

KARNATAKA LOKAYUKTA

No.Compt/Uplok/BGM/1029/2015

Multi Storied Buildings,  
Dr. B.R. Ambedkar Veedhi,  
Bengaluru 560 001.

Dated: **25/11/2020**

REPORT UNDER SECTION 12(3) OF  
THE KARNATAKA LOKAYUKTA ACT, 1984

Sub:- Proceedings against:-

- 1) Sri P.L. Belagali, the then Chief Executive Officer, Belgaum Industrial Cooperative Bank Limited, No.5 'Uday' SPM Road, Shahapur, Belagavi 590 001
- 2) Sri R.V. Pilli, Passing Officer, The Belaum Industrial Cooperative Bank, SPM Road, Shahapura, Belagavi 590 001.
- 3) Sri M.V. Appugol, Junior Assistant/Cashier, the Belgaum Industrial Cooperative Bank, SPM Road, Shahapura, Belagavi 590 001.

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1) The Complainant Sri Ganapathi Ramachandra Upari, resident of Gayathrinagar, Khasbag, 3<sup>rd</sup> Cross, P.B. Road, Belagavi has filed the complaint against (1) Sri Ullas Sadashiva Hongal, Manager, The Belgaum Industrial Cooperative Bank, SPM Road, Shahapur, Belagavi; (2) Sri Dileep Tilakoni, Manager, The Belgaum Industrial Cooperative Bank, SPM Road, Shahapur, Belagavi; (3) Sri Umesh Bandevadkar, Gold Evaluator, The Belgaum Industrial Cooperative Bank, SPM Road, Shahapur, Belagavi and (4) Sri Somappa Narasappa Vanahalli, Chairman, The Belgaum Industrial Cooperative Bank, SPM Road, Shahapur, Belagavi (hereinafter referred to as Respondents 1 to 4 respectively) alleging that Respondents 1 & 2 being Managers, Respondent No.3 being gold evaluator and Respondent No.4 being Chairman of the Belgaum Industrial Cooperative Bank, SPM Road, Shahapura Belagavi have granted gold loan to about 265 to 300 persons, by keep pledging the fake gold ornaments and thereby cheated the Bank in a sum of

Rs.4.00 Crores. On the basis of the above complaint, an investigation under Section 9 of the Karnataka Lokayukta Act, 1984 was taken up.

2) During the investigation, a Report from the Joint Registrar of Cooperative Societies (Urban Banks), Bengaluru was called for. The Joint Registrar of Cooperative Societies, (Urban Banks Division), Bengaluru has submitted a detailed enquiry report dated 31/3/2017. On perusal of the report, it is seen that the Deputy Registrar of Cooperative Societies, Belagavi has conducted enquiry under Section 64 of the Cooperative Societies Act, 1959. It is found in the enquiry that in relation to Grant of Gold Loan from the Udyambagh branch of the Belgaum Industrial Cooperative Bank, Belagavi, a sum of Rs.3,77,53,500/- was granted as loan by keep pledging fake gold ornaments in 268 gold accounts, pertaining to 100 persons. It was also noticed during the enquiry that in relation to distribution of dividend to the members, the signatures of members were forged and a sum of Rs.1,73,300/- is shown as expenditure. Thereafter, the same amount has been re-credited to the concerned accounts.

3) In the report, apart from the respondents 1 to 4 mentioned in the complaint filed by the complainant, it is stated that other 20 persons are responsible for misappropriation and irregularities pointed out in the enquiry report. Therefore, following persons were impleaded as additional Respondents 5 to 24.

- (i) Respondent No.5: Sri P.L. Belagali, Chief Executive Officer;
- (ii) Respondent No.6: Sri Ashok B. Hunagundi, Junior Assistant/Cashier;

- (iii) Respondent No.7: Sri Anad R. Buchadi, Junior Assistant/Cashier;
- (iv) Respondent No.8 : Sri Arun M. Suladal, Assistant Accountant/ Passing officer
- (v) Respondent No.9: Sri Basavaraj Gowdappa Udikeri, Junior Assistant;
- (vi) Respondent No.10: Sri Surendra Kalyankar, Junor Assistant;
- (vii) Respondent No.11: Sri R.V. Pilli, Assistant Accountant/ Passing Officer
- (viii) Respondent No.12: Sri Nagaraj G. Bhuti, Junior Assistant/Cashier;
- (ix) Respondent No.13: Sri M.B.Appugol, Junior Assistant;
- (x) Respondent No.14: Sri K.M. Badagavi, Member of Executive Committee;
- (xi) Respondent No.15: Sri I.G. Kyasti, Member of Executive Committee;
- (xii) Respondent No.16: Sri U.G. Bolamal, Member of Executive Committee;
- (xiii) Respondent No.17: Sri S.V.Dhavali, Member of Executive Committee;
- (xiv) Respondent No.18: Sri N.M.Dhavali, Member of Executive Committee;
- (xv) Respondent No.19: Sri S.S.Satpute, Member of Executive Committee;
- (xvi) Respondent No.20: Sri B.N.Hathpaki, Member of Executive Committee;
- (xvii) Respondent No.21: Sri V.R Yalagouda, Member of Executive Committee;
- (xviii) Respondent No.22: Sri U.G. Sankpal, Member of Executive Committee;
- (xix) Respondent No.23: Sri S.K.Dhotre, Member of Executive Committee;
- (xx) Respondent No.24: Smt.Nirmala S. Kamkar, Member of Executive Committee.

