cannot be read into Section 36AAA of BR Act. The writ petitions were accordingly dismissed.

7. Being aggrieved, the appellants approached this Court by way of Special Leave Petitions, in which leave was granted. During the pendency of these appeals, on 07.11.2025, the RBI passed another order extending supersession with effect from 24.11.2025 ('the Third Supersession Order').

SUBMISSIONS

8. Mr. Devadatt Kamat, learned senior counsel for the appellants, submitted that supersession contemplated under Section 36AAA(1) of BR Act cannot extend beyond the tenure of the BoD and that the Second and Third Supersession Orders, having been passed after expiry of the appellants' term, when in effect, no Board remained in existence to be superseded, are unsustainable in law. It was contended that successive orders of supersession are *ultra vires* the constitutional mandate embodied in Articles 243ZL and 243ZT. It was urged that the proviso to Section 36AAA(1) of the BR Act is plain and unambiguous and must be read to mean consultation with the Central Government. It was pointed out that aforesaid mandatory requirement of consultation was admittedly not undertaken in the present case.

9. It was urged that the third proviso to Article 243ZL(1) merely imports BR Act into the constitutional scheme, without displacing the six-month ceiling on supersession prescribed by the substantive part of Article 243ZL(1). It was contended that the third proviso cannot be read as ousting the application of Part IXB of the Constitution to co-operative societies carrying on the business of banking. It was contended that in view of Article 243ZL(2), elections were to be held immediately after the statutory term of the appellants came to an end. In support of the aforesaid submissions, reliance has been placed on the decisions of this Court[3]. It was also contended that reliance placed on the judgment of the Constitution Bench of this Court[4] is misplaced, as the said decision was concerned with the applicability of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ('SARFAESI Act') to co-operative societies, and not the question presently in issue.

10. On the other hand, Mr. Jaideep Gupta, learned senior counsel for RBI, submitted that Section 36AAA(7) of BR Act contemplates the calling of a general meeting by the Administrator only 'on and before expiration' of the period of supersession of BoD as

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[3] **Kishansing Tomar** v. **Municipal Corporation of the City of Ahmedabad & Ors., (2006) 8 SCC 352; Union of India** v. **Rajendra N. Shah and Anr., (2022) 19 SCC 520** and **Durgabai Deshmukh Memorial Senior Secondary School and Anr.** v. **J.A.J. Vasu Sena & Anr., (2019) 17 SCC 157**

[4] **Pandurang Ganapati Chaugule** v. **Vishwasrao Patil Murgud Sahakari Bank Ltd., (2020) 9 SCC 215**

specified in the order of RBI, thereby making it evident that the tenure of the erstwhile BoD has no bearing whatsoever upon RBI's power of supersession. It was submitted that RBI may, for reasons to be recorded in writing, supersede the BoD for a period not exceeding five years in the aggregate.

11. It was further submitted that the third proviso to Article 243ZL(1) carves out, from the operation of the substantive clause, an entire class of co-operative societies, namely those carrying on the business of banking, to which the substantive clause does not apply at all. Article 243ZT of the Constitution, it was submitted, governs only "any provision of any law relating to co-operative societies in force in a State", and the BR Act, being a Central enactment traceable to Entry 45 List I of the Seventh Schedule of the Constitution and having nothing to do with co-operative societies as such, falls wholly outside its purview. It was, therefore, contended that Article 243ZT has no application vis-à-vis Section 36AAA of BR Act.

12. It was contended that the Bank, being a multi-State co-operative bank, is governed by provisions of BR Act. It was contended that Section 123 of the Multi-State Co-operative Societies Act, 2002 ('MSCS Act') has no bearing on supersession of the BoD of multi-State co-operative bank, by RBI. It was argued that the requirement of consultation under the proviso to Section 36AAA(1) is confined to uni-State co-operative banks and does not extend to multi-State co-operative banks such as the Bank. It was emphasised that RBI is the statutory regulator of the banking system and that Courts ought to be circumspect in interfering with matters of economic and regulatory policy. In support of the aforesaid submissions, reliance has been placed on the decisions of this Court[5] as well as a decision of the High Court of Bombay[6].

