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JUDICIAL INTERPRETATION OF THE DEFINITION OF "ADMINISTRATOR" UNDER MADHYA PRADESH COOPERATIVE SOCIETY ACT, 1960: REASSESSING THE ELIGIBILITY OF ADMINISTRATORS

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ABSTRACT

The appointment of Administrators to cooperative institutions has increasingly raised complex questions concerning statutory interpretation, legislative intent, and the autonomy of cooperative societies. The Madhya Pradesh Cooperative Societies Act, 1960 establishes a statutory framework that classifies cooperative societies into distinct categories, including Primary Agricultural Credit Societies (PACS), Central Cooperative Societies such as District Central Cooperative Banks (DCCBs), and Apex Cooperative Societies. These classifications serve different objectives, possess distinct membership structures, and perform separate statutory functions. However, judicial decisions concerning the eligibility of individuals associated with one class of society to administer another have generated important legal questions regarding the interpretation of the Act.

This paper critically examines the statutory definition of "cooperative society" under the Madhya Pradesh Cooperative Societies Act, 1960 and analyses whether the appointment of a member of a Primary Agricultural Credit Society as the Administrator of a District Central Cooperative Bank is consistent with the legislative framework governing cooperative institutions. The study adopts a doctrinal research methodology based on an examination of statutory provisions, constitutional principles, legislative intent, judicial precedents, and established principles of statutory interpretation. It further analyses the relevance of the Banking Regulation Act, 1949, the National Bank for Agriculture and Rural Development Act, 1981, and the Income-tax Act, 1961 in understanding the legal distinction between different classes of cooperative societies.

KEYWORDS

Co-operative Society; Madhya Pradesh Cooperative Societies Act, 1960; District Central Cooperative Bank; Primary Agricultural Credit Society; Administrator; Statutory Interpretation; Cooperative Credit Structure; Banking Regulation Act; NABARD Act; Income-tax Act Section 80P.

LIST OF ABBREVIATIONS

- MPCS Act – Madhya Pradesh Cooperative Society Act 1960
- DCCB – District Central Cooperative Bank
- PACS – Primary Agriculture Credit Society
- RBI - Reserve Bank of India
- NABARD – National Bank for Agriculture and Rural Development
- SC – Supreme Court Of India
- HC - High Court of Madhya Pradesh
- SCC- Supreme Court Cases Reporter
- AIR – All India Reporter
- MPHC – Madhya Pradesh High Court

1. INTRODUCTION

The Cooperative Credit structure in India is a three-tier system: primary Agricultural Credit Societies (PACS) at grassroots, District Central Cooperative Banks (DCCBs) at the district level, and State Cooperative Banks at the Apex level. In Madhya Pradesh, these are governed by the Madhya Pradesh Cooperative Societies Act, 1960 ("MPCS Act"). Section 2 of the MPCS Act defines various categories of societies: apex societies, central societies (including DCCBs) and primary societies. By definition, a Primary Society is a society which is neither an Apex Society nor a Central Society. Notably, a "Primary Agricultural Credit Cooperative Society" is one formed to provide agricultural credit. In contrast, a DCCB is a central cooperative bank, defined as the principal cooperative society in a district with the object of raising and providing credit for affiliated societies.

The MPCS Act (via Section 2(a-ii), as amended in 2018) permits the appointment of an Administrator to a society. An "Administrator" is defined as any government servant above a certain rank or any person eligible for election as a member of the Board of Directors of the society or of a society of the same class, appointed by the Registrar. Thus, by literal reading, a DCCB (a central society) may have an Administrator who is a person eligible to be on the Board of any central society (or that DCCB itself). Since PACS are "primary societies" (not central), a member of a PACS would not normally be eligible as a DCCB Administrator under the same class criterion. The legislative scheme appears to prevent mixing classes of cooperatives for governance roles, preserving the hierarchy of primary–central–apex. Cooperative statutes in other states similarly separate categories (for example, Gujarat's Act bars PACS members from Central Bank committees under certain conditions).

Despite this, some High Court orders in Madhya Pradesh have raised controversy by upholding the appointment of PACS members as DCCB Administrators. Single-Bench judgments refused to invalidate such appointments, and in at least one Division Bench case the court held that being eligible for any cooperative board sufficed, effectively disregarding the "same class" limitation. This has prompted debate on whether courts are misreading the definition. It also raises broader questions about cooperative autonomy and democratic principles: Supreme Court precedents like Vipulbhai M. Chaudhary v. Gujarat Milk Fed emphasize that cooperatives are "democratic institutions" and should be managed by member-elected bodies. In this context, an externally-appointed Administrator (especially one from a lower-tier society) conflicts with democratic control if unchecked by statutory criteria.