4) In relation to the irregularities and misappropriation of funds of Belgaum Industrial Cooperative Bank, noted in the enquiry report of the Deputy Registrar of Cooperative Societies, an

observation note was sent to respondents for submitting their comments.

5) The first Respondent Sri Ullas Sadashiva Hongal has submitted his comments stating that he was serving as Incharge Chief Executive Officer of the Belgaum Industrial Cooperative Bank; he had no knowledge of the misappropriation of the amount in regard to Gold Loan; thereafter, criminal cases were booked against the loan account holders; enquiry under Section 64 of the Cooperative Societies Act was initiated and action is being taken for recovery of the amount from the account holders and Manager of the Bank. He has further stated that he had not worked in the Pledging loan section and the records were not in his possession and he is not responsible for the alleged misappropriation.

6) The Second Respondent Sri Dileep Vallabdas Tilokani was working as Manager of the Belgaum Industrial Cooperative Bank, Belgaum. He died on 8/9/2016. Respondent No.20 Sri B.N.Hathpaki was a Member of the Executive Committee of the Belgaum Industrial Cooperative Bank, Belgaum. He died on 29/10/2015, during the pendency of the present complaint proceedings. Therefore, the proceedings as against Respondents 2 and 20 were dropped by order dated 15/9/2017.

7) The third Respondent Sri Umesh Bheemarao Bandivadekar, who was the gold smith, who valued the ornaments while pledging the same in the bank submits that his signatures on the documents were obtained under pressure and he is not responsible for the alleged misappropriation of Rs.4.00 crores. He further contends that a criminal case in Cr. No.28/2015 was registered

against him and other civil cases in ARCS Court in No.2296/2014-15 and KAT Appeal No.189/2015 are pending. Therefore, he requested for closure of complaint.

8) The fourth Respondent Sri Somappa V. Vanahalli, Ex-Chairman of Belgaum Industrial Cooperative Bank has submitted his comments dated 1/8/2017 stating that the Bank Manager and the Gold valuator have caused the misappropriation of funds and departmental enquiry as per Section 64 of the Karnataka Cooperative Societies Act is under progress. There is no account of gold loan either in his name or in the name of his family members and relatives. He has further submitted that recovery proceedings is also initiated. He was only a Director and he is not a paid servant of the bank and he has never been authorised either the custody and/or authority to sanction and disburse the loans.

9) The 5<sup>th</sup> Respondent Sri P.L.Belagali has submitted his comments on 14/9/2017. He has stated that within few days of his taking charge as Incharge Chief Executive Officer of Belgaum Industrial Cooperative Bank, Belagavi, he brought to light the illegalities and misappropriation. He had given report to the Chairman of the Bank regarding granting of gold loan by keep pledging the fake ornaments. On the basis of his report, the gold pledged for loan in all the branches were verified from the gold valuator and it was found that in Udyambag Branch, gold loan in 268 cases were granted by keep pledging the fake gold ornaments. He further submitted that he had lodged first information in Cr. No.28/2015 of Udyambag Police Station against Sri Dileep Tilokani, Branch Manager and Sri Umesh Bandevadekar, Gold

Valuator. Further, Suit was filed under Section 70 of the Karnataka Cooperative Societies Act. This Respondent has further stated that the duty of the Chief Executive Officer was to place the list of applicants for gold loan sent by the Manager before the meeting of the Administrative Board and therefore, he is not personally responsible for the illegalities committed in granting the gold loan. This Respondent further stated that on coming to know about the illegalities in granting the gold loan, he kept the following officials under suspension and after conducting in house enquiry and after obtaining legal opinion, they have been dismissed from Bank Service.

- 1) Sri U.S. Hongal, Incharge Chief Executive Officer,
- 2) Sri Dileep Tilokani, Branch Manager;
- 3) Sri Ashok Hunagundi, Cashier,
- 4) Sri Anand Buchadi, Cashier,
- 5) Sri A.M. Suladal, Passing Officer, Accountant,
- 6) Sri Basavaraj Udikeri, Junior Assistant,
- 7) Sri K. Surendra, Junior Assistant,
- 8) Sri N.G. Bhute, Cashier.

He has further submitted that he is instrumental in bringing to the light the illegalities/misappropriation in the Bank and all the illegal transactions took place prior to his taking charge as Chief Executive Officer i.e., prior to 18/7/2014. Hence, he requested for dropping him from the complaint.