13. Mr. Ninad Laud, learned counsel for respondent no. 5, submitted that the plain language of the third proviso to Article 243ZL(1) makes BR Act applicable to all co-operative banks, and that the Constitution (Ninety-Seventh Amendment) Act, 2011, even while conferring constitutional status upon co-operative societies, itself expressly preserved the application of the BR Act to those societies engaged in the business of banking.

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[5] **Rajendra N. Shah & Anr.** (supra); **Pandurang Ganpati Chaugule** (supra); **Commissioner of Commercial Taxes & Ors.** v. **Ramkishan Shrikishan Jhaver & Ors., 1967 SCC OnLine SC 31; State of M.P.** v. **Kedia Leather & Liquor Ltd. & Ors., (2003) 7 SCC 389; Union of India** v. **Col. J.N. Sinha & Anr., (1970) 2 SCC 458; Joseph Kuruvilla Vellukunnel** v. **The Reserve Bank of India & Ors., 1962 SCC OnLine SC 3; Peerless General Finance and Investment Co. Ltd. & Anr.** v. **Reserve Bank of India, (1992) 2 SCC 343; Bhavesh D. Parish & Ors.** v. **Union of India & Anr., (2000) 5 SCC 471** and **Internet and Mobile Association of India** v. **Reserve Bank of India, (2020) 10 SCC 274**

[6] **Adisri Commercial P. Ltd. & Anr.** v. **Reserve Bank of India & Ors., (2021) SCC OnLine Bombay 12438**

14. It was pointed out that Section 120B, inserted in the MSCS Act with effect from 03.08.2023, likewise provides that BR Act shall apply to a society carrying on the business of banking, and that the question of construction of the third proviso to Article 243ZL(1), stands concluded by the decision of the Constitution Bench of this Court[7]. It was argued that Section 123 of the MSCS Act is limited in its application to "specified" multi-State co-operative societies where the Government has economic interest just as the second proviso to Article 243ZL(1) restricts its application to societies with "Government shareholding, or loan or financial assistance or any guarantee by the Government". In support of the aforesaid submissions, reliance was placed on the decisions of this Court[8]. It was accordingly prayed that the appeals be dismissed.

<u>ISSUES</u>

15. The following issues arise for consideration in these appeals:

(i) Whether the power of the RBI to supersede the BoD of a multi-State co-operative bank under Section 36AAA(1) of BR Act is circumscribed by the 6 month-

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[7] **Pandurang Ganpati Chaugule** (supra)

[8] **Dwarka Prasad** v. **Dwarka Das Saraf, (1976) 1 SCC 128;** and **Rajendra N. Shah & Anr.** (supra)

limit prescribed under Article 243ZL(1) of the Constitution?

(ii) Whether an order of supersession passed under Section 36AAA(1) of BR Act can be extended beyond the term of office for which the BoD of a multi-State co-operative bank had originally been elected?

ANALYSIS

16. Having heard learned counsel for the respective parties at length and upon a perusal of the record, we proceed to answer the issues.

17. The BR Act is a parliamentary enactment traceable to Entry 45 of List-I of Seventh Schedule of the Constitution, enacted to consolidate and amend the law relating to banking. The MSCS Act, also a parliamentary legislation, is traceable to Entry 44 of List-I of Seventh Schedule of the Constitution, and was enacted to remedy the deficiencies of the erstwhile legislation that is the Multi-State Co-Operative Societies Act, 1984 and to strengthen the governance of the multi-State co-operative societies, consistently with the recognized co-operative principles, which are, (i) voluntary and open membership, (ii) democratic member control, (iii) member's economic participation, (iv) autonomy and independence, (v) education, training and information, (vi) co-operation among co-operatives, and (vii) concern for community. The MSCS Act was also intended to address specific instances of mismanagement that had come to light in certain multi-State co-operative societies.

18. By the Constitution (Ninety-Seventh Amendment) Act, 2011 Part IXB, comprising Articles 243ZH to 243ZT, was inserted into the Constitution, conferring constitutional status upon co-operative societies with the object of ensuring that such societies function in a democratic, professional, autonomous and economically sound manner. This Court[9] upheld the constitutional validity of Part IXB of the Constitution only in relation to multi-State co-operative societies. It follows that Part IXB applies exclusively to multi-State co-operative societies.