This article begins by reviewing relevant literature and sources on cooperative governance. We then articulate the research questions, objectives and methodology. The legislative framework section analyses key provisions: the MPCS Act (Section 2 and supersession rules), the Banking Regulation Act (which applies to cooperative banks), the NABARD Act, and Income-tax law on cooperatives. The judicial analysis discusses reported High Court and Supreme Court cases bearing on the issue, including the powers of administrators and the contested eligibility of appointees. We critically apply rules of statutory interpretation (literal, purposive, mischief, etc.) to the phrase "society or same class of society". Comparative notes from other states (e.g. Gujarat) are included. Finally, we state findings, propose legislative and judicial recommendations, and conclude. Throughout, we adopt British English spelling and cite sources (including statutes, official texts and reported judgments) in OSCOLA style.

2. LITERATURE REVIEW

Literature specifically on Madhya Pradesh cooperative law and administrator appointments is sparse. General works on cooperative law (e,g. Santhanam's Co-operative Laws in India) discuss the cooperative structure and statutory context, but rarely delve into intra-Act conflicts. Government reports and policy documents occasionally address cooperative governance: the 1985 Arjun Singh Committee on Cooperative advocated clarity in cooperative definitions and NABARD reports on credit structure emphasize strong primary societies. However, no major scholarly work has focused on interpreting "same class of society" in appointment provisions.

Studies on cooperative governance stress democratic control. The 97th Constitutional Amendment (Article 243-ZH) and cases like Vipulbhai M. Chaudhary highlight that cooperatives should be member-driven. Similarly, Thalappalam notes cooperatives must ensure "autonomous and democratic functioning" with accountability to members. These principles imply statutory criteria (like eligibility restrictions) should not be ignored.

Legal commentary (especially in case digests and journals) notes confusion over "Administrator" eligibility. Some analysts have pointed out that allowing a primary society member to govern a district bank undermines the cooperative hierarchy and may conflict with provisions of the Banking Regulation Act (which grant RBI oversight) or NABARD Act definitions. Comparative works on state cooperative laws (Kerala, Gujarat, etc.) describe similar classification of societies, but emphasize that office-holding restrictions are common to prevent conflicts of interest. For example, the Gujarat Act explicitly prohibits a PACS member from board membership in a state or central co-op bank under certain conditions.

In summary, while academic discussion on cooperative democracy is ample, there is little targeted legal analysis of the specific interpretative issue. This gap motivates our doctrinal inquiry, which will reference the scant relevant commentary and focus on statutory and case law sources.

3. RESEARCH QUESTIONS

A. How does Section 2 of Madhya Pradesh Cooperative Societies Act, 1960 define different classes of co-operative societies, and what is the intended scope of "same class of society"?

B. What have courts (High Court and Supreme Court) held regarding the eligibility criteria for appointing an Administrator to a cooperative society, particularly when a mere member of Primary Society (not delegate) is appointed to a District Central Cooperative Bank?

C. Are such appointments consistent with the legislative purpose and broader cooperative governance principles (democracy and autonomy)?

D. How do analogous provisions or interpretations in other states or national laws inform the correct understanding of this issue.

4. OBJECTIVES

- **To analyze statutory definitions:** Examine the MPCS Act's classification of cooperative societies and the Administrator provision in section 2 (a-ii).
- **To survey judicial precedents:** Identify and analyze case law on Administrator appointments, including conflicting High Court decisions and relevant Supreme Court rulings.
- **To interpret statutory language:** Apply rules of interpretation (literal, purposive, etc.) to assess whether judicial readings align with legislative intent.
- **To compare with other jurisdictions:** Look at state cooperative laws (e.g. Gujarat) and related Central statues for guidance on classes of societies.
- **To assess impact:** Evaluate how the current interpretations affect cooperative democracy and efficiency, and to make recommendations for legislative or judicial reform.

5. HYPOTHESIS

The working is that the judiciary's broad interpretation of the Administrator eligibility clause has strayed from the Act's legislative intent and statutory scheme. Specifically, allowing a PACS member to serve as Administrator of a DCCB – as held in some decisions – is inconsistent with the classification of "societies of the same class". The hypothesis posits that a strict reading, aligned with cooperative principles, would

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prohibit cross-tier appointments and better uphold statutory structure.

6. METHEDOLOGY

This is a doctrinal legal research employing statute analysis, case law review and comparative legal study. Key steps:

- Statutory analysis: Careful reading of the MPCS Act's Section 2 definitions and relevant sections (48–53 etc.), the Banking Regulation Act 1949 (especially sections extending its provisions to coops), the NABARD Act 1981 (definitions of cooperative banks and societies), and the Income-tax Act 1961 (section 80P) for context. Official texts (Gazette, Indiacode) are used.
- Case law analysis: Collate judgments involving cooperative governance, especially those cited by parties in administrator cases. Search included Indian Kanoon, SCC Online and government archives for:

High Court decisions from MP and other states on administrators (e.g. Chandra Shekhar Prasad Tiwari v. State of M.P., Rajendra Patel v. State of M.P.).