10) The sixth Respondent Sri Ashok B. Hunagundi, Junior Assistant has submitted his comments pleading ignorance of the

misappropriation/illegalities and stated that he was not responsible for any of the transactions.

11) The Seventh Respondent Sri Anand R. Buchadi, Junior Assistant has submitted his comments stating that he has no role to play in granting the gold loan and he has also narrated the working of the Manager in granting the loan in connivance of the applicants for gold loan and has stated that the Manager of the Bank along with the gold valuator is responsible for all illegalities.

12) The eighth respondent Sri Aruna M. Suladal, (Assistant Accountant has submitted his comments similar to the comments submitted by seven Respondent. He has also submitted that he is not responsible for the alleged illegalities in granting the gold loan.

13) The ninth Respondent has submitted his comments on 14/9/2017 stating that he was working as Junior Assistant at the Belgaum Industrial Cooperative Bank Limited, Belagavi and he was kept under suspension with effect from 1/10/2015. Later on the basis of the report of Sri P.P. Dandavathi, he was dismissed from service with effect from 1/3/2017 He has further submitted that he was not responsible for the alleged illegalities and he had discharged his duties as per the oral directions of his superiors.

14) The Tenth Respondent Sri Surendra Kalyankar, Junior Assistant has submitted his comments on 1/8/2017 similar to the comments submitted by seventh and eighth respondents.

15) The eleventh Respondent Sri R.V.Pilli, Assistant Accountant/ Passing officer of the Belgaum Industrial Cooperative Bank Limited, Belgaum submitted his comments on 1/8/2017 stating

that he was working as Branch Manager from 13/3/2015 to 17/6/2015 as per the orders of the Chief Office dated 12/3/2015. He has explained the duties carried out by him as Assistant Accountant and has submitted that he has not indulged in the illegal activities in regard to granting of gold loan. He has further submitted that he had furnished his explanation to the enquiry officer on 24/6/2015 and requested that he shall not be made responsible for the illegalities in the grant of gold loan.

16) The twelfth Respondent Sri Nagaraj G. Bhuti, Junior Assistant of Belgaum Industrial Cooperative Bank Limited has submitted comments, pleading his ignorance regarding the illegalities in grant of gold loan. He has submitted that the Joint Registrar of Cooperative Societies has already initiated actions for detailed enquiry under Section 64 of the Karnataka Cooperative Societies Act, 1959. He has further stated that the Bank has initiated recovery action and also filed criminal case against the Branch Manager and Gold valuator. Further, he has stated that the Bank has terminated his services without disbursement of the retirement benefits. Therefore, he has submitted that he has already penalised.

17) The thirteenth Respondent Sri M.B.Appugol, Junior Assistant has submitted his comments on 2/8/2017 stating that he was working at the Belgaum Industrial Cooperative Bank Limited, Udyambagh Branch, Belgaum from 19/11/2014 to 21/6/2015. He was looking after the Savings Bank/Current account and C.C. Accounts. He has stated that the role of the Junior Assistant is restricted to crediting and debiting the



concerned accounts. Junior Assistants are not responsible for valuation of gold. Therefore, he is not responsible for the illegalities in granting the gold loan. Therefore, he requested for dropping him from the enquiry.

18) Respondent No.14 Sri K.M.Badagavi, Respondent No.15 Sri L.G.Kyasti, Respondent No.16 Sri U.G.Bolamal, Respondent No.17 Sri S.V. Dhavali, Respondent No.18 Sri N.M.Dhavali, Respondent No.19 Sri S.S. Satpute, Respondent No.21 Sri V.R. Yalagouda, Respondent No.22 Sri U.G. Sankpal, Respondent No.23 Sri. S.K. Dhotre and Respondent No.24 Smt. Nirmala S. Kamkar have submitted similar comments. They have stated that they are the Elected Members on the Board of Management of the Belgaum Industrial Cooperative Bank Limited, Belagavi. They have stated that immediately on coming to know about the fraudulent transactions by the Branch Manager of Udyambagh Branch along with gold valuator Sri Umesh Bandiwadekar, the Bank had suspended the officials including the Chief Executive Officer and the Branch Manager of the Bank. Further the Bank had taken all the actions which were necessary, including suspension of the operations of the accounts, freezing the goods and lodging the criminal complaint against the holders of accounts. They have also stated that the Joint Registrar of Cooperative Societies, Urban Banks Cell, Bengaluru has initiated action for detailed enquiry under Section 64 of the Karnataka Cooperative Societies Act,1959 and the Bank had already started the recovery proceedings against the Gold Valuator and Branch Manager. They submitted that they are not paid servants of the Bank and they never been authorised

the custody or authority to sanction and disburse the loans. Further, it is stated that the Board of Management has already initiated actions against the defaulting members of the staff and enquiry against the staff and their services are terminated without disbursement of retirement benefits.