ISSUE NO. (i)

19. Before entering upon this issue, it would be apposite to extract Article 243ZL of the Constitution, which reads thus:

> **"243ZL. Supersession and suspension of board and interim management.—**
> (1) Notwithstanding anything contained in any law for the time being in force, no board shall be superseded or kept under suspension for a period exceeding six months:
> Provided that the board may be superseded or kept under suspension in a case—

[9] **Rajendra N. Shah & Anr.** (supra)

> (i) of its persistent default; or
> (ii) of negligence in the performance of its duties; or
> (iii) the board has committed any act prejudicial to the interests of the co-operative society or its members; or
> (iv) there is stalemate in the constitution or functions of the board; or
> (v) the authority or body as provided by the Legislature of a State, by law, under clause (2) of article 243ZK, has failed to conduct elections in accordance with the provisions of the State Act:
>
> Provided further that the board of any such co-operative society shall not be superseded or kept under suspension where there is no Government shareholding or loan or financial assistance or any guarantee by the Government:
>
> Provided also that in case of a co-operative society carrying on the business of banking, the provisions of the Banking Regulation Act, 1949 (10 of 1949) shall also apply;
>
> Provided also that in case of a co-operative society, other than a multi-State co-operative society, carrying on the business of banking, the provisions of this clause shall have the effect as if for the words "six months", the words "one year" had been substituted.
>
> (2) In case of supersession of a board, the administrator appointed to manage the affairs of such co-operative society shall arrange for conduct of elections within the period specified in clause (1) and handover the management to the elected board.
>
> (3) The Legislature of a State may, by law, make provisions for the conditions of service of the administrator."

20. The provision opens with a *non obstante* clause and enacts, as a general rule, that no BoD of a co-operative society shall be superseded or kept under suspension for a period exceeding six months. The said general rule stands qualified by four provisos. The first proviso specifies the grounds on which supersession may be ordered. The second withdraws the power of supersession altogether where the co-operative society concerned carries no element of Government shareholding or loan or financial assistance or any guarantee by the Government. The third proviso stipulates that, in the case of a co-operative society carrying on the business of banking, the provisions of BR Act "shall also apply". The fourth proviso extends the period of supersession from six months to one year for a co-operative society, but, significantly, in terms, expressly excludes from that extension a co-operative society other than a multi-State co-operative society carrying on the business of banking.

21. The relevant extract of Section 36AAA of the BR Act reads as under:

> "**36AAA.—Supersession of Board of directors of a [co-operative bank]**. —
>
> (1) Where the Reserve Bank is satisfied that in the public interest or for preventing the affairs of a [co-operative bank] being conducted in a manner detrimental to the interest of the depositors or of the [co-operative bank] or for securing the proper management of the [co-operative bank], it is necessary so to do, the Reserve Bank may, for reasons to be recorded in writing, by order, supersede the Board of directors of such [co-operative bank] for a period not exceeding five years as may be specified in

the order, which may be extended from time to time, so, however, that total period shall not exceed five years;

[Provided that in the case of a co-operative bank registered with the Registrar of Co-operative Societies of a State, the Reserve Bank shall issue such order in consultation with the concerned State Government seeking its comments, if any, within such period as the Reserve Bank may specify.]

(2) The Reserve Bank may, on supersession of the Board of directors of the [co-operative bank] under sub-section (1) appoint an Administrator for such period as it may determine.

(3) The Reserve Bank may issue such directions to the Administrator as it may deem appropriate and the Administrator shall be bound to follow such directions.

(4) Upon making the order of supersession of the Board of directors of a [co-operative bank],—

(a) the chairman, managing director and other directors as from the date of supersession of the Board shall vacate their offices as such;

(b) all the powers, functions and duties which may, by or under the provisions of the Multi-State Co-operative Societies Act, 2002 (39 of 2002) or this Act or any other law for the time being in force, be exercised and discharged by or on behalf of the Board of directors of such a [co-operative bank] or by a resolution passed in general meeting of such co-operative bank, shall, until the Board of directors of such co-operative bank is reconstituted, be exercised and discharged by the Administrator appointed by the Reserve Bank under sub-section (2):

Provided that the power exercised by the Administrator shall be valid notwithstanding that such power is exercisable by a resolution passed in the general meeting of such multi-State co-operative bank.