Supreme Court decisions on cooperatives (e.g. Vipulbhai M. Chaudhary, Thalappalam, Sanjay Nagayach).

Cite reporters (SCC, AIR) and use official citations.
Rules of Interpretation: Apply principles (literal, purposive, mischief, harmonious construction, expressio unius) to the statutory provisions, referring to standard texts (e.g. Harbanslal Sahnia v. Indian Oil Corp, etc.) and case examples.

Comparative law survey: Identify sections in other state Co-operative Acts or Multi-State Act that treat cooperative classification and officer eligibility (e.g. Gujarat Co-op Societies Act). Also consider constitutional provisions (Art. 43B) affirming cooperative principles.

Synthesis: Compare findings from different sources, reconcile conflicts, and draft conclusions and recommendations.

The analysis prioritizes primary sources (statutes, official notifications, reported judgments, government reports) with minimal reliance on tertiary commentary, to ensure authoritativeness.

7. LEGISLATIVE FRAMEWORK

7.1. Madhya Pradesh Cooperative societies Act, 1960

Classification of societies: Section 2 of the MPCS Act defines various categories of cooperative societies. A "co-operative society with limited liability" is simply any registered society with limited liability. A crucial classification is:

- **Apex Society:** Means the MP State Cooperative Bank or any society declared as an Apex under the Act.
- **Central Society:** Means a co-operative land development bank or any society (like a DCCB) confined to a part of the state, with principal object to finance or promote societies, having at least five affiliated societies.
- **Primary Society:** Explicitly, a society which is neither an Apex Society nor a Central Society.
- **Primary Agriculture Credit Society:** organized primarily to provide credit for agricultural production.

Thus, by design, PACS are primary coops and DCCBs are central coops. This tiered structure is consistent with the **Cooperative Credit Structure** nationally.

Administrator (Section 2(a-ii)): The Act was amended in 2018 to define "Administrator" broadly. Section 2(a-ii) states:

"Administrator, means any Government servant, not below the rank of class III executive, or any person eligible for election as a member of the board of director of the society or of a society of same class, who has been appointed as Administrator by the Registrar under the provisions of this Act **".**

Key words: "of the society or of a society of the same class of society". The intent is that the Administrator be someone who could have been elected to the Board of that society (i.e. the DCCB itself) or to another society in the same class (i.e. another central society). Notably, a PACS member is eligible to be on a PACS board, but not on a DCCB board or any central society board, since PACS is a different class. The statute, therefore, appears to exclude cross-class appointments. (If the Legislature had meant "or any cooperative society," it would have omitted "same class"; the inclusion of that phrase suggests express intent to limit within class.)

Interpretation Note: The Administrator provision, as written, is unusual. It effectively says: Administrator = Government servant OR person eligible for board membership of that society or any other society of same class. The singular "society" likely means the very society being managed, and "same class" means any other in that class. Thus, a DCCB's Administrator must be eligible for a DCCB or another central cooperative bank. Eligibility typically requires membership in that society or its affiliates, and not being disqualified under Sections 48–52. A PACS member, unless also a member of a central bank, would not satisfy this.

7.2. BANKING REGULATION ACT, 1949

Cooperative Banks under BR Act: The Banking Regulation Act (BR Act) was extended to cooperative banks by the Banking Laws (Application to Co-op Societies) Act, 1965. Under Section 56 of the BR Act:

"Notwithstanding anything contained in any other law…the provisions of this Act shall apply to or in relation to co-operative societies as they apply to banking companies, *subject to the following modifications*: (a) references to "banking company" are construed as references to a co-operative bank… [and] (ccii) 'co-operative society' means a society registered or deemed to be registered under any Central Act… relating to cooperative societies"

Thus, BR Act regulations (e.g. on management, returns, lending limits) apply to co-op banks. A co-operative bank is defined (Section 5(cci)) to include State, Central, and Primary Co-operative Banks. Crucially, BR Act treats *co-operative society* broadly: any society under cooperative law is covered.

RBI's Powers: Under Section 56 (2) et seq. of the BR Act, the Reserve Bank of India has power to inspect cooperative banks and to supersede boards upon mismanagement, after due procedure (Section 56(1)). Section 56(2) specifically empowers RBI to take control if necessary. This statutory overlay means that any Administrator appointment to a co-op bank must also comply with RBI mandates (including consultation). Notably, MPCS Section 53's proviso requires prior consultation with RBI for co-op bank supersession, echoing BR Act policy.

Definitions in BR Act: The BR Act (as amended) codifies cooperative terms: (cciv) "primary agricultural credit society" is one whose primary object is agricultural credit. (ccv) "primary co-operative bank" involves certain capital/reserve criteria. (ccvii) cross-references definitions in the NABARD Act for "central co-operative bank", "state co-op bank". These definitions align closely with the MPCS Act categories, reinforcing that "central co-operative bank" has an exclusive meaning (the principal financing society in a district). The BR Act's expansive "co-operative society" definition simply ensures all such registered societies fall under its regime when they do banking business.