19) The Deputy Registrar of Cooperative Societies, Belgaum in his report has stated that the Belgaum Industrial Cooperative Bank came into existence in the year 1949. It has jurisdiction over entire Belgaum District and Rabakavi Banahatti Area, Terdal CMC area and Mahalingapura CMC Area. There are four branches to the main branch of Belgaum.

20) In relation to the granting of gold loan by the Belgaum Industrial Cooperative Bank, the following illegalities are stated in the Enquiry Report.

(i) The purity of gold in relation to 430 gold loan accounts, were examined and out of which it was found that in respect of 162 gold loan accounts the original gold was pledged with the Bank. In relation to remaining 268 accounts, it was found the gold pledged was fake/impure.

(ii) In this regard first information was lodged with Udyambagh Police Station and the same was registered in Cr. No.28/2015 against the then Branch Manager of the Bank Sri Dileep Vallabhdas Tilokani (Respondent No.2) and Gold valuator Sri Umesh Bhimarao Bandiwadekar (Respondent No.3).

(iii) The Enquiry officer has stated that apart from the above, the following persons are also responsible for the above illegalities.

- (a) Sri Anand R. Kuchadi, Cashier
- (b) Sri Basavaraj G. Udikeri, Cashier,
- (c) Sri Ashok G. Hunagundi, Cashier,
- (d) Sri K. Surendra, Cashier,
- (e) Sri Nagaraj G. Bhuti, Cashier,
- (f) Sri M.B. Appugol, Junior Assistant
- (g) Sri R.V. Chouhan, Junior Assistant,
- (h) Sri Arun M. Suladal,
- (i) Sri R.V. Pilli

(iv) It is stated that in many of the cases, Smt. Neela Umesh Bandiwadekar W/o. Umesh Bandiwadekar (Gold Valuator) has signed the valuation report along with her husband, which is in violation of Rules.

(v) As per Rule 9(9) of the Gold Loan, one person cannot have more than one gold loan account. But in respect of the above 268 gold loan accounts, several gold loan accounts were opened in the name of one person. Even though there was default in one gold loan account, again gold loan was disbursed

(vi) As per Rule 9 of the Gold Loan, for every default, notice has to be raised and recovery action should have been taken. But in the above cases, no notices were issued and with a view to conceal the fraudulent actions, no recovery action was initiated.

- (vii) In many of the cases 100% of the valuation of gold was granted as loan, despite the rule 9(6) of the Gold Loan Rules, wherein it is stated loan of only 70% of the valuation of gold was to be granted.
- (viii) As per Rule 9(12)(14) the pledged loans were to be kept in the joint custody. This provision has been violated by the Branch Manager with a view to misappropriate the amount.
- (ix) It is stated in the Report that the Branch Manager along with the Gold Valuator has granted gold loan of Rs.20.39 Lakhs to 4 persons (who are his relatives) in 14 Gold Loan accounts. The same four persons have introduced 29 customers who are their close persons and the Branch Manager has granted gold loan of Rs.184.57Lakhs through 126 Gold Loan Accounts to 29 persons.
- (x) The enquiry officer has come to the conclusion that the Branch Manager, Gold Valuator, Cashiers have colluded and created the files in relation to gold loan accounts.
- (xi) Further, in relation to the above 268 Gold Loan accounts, it is found that the Branch Manager himself has filled up the Applications and withdrawal slips. All transactions of sanctioning of loan, disbursement of loan were taken place on one day. There are no evidence of returning of gold in cases of closure of gold accounts.

21) In relation to the above, the Respondent No.5 Sri P.L. Belagali, who was working as Chief Executive Officer of the Belgaum Industrial Cooperative Bank Limited, Belagavi has stated in his comments dated 14/9/2017 that the following Respondents were dismissed from service by the Disciplinary Authority of Bank after subjecting them to in-house inquiry.

- (i) Respondent No.1 : Sri U.S.Hongal, In-charge Chief Executive Officer;
- (ii) Respondent No.2: Sri Dileep Tilokani, Manager;
- (iii) Respondent No.6: Sri Ashok B. Hunagundi, Junior Assistant/Cashier
- (iv) Respondent No.7: Sri Anad R. Buchadi, Junior Assistant/Cashier
- (v) Respondent No.8 : Sri Arun M. Suladal, Assistant Accountant/ Passing officer
- (vi) Respondent No.9: Sri Basavaraj Gowdappa Udikeri, Junior Assistant
- (vii) Respondent No.10: Sri Surendra Kalyankar, Junior Assistant and
- (viii) Respondent No.12: Sri Nagaraj G. Bhuti, Junior Assistant/Cashier

The Chief Executive Officer of the Belgaum Industrial Cooperative Bank Limited, Belagavi by letter dated 20/8/2018 informed that in relation to granting of loans by keep pledging the fake gold ornaments, a criminal case in Cr. No.28/2015 was registered at Udyambag Police Station, Belagavi and the case has been transferred to CID, Bengaluru, the investigation of which is under progress. Further, based on the report of enquiry under Section 64 of Karnataka Cooperative Societies Act, the Joint Registrar, Town Banks Section, Bengaluru has issued order U/s. 68 of the Karnataka Cooperative Societies Act. Accordingly, Panchayath Suits are initiated in relation to all gold loan accounts. Further, it is stated that the officials mentioned in the report were dismissed

from service. An in-house enquiry was initiated against Sri Pandappa L. Belagali (Respondent-5) which is under progress.