(5) (a) The Reserve Bank may constitute a committee of three or more persons who have experience in law, finance, banking, administration or accountancy to assist the Administrator in discharge of his duties.

(b) The committee shall meet at such times and places and observe such rules of procedure as may be specified by the Reserve Bank…"

"..(9) The Administrator appointed under sub-section (2) shall vacate office immediately after the Board of directors of the multi-State co-operative society has been constituted.

[(10) The provisions of section 36ACA shall not apply to a co-operative bank.]"

22. Thus, for reasons to be recorded, the power of supersession of a multi-State co-operative bank, can be exercised by RBI, in public interest or for preventing the affairs of a co-operative bank being conducted in a manner detrimental to the interest of the depositors or of the co-operative bank or for securing the proper management of such bank, from time to time, for a period not exceeding five years.

23. Justice G.P. Singh in *Principles of Statutory Interpretation (15th Edition, page no. 248)* has explained the doctrine of incorporation of an earlier Act into later one in the following terms:

"Incorporation of an earlier Act into a later Act is a legislative device adopted for the sake of convenience in order to avoid verbatim reproduction of the provisions of the earlier Act into the later[10]. When an earlier Act or certain of its provisions or certain of its provisions are incorporated by reference into a later Act, the provisions so incorporated become part and parcel of the later Act as if they had been 'bodily transposed into it'[11]. The effect of incorporation is admirably stated by Lord Esher MR:

> "If a subsequent Act brings into itself by reference some of the clauses of a former Act, the legal effect of that, as has often been held, is to write those sections into the new Act as if they had been actually written in it with the pen, or printed in it."[12]

24. Thus, in case of incorporation, the provisions to which reference is made are bodily lifted in the enactment in which they are referred to and become part of it. The incorporated provisions operate on their own force. Tested on the analogy of the aforesaid well-settled legal principles, it is evident that the third proviso to Article 243ZL(1) employs the expression "shall also apply". The said expression has been used in an additive and non-restrictive sense. Therefore, it is evident that the same incorporates BR Act into Part IXB of the Constitution insofar as it pertains to multi-State co-operative bank.

25. It is well-settled that, ordinarily, a proviso restricts rather than enlarges the meaning of the provision to which it is appended. However, at times, the legislature embodies a substantive

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[10] **Mary Roy** v. **State of Kerala, AIR 1986 SC 1011**
[11] **Ram Sarup** v. **Munshi, AIR 1963 SC 553**
[12] **Re, Wood's Estate, Ex parte, Works and Buildings Commrs, (1886) 31 Ch D 607, p 615.**

provision in a proviso. The question whether a proviso is by way of an exception or a condition to the substantive provision, or whether it is in itself a substantive provision, must be determined on the substance of the proviso and not its form[13]. A proviso can also be an independent legislative provision[14]. A Constitution Bench of this Court has also held that generally speaking, it is true that the proviso is an exception to the main part of the section; but it is recognised that in exceptional cases a proviso may be the substantive provision itself[15]. A two-Judge Bench of this Court[16] took note of previous decisions[17], summed up the purposes which a proviso may seek to serve, (i) qualifying or excepting certain provisions from the main enactment; (ii) it may entirely change the very concept of the intendment of the enactment by insisting on certain mandatory conditions to be fulfilled in order to make the enactment workable; (iii) it may be so embedded in the Act itself as to become an integral part of the enactment and thus acquire the tenor and colour of the substantive enactment itself; and (iv) it may be used merely to

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[13] **Rhondda Urban District Council** v. **Taff Vale Railway Co., [1909] A.C. 253, 258.**
[14] **State of Rajasthan** v. **Leela Jain & Ors.. 1964 SCC OnLine SC 15**
[15] **Commissioner of Commercial Taxes and Ors.** (supra)
[16] **DMRC** v. **Tarun Pal Singh, (2018) 14 SCC 161**
[17] **S. Sundaram Pillai** v. **V.R. Pattabiraman, (1985) 1 SCC 591;** and **Hiralal Rattanlal** v. **State of U.P., (1973) 1 SCC 216.**

act as an optional addenda to the enactment with the sole object of explaining the real intendment of the statutory provision.