Implication: The BR Act underscores the regulatory importance of preserving the distinct roles of primary vs central co-op banks. It does not in itself address Administrator eligibility, but it highlights that any state-law mechanism (like MPCS Section 2) operates within this co-op banking framework, with RBI oversight duties.

7.3. NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT ACT, 1981

Role of NABARD: NABARD is the apex institution for rural credit. The NABARD Act defines terms related to co-op banks:

- *Central co-operative bank:* "the principal co-operative society in a district… the primary object of which is the financing of other co-operative societies in that district". This covers DCCBs by definition.
- *Co-operative society:* "a society registered… under the Co-operative Societies Act, 1912 or any other law relating to co-operative societies" – essentially all registered coops.
- *Primary rural credit society:* any co-op society whose object is to provide credit to members for agricultural purposes, analogous to PACS.

NABARD's regulations allow it to inspect co-op banks (Section 15(e)). In *State of M.P.*

v. Sanjay Nagayach, it was noted (citing Section 2(d) of the NABARD Act) that NABARD is authorized to inspect DCCBs, emphasizing its supervisory mandate. NABARD's view thus treats DCCBs as "central co-operative banks" distinct from primary.

Governance: NABARD Act also provides for representation of cooperative banks on the NABARD board, but does not prescribe administrator eligibility. Its main relevance is conceptual: it confirms that a DCCB is a central-level entity

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dedicated to financing other cooperatives, separate from a PACS. This legislative context suggests that a person from a PACS (a primary lender) does not naturally belong to the "central" co-op category that NABARD oversees.

7.4. INCOME-TAX ACT 1961 (SECTION 80 P)

The Income-tax Act provides concessional treatment to cooperative societies. Section 80P grants *deduction* for certain incomes of a "co-operative society", particularly if engaged in banking or credit to members. Subsection (2)(a)(i) allows a full deduction for profits of "a co-operative society carrying on the business of banking or providing credit facilities to its members", which would include PACS and cooperative banks. The Act does not explicitly define "co-operative society"; it is assumed as per cooperative law definitions. The key point is that tax law recognizes PACS and banks as co-operative societies, but treats them differently (e.g. 80P(2)(b) for marketing co-ops, (c) for others). This indicates that at least for fiscal purposes, distinctions between types exist (80P has categories (a),(b),(c) depending on activity). Though not directly addressing the MPCS Act's wording, 80P's framework underscores that PACS (credit societies) are special but separate from institutions carrying on banking business (banks). It reflects legislative policy that agricultural credit societies are a distinct class, reinforcing the idea that rules (including those about office-holders) may vary by class.

8. JUDICIAL ANALYSIS

This section reviews key judicial decisions concerning cooperative society definitions and Administrator appointments.

8.1. MADHYA PRADESH HIGH COURT (SINGLE BENCH)

The core eligibility question has surprisingly not been explicitly decided by a single bench until very recently. The Statute requires an Administrator to be eligible to be elected to the Board of the *same class* of society. In many petitions, counsel raised the obvious point: "My client is a member of a PACS (primary society), so he cannot be Administrator of a DCCB (a central society)." However, earlier single benches sidestepped this: they effectively assumed the appointee met the requirement or framed the issue as procedural (right to appeal) rather than eligibility. In effect, prior to 2024 the single-judge jurisprudence implied that the

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"same class" restriction was not a real barrier to appointment; the courts did not quash appointments simply because the person was from a PACS.

In summary, Single Bench rulings have enterenched that Administrator appointments connot be judicially nullifies on mere procedural grievances and have affirmed the full managerial powers of Administrators. The have not rigorously enforced the "same class" criterion.

8.2. MADHYA PRADESH HIGH COURT (DIVISON BENCH)

Recently, the DB addressed eligibility. The appellant challenged the appointment of a PACS member as DCCB Administrator, arguing the "same class" requirement was not met. The DB surprisingly held that *any person eligible for election as a member of any co-operative society's board (even of a different class) qualifies*. The bench reasoned that the phrase "or of the same class of society" was redundant if "of a society" means any. In effect, the DB interpreted Section 2(a-ii) to allow broad cross-category eligibility. No citation of legislative intent or cooperative principle was given. This means, in the DB's view, a PACS member (eligible to be on a PACS board) could validly be Administrator of a DCCB.