22) Apart from the officials stated to have been dismissed from service (stated supra) in the comments of Respondent No.5 and letter dated 20/8/2018 of the Chief Executive Officer of the Belgaum Industrial Cooperative Bank Limited, Belagavi, the following officials are named in the enquiry report under section 64 of the Karnataka Cooperative Societies Act, 1959 as responsible for granting gold loan by keep pledging the fake gold ornaments.

- (i) Respondent No.5 : Sri P.L. Belagali, Chief Executive Officer;
- (ii) Respondent No.11: Sri R.V. Pilli, Assistant Accountant/ Passing Officer; and
- (iii) Respondent No.13: Sri M.B.Appugol, Junior Assistant;

Therefore, it is necessary to proceed against the above officials for having committed misconduct in granting the gold loans to various persons by keep pledging the fake gold ornaments. The details of gold loans for which the Respondents 5, 11 and 13 are responsible are as follows:-

Sl. No.	Name of Loanee	Gold loan Account No.	Date of sanction	Amount of loan	Respondents responsible	Page No. of enquiry report u/s.64 in which responsibility is fixed
1	Smt. Angadi Bhorawwa D	620803	31/10/2014	2,75,000	R5-P.L. Belagali	198
2	Kadahatti Kempanna P	620711	01/08/2014	1,00,000	R5-P.L. Belagali	211
		620712	01/08/2014	1,00,000		
3	Hiremath Gowramma B	620704	25/07/2014	1,30,000	R5-P.L. Belagali	244
		620756	15/09/2014	1,00,000		
4	Bandiwadekar Rama	620882	24/01/2015	2,36,000	R13-M.B.Appugol	267 & - 268
					R5-P.L. Belagali	
		620797	29/10/2014	1,25,000	R5-P.L. Belagali	
		620798	29/10/2014	1,00,000		

5	Smt. Gowranna Manjula R	620729	19/08/2014	90,000	R-5-P.L.Belagali	281
		620734	29/08/2014	2,40,000		
6	Smt. Rajashree Mahesh Nevage	620849	30/12/2014	2,45,000	R11 - R.V.Pilli R5- P.L.Belagali	345 & 347
		620851	31/12/2014	2,10,000		
7	Sri Subhas Bommaiah Naik	620837	17/12/2014	1,25,000	R11 - R.V.Pilli R5- P.L.Belagali	419 & 421
		620838	18/12/2014	1,00,000		
8	Sri Mahaveer Jaipal Hollolli	620731	19/08/2014	1,25,000	R5-P.L.Belagali	441
		620732	19/08/2014	1,60,000		
9	Gururaj B. Hiremath	620757	15/09/2014	1,50,000	R5-P.L.Belagali	455 & 456
		620758	15/09/2014	1,30,000		
		620759	15/09/2014	1,30,000		
		620865	10/01/2015	1,10,000		
		620866	10/01/2015	96,000		
10	Vinodkumar M.V	620755	15/09/2014	1,00,000	R5-P.L.Belagali	487
11	Smt. Savitha A Jakkannavar	620728	19/08/2014	1,00,000	R5-P.L.Belagali	498 & 499
		620733	20/08/2014	2,40,000		
12	Sri Suresh Thimma Dandagal	620751	08/09/2014	1,50,000	R5-P.L.Belagali	557 & 558
		620752	08/09/2014	1,30,000		
13	Sri Shivaraj B Hiremath	620744	03/09/2014	1,48,000	R5-P.L.Belagali	601 & 602
		620745	03/09/2014	1,32,000		
		620862	10/01/2015	93,000	R11_R.V. Pilli & R5-P.L.Belagali	600 to 602
		620863	10/01/2015	1,20,000		
		620864	10/01/2015	1,00,000		
14	Smt.Sheela Basavaraj Hiremath	620876	20/01/2015	1,30,000	R-11 R.V. Pilli R13-MB Appugol & R5-M.B.Belagali	611 to 614
		620877	20/01/2015	1,00,000		
15	Smt. Kasturi Mallappa Rajanagali	620771	26/09/2014	1,40,000	R5-M.B.Belagali	662
		620772	26/09/2014	1,00,000		
16	Sri Shankar Fakirappa Yadwad	620874	19/01/2015	1,15,000	R13 M.B.Appugol R11 RV. Pilli R5 P.L.Belagali	711 to 714
		620903	05/02/2015	2,10,000		
		620697	23/07/2014	1,45,000	R5-P.L.Belagali	
		620698	23/07/2014	1,35,000		
		620724	13/08/2014	2,00,000		
		620794	27/10/2014	1,90,000		
		620795	27/10/2014	1,85,000		
17	Sri Govind Ashok Suthar	620708	28/07/2014	2,95,000	R5-P.L.Belagali	735
18	Sri Kallappa Kallappa Kamble	620699	23/07/2014	1,95,000	R5-P.L.Belagali	766
		620700	23/07/2014	1,55,000		
19	Smt.Sheela Shankar Katkar	620701	23/07/2014	1,00,000	R5-P.L.Belagali	776
20	Sri Basappa H. Madiwalar	620702	25/07/2014	1,95,000	R5-P.L.Belagali	785 & 786