26. The Parliament has enacted third proviso to the said Article which is a special provision for Boards of Societies carrying on the business of banking. In the instant case, the third proviso by making the provisions of BR Act also applicable, in case of a multi-State co-operative bank enlarges the scope of main Article that is Article 243ZL(1), instead of restricting its scope, therefore, the same is not a proviso but is an independent provision. The words "shall also apply" employed in third proviso to the said Article makes it abundantly clear that provisions of the BR Act are applicable to the multi-State co-operative bank.

27. It is also of significance that the fourth proviso to Article 243ZL(1), while extending the period of supersession from six months to one year for a co-operative society carrying on the business of banking, expressly excludes a multi-State co-operative society carrying on the business of banking from that extension. Article 243ZL(1), which confers constitutional status on co-operative societies, thus itself contemplates and preserved the application of Section 36AAA of BR Act to a multi-State co-operative bank. It bears mention that Section 56 of BR Act carries a *non-obstante* clause and is given an overriding effect over all other legislations. A Constitution Bench of this Court[18] has categorically held that, by virtue of the third proviso to Article 243ZL(1), the provisions of BR Act shall also apply to a multi-State co-operative society carrying on the business of banking.

28. We may, in this regard, advert to a further textual indicator, internal to Article 243ZL itself, which perhaps furnishes the most conclusive proof of the construction we have adopted. The fourth proviso applies in terms to "a co-operative society, other than a multi-State co-operative society, carrying on the business of banking". By employing this qualifying phrase, Parliament has proceeded upon the clear premise that the expression "co-operative society carrying on the business of banking", as it occurs in Article 243ZL, would, but for such express exclusion, take within its fold multi-State co-operative societies as well. Had the definition of "co-operative society" in Article 243ZH(c) been intended to remove multi-State co-operative societies from the sweep of Article 243ZL altogether, there would have been no occasion, and indeed no necessity, for Parliament to carve out multi-State co-operative societies by name from the fourth proviso.

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[18] **Pandurang Ganpati Chaugule** (supra)

29. An exclusion, by its very nature, presupposes a prior inclusion; Parliament does not exclude from a proviso what could never have fallen within it in the first place. This internal architecture of Article 243ZL, read as an integral whole, therefore corroborates, in the clearest possible terms, that the third proviso, which extends BR Act to co-operative societies carrying on the business of banking, was always intended to, and does, comprehend multi-State co-operative banks such as the Bank in the present case.

30. The textual conclusion is, in our view, rendered inevitable when the provision is read in the light of the purpose it is designed to serve. Banking, unlike ordinary commercial or co-operative activity, is impressed with a public interest of a distinct order: it is the medium through which the savings of depositors, frequently persons of modest means, who repose in the banking system both their trust and their life earnings, are held and deployed. The BR Act was enacted precisely to arm RBI, as the apex regulator of the banking system, with the tools necessary to safeguard the interests of depositors and to maintain the solvency, stability and discipline of banking institutions. Section 36AAA of BR Act is one such tool, enabling the RBI to supersede an errant or failing board where this is necessary in the public interest, or to prevent the affairs of a co-operative bank being conducted in a manner detrimental to the interests of its depositors, or to secure its proper management.

31. To read the third proviso to Article 243ZL(1) as excluding multi-State co-operative banks from the reach of the BR Act and thereby confining the RBI's regulatory hand to a rigid six-month period, ill-suited to the time genuinely required to nurse a distressed bank back to health, would be to subordinate the protection of depositors and the discipline of the banking system to a truncated and overly technical reading of a constitutional proviso. Such a construction would defeat the very object which impelled the Parliament to enact a third proviso, namely, to ensure that co-operative societies carrying on the business of banking remain, notwithstanding their co-operative character, subject to the specialised, continuous and expert regulatory oversight of the RBI under the BR Act.