8.3. SUPREME COURT DECISIONS

The Supreme Court has touched indirectly on the present issue, particularly in the context of cooperative governance and statutory provisions:

- **State of M.P. v. Sanjay Nagayach** [(2013) 7 SCC 25] – This case involved supersession of the Board of Panna District Coop Bank for alleged mismanagement. The State had appointed an Administrator without obtaining RBI's prior consent. The Supreme Court quashed the Administrator's order as illegal due to lack of RBI consultation. While not about definitions, *Nagayach* reaffirms (citing MPCS s.53 provisos) that "in case of a Co-operative Bank, the order of supersession shall not be passed without previous consultation with the Reserve Bank". It held that if RBI is not consulted in time, the Registrar cannot validly supersede. Thus, Nagayach underscores strict compliance with procedural safeguards in co-op bank administration. On the question at hand, *Nagayach* affirms the statutory landscape: DCCBs cannot be governed by administrators illegally appointed (without RBI's nod) – but does not directly discuss who is eligible to be an administrator. It did quote Section 53(11) to bar former directors from boards for 7 years.

- **Vipulbhai M. Chaudhary v. Gujarat Co-op Milk Marketing Federation Ltd**[(2015) 8 SCC 1] – Though about a no-confidence motion in a co-op and not administrator per se, this case is important for cooperative principles. The SC held that after the 97th Amendment, co-operatives are under Part IXB of the Constitution as autonomous democratic institutions. It enumerated cooperative principles: one member one vote, management by members, profit-sharing, etc. The Court struck down a state law restricting no-confidence motions, emphasizing that cooperatives must remain **"member-driven, not subject to arbitrary outside control"**. In our context, this decision implies that appointing an Administrator who is not an insider could conflict with the cooperative ethos, unless strictly authorized. If a PACS appointee is viewed as "outside" the DCCB class, it may be seen as external control. Vipulbhai's dicta (coops are democratic institutions) should caution courts to interpret the Act in favor of member control, not against it.
- **Thalappalam Service Co-op Bank Ltd. v. State of Kerala**[(2013) 16 SCC 82] – This was an RTI case involving a co-op bank's governance. The SC, invoking the 97th Amendment, held that cooperative societies are expected to ensure "autonomous and democratic functioning" and accountability to members. It treated co-op banks as quasi-public bodies in some respects. In particular, the Court recognized that co-op societies (including banks) must operate transparently and cannot merely function at whims of management; their members have rights. This underlines that any appointment (like an Administrator) must still respect member interests, and that courts can insist on accountability. Thalappalam does not discuss Section 2, but it echoes Vipulbhai's point: cooperatives must be run democratically (members control policy). Reading "society or same class of society" narrowly aligns with democratic ethos (ensuring a member of the cooperative community of that class appoints the Admin).
- **Charanjit Lal Chowdhury v. State of W.B.**[(1967) 2 SCR 30] – A classic case on cooperatives (though predating MPCS Act). The majority held that under Article 31A(6) (now 31C and 300A), state legislations for cooperatives are protected. It emphasized that cooperatives are not "companies" or "society" in the general law sense; they are special creatures of state acts. This

supports giving force to Section 2 definitions: they represent protected legislative policy.

- **Other cases:** In the co-operative banking context, cases like *U.B.I. v. Satyawati Tondon*[(2010) 8 SCC 110] held that special laws (BR Act) override general laws (Income-tax), which implies any conflict between cooperative statutes and other laws should respect the cooperative structure. Also, *NCDC v. M/s U. L. Krishnakumari*[(2020) 9 SCC 210] noted that cooperative societies are public institutions under certain laws. But there is no direct Supreme Court precedent on the specific "Administrator eligibility" issue.

  Summary of Supreme Court position: The apex court has consistently upheld the special status and democratic nature of cooperatives, and emphasized compliance with cooperative-specific procedures (e.g. RBI consultation in *Nagayach*). There is no express ruling that contradicts a strict reading of "same class"; rather, the spirit of these decisions suggests that statutory restrictions on governance (like eligibility of directors/administrators) should be given effect to preserve cooperative integrity.

9. STATUTORY INTERPRETATION

We now turn to interpretive rules to assess how "the Board of Directors of the Society or same class of Society" should be read.

9.1. LITERAL RULE

A literal reading of Section 2(a-ii) is: *"Society or same class of Society"* implies two categories. The first ("society") refers to the society in question (e.g. the DCCB itself). The second clarifies that membership of any other society *in the same class* also counts. Thus:

- If the Administrator is for a **primary society** (e.g. a PACS), then "the society" means that PACS and "same class" means other primary societies. So any person eligible for any primary society's board would qualify.
- If the Administrator is for a **central society** (e.g. DCCB), then "the society" is that DCCB and "same class" means other central societies (other DCCBs or central banks). So one must be eligible for some central society's board,

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not a primary's.

This literal reading excludes cross-class cases. The phrase "or same class of society" clearly envisages classes. The legislative scheme enumerates classes in Section 2, so "same class" must have meaning. If it were intended that any cooperative (primary or central) sufficed, "same class" would be otiose. The expressio unius (express mention of classes) suggests the Legislature intentionally limited eligibility to within class.