21	Sri Shavera Pedru Navaner	620703	25/07/2014	1,95,000	R5-P.L.Belagali	795
22	Sri Bhahubali Paresh Belagaumkar	620709	01/08/2014	1,95,000	R5-P.L.Belagali	803
23	Sri Venkatesh Durgappa Ballari	620710	01/08/2014	2,20,000	R5-P.L.Belagali	811
24	Sri Prakash Umesh Gojekar	620892	30/01/2015	3,12,000	R13- M.B.A.Appugol. & R5-P.L.Belagali	822
		620717	07/08/2014	1,00,000	R5-P.L.Belagali	
		620718	07/08/2014	99,000		
		620852	31/12/2014	1,65,000		
25	Sri Ravindra Tukaram Kamble	620719	07/08/2014	1,00,000	R5-P.L.Belagali	832
		620720	07/08/2014	1,25,000		
26	Sri Kiran Maruthi Kamble	620737	25/08/2014	3,20,000	R5-P.L.Belagali	842
27	Sri Yellappa Bhagappa Kager	620746	03/09/2014	2,30,000	R5-P.L.Belagali	851
28	Smt.Rekha Nagesh Bhogur	620761	17/09/2014	1,90,000	R5-P.L.Belagali	862
		620764	17/09/2014	1,35,000		
		620829	09/12/2014	1,70,000	R13: Sri M.B.Appugol R5:P.L.Belagali	
29	Smt.Yamuna Krishna Ronad	620763	17/09/2014	1,45,000	R5-P.L.Belagali	875
		620765	17/09/2014	1,70,000	R5-P.L.Belagali	
		620857	07/01/2015	2,00,000	R13:M.B.Appugol R11 RV. Pilli	871 to 873 & 875
		620915	13/02/2015	2,98,000	R11 RV. Pilli	
30	Sanjay Srimanth Kurane	620769	23/09/2014	1,00,000	R5-P.L.Belagali	885
		620770	23/09/2014	1,00,000		
31	Arjun Jinnappa Jakkannavar	620774	30/09/2014	3,20,000	R5-P.L.Belagali	897
		620775	30/09/2014	2,20,000		
32	Anil Umakanth Bandivadekar	620799	29/10/2014	1,25,000	R5-P.L.Belagali	910
		620800	29/10/2014	1,00,000		910
		620847	26/12/2014	1,80,000	R13:M.B.Appugol R11 RV. Pilli R5-P.L.Belagali	904 to 909 & 910
		620846	24/12/2014	1,30,000		
33	Smt.Pooja Prakash Pawar	620813	22/11/2014	1,40,000	R13:M.B.Appugol R5-P.L.Belagali	919 & 920
		620814	22/11/2014	1,15,000		
34	Bheemrao D Karoshi	620831	11/12/2014	1,80,000	R11 R.V. Pilli R13:M.B.Appugol R5-P.L.Belagali	928 to 931
		620901	03/02/2015	2,27,000	R11 R.V. Pilli R5-P.L.Belagali	
35	Parawwa Yallappa Guledakoppa	620833	12/12/2014	2,50,000	P5-P.L.Belagali	939
36	Nagarathna	620839	18/12/2014	1,20,000	R13:M.B.Appugol	947 to 950