32. We are, therefore, of the considered view that the construction which subserves the object of protecting depositors and preserving financial discipline in the banking system must be preferred over one which would fragment regulatory authority and expose multi-State co-operative banks to a supervisory vacuum upon the expiry of an artificially truncated period. It is this need to preserve, rather than dilute, the RBI's regulatory reach over multi-State co-operative banks that lends both textual and purposive coherence to the scheme of Article 243ZL. Therefore, the inevitable conclusion is that provisions of BR Act apply to multi-State co-operative banks.

33. The decision of the Constitution Bench of this Court[19] no doubt deals with the issue of application of SARFAESI Act to co-operative societies. However, in paragraph 94, in the aforesaid decision, the Constitution Bench held in terms that the BR Act is applicable to multi-State co-operative societies carrying on the business of banking. Therefore, the submission that the reliance placed by respondents on this decision is misplaced, does not, therefore, merit acceptance. Similarly, the contention that the third proviso to Article 243ZL(1) cannot be read as ousting the applicability of provisions of Part IXB of the Constitution to multi-State co-operative societies carrying on the business of banking is misconceived.

34. For the aforementioned reasons, the first issue is answered in the negative by stating that the power of RBI to supersede BoD of a multi-State co-operative bank under Section 36AAA(1) of BR

[19] **Pandurang Ganpati Chaugule** (supra)

Act is not circumscribed by the 6-month limit prescribed in Article 243ZL(1) of the Constitution.

ISSUE NO. (ii)

35. We now turn to the second issue. The First Supersession Order was passed on 24.11.2023, before the expiry of the statutory term of the BoD, which expired on 24.05.2024. It was only thereafter, on 18.11.2024, the Second Supersession Order extending the period of supersession of BoD was passed and thereafter still, on 07.11.2025, that the Third Supersession Order further extended the period of supersession by one year.

36. Section 36AAA (1) of BR Act expressly contemplates that a period of supersession, once ordered, may be extended from time to time, subject to an outer limit of five years in the aggregate. Once the BoD stands superseded, the Board ceases to exist and all its powers vest in the Administrator. The object underlying Section 36AAA, which empowers the RBI, as the regulator of banking system, to supersede the Board of a multi-State co-operative bank, is to ensure that financial health of a co-operative bank does not deteriorate to a dangerous level and interest of depositors is duly protected. The power thereunder must accordingly be exercised in the public interest to secure the proper management of a multi-State co-operative bank. Section 36AAA (7) of the BR Act may usefully be extracted:

> "**(7)** On and before expiration of period of supersession of the Board of directors as specified in the order issued under sub-section (1), the Administrator of the [co-operative bank] shall call the general meeting of the society to elect new directors."

37. The Administrator is thus obliged to convene a general meeting for the election of new directors only upon expiration of the period of supersession specified by the RBI. Bearing in mind the object underlying the RBI's power of supersession and the mandate of Section 36AAA(7), we are of the view that the tenure of the erstwhile BoD of a multi-State co-operative bank is of no consequence to the exercise of that power. At the same time, the provision safeguards the interests of the BoD of the multi-State co-operative bank by fixing an outer limit of five years, so that elections are not deferred indefinitely. In the instant case, the power of supersession was exercised while the statutory term of BoD subsisted, and the period of supersession has thereafter only been extended, within the permissible outer limit of five years.

38. For the aforementioned reasons, the second issue is answered in the affirmative by stating that the order of supersession passed under Section 36AAA(1) of BR Act can be extended beyond the term of office for which the BoD of a multi-State co-operative bank had originally been elected.

39. Insofar as the submission made on behalf of the appellants that there has been a violation of proviso to Section 36AAA(1) of the BR Act on account of non-consultation prior to the order of supersession is concerned, it suffices to note that the requirement of consultation applies only to a co-operative bank registered with Registrar of Co-operative Societies of a State. The Bank, being admittedly a multi-State co-operative bank, does not fall within that category. Therefore, the aforesaid submission does not merit acceptance.

CONCLUSION

40. For the foregoing reasons, we find no infirmity in the impugned judgment warranting interference in these appeals. The appeals are, accordingly, dismissed, with no order as to costs.

...J.
[PAMIDIGHANTAM SRI NARASIMHA]

...J.
[ALOK ARADHE]

NEW DELHI;
SEPTEMBER 03, 2026.