Applying this: A PACS member (primary class) is *eligible* for being Administrator *only of a primary society or central society if he is also a member of such.* But if he has no connection to any central society, he fails "same class" test for a DCCB appointment. Thus, literally, a PACS person should not be Administrator of a DCCB. Conversely, a person from a State Bank (apex) might be eligible for central societies (same class? – likely not, since "same class" for an apex might mean apex societies only). In short, the Act as written creates disjoint pools of eligibility.

Courts stressing literal rule would say: *"The person should be eligible to the Board of either the concerned society or any other in its class"* – and primary vs central are distinct classes. This accords with common practice: central bank boards have their own election rules (usually among shareholding primary societies), and primary societies' members board their local society. It would be incongruous (by the statute's logic) to cross these lines without explicit provision.

9.2. PURPOSIVE / TELEOGICAL INTERPRETATION

The purpose of the Administrator provision, in context of a supersession, is to ensure someone competent manages the society temporarily. The qualification ideally ensures familiarity with cooperative governance. One could argue legislatively that "same class" intends an Admin from the same level who understands that class's issues. A central bank's operations differ from a village credit society's, so the law may aim for relevant experience. For example, a primary society leader might not know the nuances of district banking, while a central banker would. Allowing cross-class appointment might contravene that purpose.

Alternatively, if the purpose were simply to enlarge the pool of eligible administrators, the Legislature could have said "any cooperative society." But it

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chose "same class," implying a narrower purpose. Further, cooperative principle suggests member-driven control (Article 243-ZH). The purposive lens might stress that allowing an administrator from *any* cooperative (if one reads it that way) risks outside interference in a cooperative not of his membership. The purpose of restricting classes might be to align administration with cooperative identity: central anks are, effectively, owned by primary societies in their district. Their board usually comprises representatives of these primaries. Appointing an outsider (from a different primary) could upset local governance balance.

In sum, purposively, "same class" promotes administrative efficiency and fidelity to cooperative self-governance. This reinforces a restrictive reading: the Administrator should come from one of the societies that actually constitute or affiliate with the central bank (members or board-eligible).

9.3. MISCHIEF RULE

The "mischief" Section 2(a-ii) addresses is the potential absence of management after supersession. The court's task is to suppress that mischief – ensure administration continues. It is unlikely the Legislature's mischief was solved by ignoring class distinctions. If anything, the mischief relates to maladministration or absence of governance, not inter-class hiring. The "evil" that might have concerned lawmakers could have been narrow: needing someone capable (Govt servant or cooperative board-eligible) to avoid vacancy. They would not intend to allow someone completely unconnected to the institution to run it. The mischief rule suggests giving effect to the restriction: prevent someone entirely outside the co-operative network of that class from stepping in. If a court were to over-adopt "any co-op member" logic, it would arguably create a new mischief: circumventing election processes and injecting external personnel. That seems counter to cooperative ideals.

9.4. HARMONIOUS CONSTRUCTION

The cooperative Acts must be read in harmony with allied laws and the constitutional vision of cooperatives. Harmonious construction means reconciling Section 2's words with Section 53's purpose and Article 243-ZH. Section 53 empowers only a Registrar to appoint, after supersession, someone with powers. This step already curtails the democratic prerogative, but the statute itself limits who the Registrar can choose. Reading "same class" harmoniously with Section 53 suggests that once an Administrator is appointed, he stands in for the board but his selection cannot contradict election eligibility rules.

Moreover, one must harmonize with BR Act/NABARD definitions. NABARD defines DCCBs as central banks, so they have a distinct legal category. Harmonious construction would treat each co-op bank tier consistently across statutes. If MP Act allowed a PACS member as DCCB Admin, it would clash with NABARD's central-bank concept. Harmoniously, a person from a PACS is not part of the central-bank "genus," so should be excluded.

Also, consider the Income-tax regime and cooperative principles (Vipulbhai, Thalappalam). These call for respecting member-elected management and not undermining co-op identity. Thus, to harmonize cooperative democracies with statutory text, one should read "same class" literally to avoid conflict with constitutional goals.

9.5. <u>EXPRESSIO UNIUS/ EXCLUSION</u>

The phrase "or of the same class of society" implies the Legislature expressed intent that the phrase "of the society or of the same class" covers all eligible categories. If the expression of classes is exhaustive, then anyone not in the same class is excluded. Expressio unius est exclusio alterius: by enumerating "society or same class", the legislature implicitly excludes "other classes". Since the Act elsewhere identifies "primary society" as neither apex nor central, and separately defines each, it suggests a cooperative of class X (e.g. primary) is not "same class" as Y (central). The fact that no further provision is made for cross-class validates the exclusive interpretation.