	Subhas Naik	620840	18/12/2014	1,20,000	R11: R.V. Pilli R5-P.L.Belagali	
37	Manjunath Subbanna Katavakar	620842	23/12/2014	1,95,000	R13:M.B.Appugol	959 to 960 & 962
		620844	23/12/2014	1,00,000	R11 RV. Pilli R5-P.L.Belagali	
		620897	02/02/2015	2,40,000	R5-P.L.Belgali	962
		620898	03/02/2015	2,10,000		
		620899	04/02/2015	2,30,000		
38	Smt.Rekha Manjunath Katawkar	620843	23/12/2014	1,80,000	R13:M.B.Appugol R11 RV. Pilli R5-P.L.Belagali	970 to 973
39	Sri Gavudu; Hanamanth Patil	620860	09/01/2015	1,70,000	R13:M.B.Appugol R11 RV. Pilli R5-P.L.Belagali	981 to 984
40	Smt. Shradda Shivaji Chinchaneekar	620869	16/01/2015	1,90,000	R13:M.B.Appugol	992 to 995
		620870	16/01/2015	1,00,000	R11 RV. Pilli	
		620871	16/01/2015	90,000	R5-P.L.Belagali	
		620872	17/01/2015	1,94,000		
41	Smt.Kaveri Sunil Bagewadi	620880	24/01/2015	1,00,000	R13:M.B.Appugol	1003 & 1004
		620881	24/01/2015	98,000	R5-P.L.Belagali	
42	Sri Datha Hanamantha Nilajkar	620887	29/01/2015	2,00,000	R13:M.B.Appugol	1012 to 1015
		620886	29/01/2015	2,28,000	R11 RV. Pilli R5-P.L.Belagali	
43	Sri Parashuram Bharama Patil	620888	29/01/2015	100000	R13:M.B.Appugol	1023 to 1026
		620889	29/01/2015	81000	R11-RV. Pilli R5-P.L. Belagali	
44	Basavantha Babu Thonennavar	620895	31/01/2015	1,97,000	R13:M.B.Appugol R5-P.L. Belagali	1033 to 1035
		620896	02/02/2015	1,00,000	R5-P.L. Belagali	
45	Sri Praveen S Baligar	620904	06/02/2015	2,40,000	R11-RV. Pilli R13:M.B. Appugol R5-P.L. Belagali	1042 to 1045
46	Sri Vittala Kohner Sarnobuth & Medha	620907	10/02/2015	2,47,000	R11-R.V.Pilli R13:M.B. Appugol	1053 to 1056
		620908	10/02/2015	2,63,000	R5-P.L. Belagali	
47	Smt. Girija Yallappa Koli	620911	13/02/2014	1,30,000	R11-R.V.Pilli R13:M.B. Appugol	1064 to 1067
		620912	13/02/2014	1,00,000	R5-P.L. Belagali	
48	Sri Krishna Lakshman Gojekar	620916	16/02/2015	3,00,000	R11-R.V.Pilli R13:M.B. Appugol R5-P.L. Belagali	1074 to 1077
49	Sri Bahubali Y Janagouda	620918	19/02/2015	3,32,000	R11-R.V.Pilli R13:M.B. Appugol	1084 to 1087
		620919	19/02/2015	3,48,000	R5-P.L. Belagali	
50	Sri Prasad Hanamantha Nilajakara	620920	20/02/2015	99,000	R11-R.V.Pilli	1095 to 1098
		620921	20/02/2015	91,000	R5-P.L. Belagali	
		620922	20/02/2015	1,25,000		

51	Sri Ashok Kallappa Shigihalli	620931	05/03/2015	1,00,000	R11-R.V.Pilli R13:M.B. Appugol R5-P.L. Belagali	1106 to 1109
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23) As per the above statement and the report of Deputy Registrar of Cooperative Societies, Belagavi and enquiry officer of the Belgaum Industrial Cooperative Bank Limited dated 12/2/2017, the Respondent No.5 Sri P.L. Belagali, Chief Executive Officer is responsible for grant of gold loans in a sum of Rs.1,76,56,000/- on fake gold ornaments. Respondent No.11 Sri R.V. Pilli, Assistant Accountant/Passing Officer is responsible for grant of gold loans in a sum of Rs.72,06,000/- on fake gold ornaments. The Respondent No.13 Sri M.B. Appugol, Junior Assistant/ Cashier is responsible for granting gold loan of Rs.69,56,000/- on fake gold ornaments. The Deputy Registrar of Cooperative Societies and Enquiry Officer has stated the duties and responsibilities of Respondents and the nature of misconduct committed by them in granting the gold loans on fake gold ornaments.

24) In relation to grant of benefit under One Time Settlement Scheme to the loanees i.e., concession in interest, the following irregularities are noticed in the Enquiry Report.

25) It is noticed that in relation to 56 cases, OTS facility was granted under the approval of Administrative Board and in relation to 43 cases OTS facility (concession in interest) was granted without the approval of administrative Board. While granting the concession in interest under the One Time Settlement cases, the Rules of OTS schemes were violated.

26) As per Rule 2 of the OTS Rules, the loan account of the loanee should have been considered as Non-Performance Asset. As per Rule 3, the interest rate as on the date of OTS should have been considered.

27) As per Rule 4 the penal interest and other expenditures can be waived of partially or in full. In all the cases, the penal interest and other expenses are waived of along with major portion of interest.

28) As per Rule 10, the repayment of amount under OTS Rules should have been paid within 30 days of granting the benefit. In certain cases, even after expiry of 30 days, concession in interest was granted. In relation to the following cases, which were settled under OTS Rules

29) As per Rules 5 & 6 of the OTS Rules, the Administrative Board has power to grant concession in interest by taking into consideration the repayment capacity of the loanee. But, the loanees who were capable of repayment of loan were also granted the benefit of concession in interest

30) During the period of Respondent No.5 Sri P.L. Belagali, as Chief Executive Officer of Belgaum Industrial Cooperative Bank Limited, Belagavi, the following loan accounts were closed by granting OTS facility (i.e., concession in interest), by violating the OTS Rules and thereby caused loss to the Bank.