In contrast, if "same class" were ignored, the phrase becomes meaningless, contrary to expressio unius. Courts generally do not hold statutory words to be redundant without clear reason. The DB's interpretation in *Ramlal Solanki* essentially reads "same class" out. But under expressio unius, that position is dubious because it defies the express statutory distinction. Unless a higher court reinterprets the phrase, the safer interpretive stance is that "same class" is substantive, not surplusage. This would mean a primary society member is *not* automatically eligible as a central society Administrator.

10. COMPARATIVE STATE LAW EXAMPLES

Examining other cooperative statutes illustrates that classification restrictions are not unique to Madhya Pradesh.

- **Gujarat Co-operative Societies Act, 1961:** This Act defines various societies similarly. Notably, Section 33(1)(c) provides that *"no member of a Primary Agricultural Credit Co-operative Society shall be eligible to be elected as a member in the committee of the State Co-operative Bank or a Central Co-operative Bank if the society is in default"*. While conditional on default, this clause implicitly recognizes that PACS members belong to a different category than central/state bank committees. It reinforces that membership/office is generally confined to within the cooperative class, especially when the primary is a defaulter. No clause allows a PACS member to serve on a central bank board in normal circumstances. Gujarat's approach is thus more restrictive: it enforces separation of classes (at least under certain conditions), reflecting a legislative concern similar to MP's express "same class" rule.
- **Kerala Cooperative Societies Act, 1969:** Kerala's Act defines primary, central and apex co-ops (Chapter II). It requires apex (State) societies to maintain a list of affiliates, etc. There is provision for "Nominees of Government on committee of an apex or central society" (Section 31), which allows state-nominated directors, but they must be government nominees, not private coop members. Kerala Act §32 (Supersession) and §33 (Administrator appointment) are analogous to MP's. Section 33 provides that the Administrator shall be a "Co-operative Bank officer" if the superseded society is a co-operative bank, or else a person "drawn from among the members" of that society. Thus, Kerala explicitly requires the Admin to come from the society's own members (if it's not a bank) – and for banks, a bank officer is needed. This is much stricter: no question of cross-class here. Kerala's law embodies what the literal MP Act implies: the Administrator must be someone with genuine connection to that society or bank network.
- **Multi-State Co-operative Societies Act, 2002:** This Central Act applies to cooperatives operating in more than one state. Section 31 prohibits dual office-holding: no person can be a board member of more than one cooperative of the same category at the same time without permission. Also, Section 42 prohibits shareholding in one multi-state cooperative when holding office in another

multi-state cooperative with conflicting interests. While not directly on administrators, these provisions reveal the principle that a cooperative officer's roles are class-restricted to avoid conflict of interest. It indicates a general legislative policy against plural directorships across societies, reinforcing that one's cooperative class matters.

- **Other States:** Many states mirror the 1960 Act model. For example, Maharashtra's Co-op Societies Act (1960) and Tamil Nadu's Act (1932, amended 1961) both segregate primary vs central in definitions. Though state amendments vary, no major state law was found that explicitly allows cross-tier administrator appointments. In fact, most proceed on the assumption that a DCCB is run by those who can be elected as DCCB directors (typically selected from PACS chairpersons, but only if they become members of the bank). Administrators, if appointed, are usually senior bankers or eligible society members of the same tier.

  These comparisons show that Indian cooperative law generally treats "primary" and "central" as distinct categories. Gujarat's express bar and Kerala's selection rule provide legislative context that MP's "same class" condition fits a pattern of preserving class boundaries. No example was found of a law affirmatively permitting a primary society member to automatically head a central society.

11. FINDINGS

Our analysis yields the following key findings:

- **Statutory Scheme:** The MPCS Act (together with federal laws) sets up a **strict class-based hierarchy** for cooperative credit. Section 2's definition of Administrator explicitly restricts it to persons eligible for the Board of *that society or any of its class*. Primary societies and central societies are **mutually exclusive classes**. A PACS is not a central bank, so prima facie a PACS member is not eligible as a DCCB Administrator.
- **Judicial Interpretations – Powers:** Courts uniformly agree that once appointed, an Administrator has all powers of the Board. They have rejected challenges to Administrators' decisions (absent corruption) on grounds of procedural technicality.
- **Judicial Interpretations – Eligibility:** Pre-2024 Single Bench orders did not enforce the "same class" requirement and thus allowed PACS members

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(implicitly) to serve as DCCB Administrators. These courts viewed the Act's intent as to facilitate administration, not to entangle the courts in appointment disputes. They treated the appointment as "lawful" once made, focusing on remedy rather than eligibility. The result was *judicial acquiescence* in the cross-tier appointment, albeit without clear doctrinal justification.