LOAN ACCOUNTS CLOSED UNDER OTS SCHEME WITH THE APPROVAL OF BOARD

Sl. No.	Name of Loanee	Loan A/c. No.	Loan amount	Outstanding balance on the date of closure of a/c.	Interest paid by loanee from the date of advance till OTS	Amount of settlement	Date of closure of account	Total concession granted
1	Ramesh K Sutar	152	15,000	11,500	13,921	11,500	25/07/2014	8,415
2	Ishwarappa Veerabhadrappa Kutnali	511	95,000	54,349	37,555	54,349	22/01/2015	6,658
3	Anil G. Hunoor	63	15,000	6,399	160	6,399	22/01/2015	30,266
4	Laxmavva Basangouda Patil	1798	25,000	31,722	6,547	31,722	22/01/2015	30,635
5	M/s. Bhakti Textiles: Prop: Ashok Yeshwanthrao Hanbratti	409	8,00,000	8,05,427	38,318	8,05,427	22/01/2015	32,156
6	M/s.Shobha Sarees. Prop: Shobha Ashok Hanabratti	410	5,00,000	5,00,000	6,379	5,00,000	22/01/2015	37,653

7	M/s.S.B. Khatavkar	399	2,50,000	2,49,998	32,487	0	2,49,998	8,902	22/01/2015	15,406
	Total									161,189

LOAN ACCOUNTS CLOSED UNDER OTS SCHEME WITHOUT THE APPROVAL OF BOARD

Sl. No.	Name of Loanee	Loan A/c. No.	Loan amount	Outstanding balance on the date of closure of a/c.	Interest paid by loanee from the date of advance till OTS	Amount of settlement	Date of closure of account	Total concession granted
1	Yash Industrial Control	MTL & ACC 83&1 KBZ	12,00,000	87,405	1,45,096	2,00,299	20/03/2015	59,665
						87,405		

31) As per the above statement, Respondent No.5 Sri P.L. Belagali has sanctioned the concession of interest in a sum of Rs.2,20,854/- without following the Rules and guidelines of One Time Settlement of loans. The Deputy Registrar of Cooperative Societies, Belagavi & Enquiry officer of the Belgaum Industrial Cooperative Bank Limited, Belagavi in his report dated 12/2/2017 at pages 1124 to 1148 has stated the responsibilities of Respondent No.5 and misconduct committed by him in settlement of loans under One Time Settlement Rules by granting concession of interest.

32) From the above discussions, it is clear that there are prima facie materials to proceed against the Respondent 5 Sri P.L. Belagali, the then Chief Executive Officer; Respondent No.11 Sri R.V. Pilli, Assistant Accountant/Passing officer and Respondent No.13 Sri M.B. Appugol, Junior Assistant/Cashier of the Belgaum Industrial Cooperative Bank Limited, Belagavi. As stated supra, the Respondents 1, 6, 7, 8, 9, 10, 12 were dismissed from service of the Belgaum Industrial Cooperative Bank. Respondents 2 and 20 have died. Respondent No.3 is the Gold evaluator who is a private person. Respondents 4 and 14 to 24 were Chairman and Members of the Executive Committee of the Bank, against whom, departmental inquiry cannot be recommended. The comments of above Respondents No.5, 11 and 13 cannot be accepted in view of the misconduct narrated in the foregoing paragraphs.

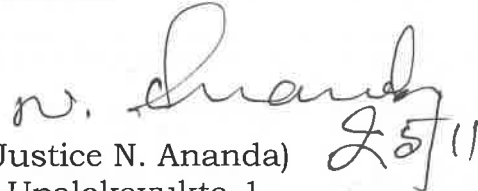
33) Therefore, acting under Section 12(3) of the Karnataka Lokayukta Act, 1984 recommendation is made to the Government for initiating disciplinary proceedings against the following

Respondents as per the Karnataka Cooperative Societies Act, 1959 and the byelaws of the Belgaum Industrial Cooperative Bank Limited, Belgaum and to entrust the inquiry to this institution.

- 1) Respondent No.5: Sri P.L. Belagali, Chief Executive Officer, Belgaum Industrial Cooperative Bank Limited, Belagavi.
- 2) Respondent No.11: Sri R.V. Pilli, Assistant Accountant/ Passing officer, Belgaum Industrial Cooperative Bank Limited, Belagavi; and
- 3) Respondent No.13 : Sri M.B. Appugol, Junior Assistant/ Cashier, Belgaum Industrial Cooperative Bank Limited, Belagavi.

34) As per Section 12(4) of the Karnataka Lokayukta Act, 1984, the Competent Authority shall intimate or caused to be intimated the action taken or proposed to be taken on the above recommendation to this Authority, within three months from the date of receipt of this Report.

Connected records are enclosed herewith.

  
(Justice N. Ananda) 25/11  
Upalokayukta-1  
State of Karnataka, Bengaluru