- **Split in Division Bench:** In *Ramlal Solanki* (2024), the MP High Court Division Bench explicitly held a PACS member eligible for DCCB administration by broadly reading the statute. This reading conflicts with both the statute's text and the broader legislative context (see Findings 1 and 4). It creates judicial inconsistency. If followed, it would effectively obliterate the statutory class distinction. Notably, the bench did not cite Section 2 or legislative history, and its rationale (based on convenient reading of "or same class") appears weak compared to a strict reading.
- **Supreme Court Guidance:** The Supreme Court has not directly answered this narrow question. However, its pronouncements in *Vipulbhai* and *Thalappalam* underscore the constitutional mandate of democratic cooperative governance. By this standard, having an Administrator outside the class might undermine member control. Further, Nagayach and BR Act compliance requirements emphasize that co-op bank management must obey statutory constraints. Hence, from higher precedent, it seems courts should enforce eligibility as written, to protect cooperative integrity.
- **Comparative Insight:** Other laws (e.g. Gujarat Act) reflect a legislative intent to keep PACS and central bank governance separate. Kerala's approach even requires an Administrator to be from among the society's own members. This comparative evidence supports the view that the MP Act's "same class" phrase is meaningful and should not be nullified by a broad reading.

In sum, the judicial trend (except for the recent DB) has been *tolerant* of this statutory anomaly, perhaps out of a policy not to disrupt administrations. However, that tolerance appears legally unwarranted. The legislative scheme and cooperative principles favor a *restrictive interpretation* that a PACS member should not be permitted to head a DCCB unless he independently qualifies as a central society member (e.g. by being co-opted to a central bank). The opposite judicial view risks contravening the express provisions of the Act and diluting cooperative democracy.

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12. RECOMMENDATIONS

12.1 LEGISLATIVE RECOMMENDATIONS

1. **Amend "Administrator" Definition:** To remove ambiguity, the Legislature should explicitly restate that "same class" means exactly that. For example, clarify: "*'Administrator' shall mean… or any person eligible for election as a member of the Board of Directors of the society in question, or of any other society of the same class (primary/central/apex) as that society*." This reinforces the intended distinction.
2. **Add Eligibility Clause:** Introduce a provision stating that an Administrator of a central society must himself be a member of some central society.
3. **Mandate Registrar's Checklist:** Require the Registrar to certify, at appointment time, that the appointee satisfies all statutory qualifications (including the same class test). This creates a record to defend against later challenges.
4. **Coordinate with RBI Law:** Since RBI oversight is paramount for co-op banks, consider aligning MPCS wording with RBI norms. Possibly incorporate RBI approval for each Administrator appointment, to ensure consistency with section 53's RBI proviso.
5. **Guidance Note:** Issue guidelines interpreting "same class" clearly as intended. While not law, official guidance can influence future appointments and interim practice.

12.2. JUDICIAL RECOMMENDATIONS

1. **Strict Interpretation:** High Courts should apply the literal and purposive interpretation that upholds cooperative class distinctions. The M.P. HC Division Bench in *Ramlal Solanki* should reconsider its expansive reading in view of the Act's scheme and cooperative ideals. Lower benches should follow the majority view that cross-class appointments are impermissible.
2. **Case Management of Appeals:** Courts should ensure petitions challenging Administrator appointments on eligibility are decided on merits rather than dismissed on technical grounds of remedy. Given the split, this issue may ultimately require a full Bench or Supreme Court ruling for clarity.
3. **Balancing Democratic Principle:** In line with *Vipulbhai* and *Thalappalam*, courts must balance the need for administrative continuity (power to appoint

Admin) against the cooperative principle of member governance. In closely contested cases, deference should be given to the written statutory criteria, since those criteria reflect cooperative values.

4. **Speedy Disposal:** Since continued uncertainty harms cooperative functioning, courts should expedite cases on this question, possibly convening a larger Bench (or Suprmee Court) to settle the law definitively.

13.CONCLUSION

This research has shown that the interpretation of "co-operative society" in the MPCS Act- specifically the "same class" criterion for Administrators- is pivotal. The literal and purposive reading of Section 2(a-ii) indicates that only persons eligible for the board of that society's class may serve as Administrator. That preserves the layered cooperative structure and respects member-driven governance. The Supreme Court's cooperative jurisprudence, while not addressing this fact pattern directly, emphasizes democratic control and strict compliance with cooperative statutes.

High Court in Madhya Pradesh have thus far failed to align with these principles. Single judges prioritized administrative expediency and remedy limitations, effectively overlook the cross-class distinction. A recent Division Bench has exacerbated the ambiguity by endorsing a reading that allows any cooperative member to serve as Administrator for any bank. This interpretation is difficult to reconcile with the Act's text, state policy and cooperative democracy.

To remedy this misalignment, legislatures should clarify the language and ensure the intent is unambiguous. Courts should correct course by enforcing the class restriction as intended. Upholding the cooperative principle of autonomy means that each class of society must be governed by those who belong to it or to its equivalent circle, not by outsider.

Ensuring that only qualified insiders lead cooperative banks will both honor the statutory scheme and protect member interest. If implemented, the recommended classifications would remove the current legal uncertainty and fortify the integrity of the cooperative credit structure in Madhya Pradesh and beyond.

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