



**IN THE HIGH COURT OF KARNATAKA,
DHARWAD BENCH**



DATED THIS THE 19TH DAY OF FEBRUARY, 2025

**BEFORE
THE HON'BLE MR. JUSTICE M.NAGAPRASANNA**

WRIT PETITION NO.100339 OF 2025 (S-RES)

BETWEEN:

G. LINGANAGOUDA,
AGE: 56 YEARS, OCC: EX ASSISTANT MANAGER
OF PRAGATHI KRISHNA GRAMINA BANK,
R/O: 2ND CROSS, VINAYAKA NAGAR,
KAMPLI, TQ: HOSPET, DIST: VIJAYANGAR.

...PETITIONER

(BY SRI NAGANGOUDA M. PATIL, ADVOCATE)

AND:

GENERAL MANAGER,
KARNATAKA GRAMINA BANK,
H.O. PB-55, 32 SANGANKAL ROAD,
GANDHI NAGAR, BALLARI – 583 103.

...RESPONDENT

(BY SRI M.G.KULKARNI, ADVOCATE)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO ISSUE A WRIT IN THE NATURE OF CERTIORARI TO QUASH THE ENDORSEMENTS BEARING REF. HO/HRW/IR/058/2017-18 DATED 13.12.2017, THE COPY OF WHICH HAS BEEN PRODUCED HERewith AND MARKED AS ANNEXURE-E WHICH IS ISSUED BY RESPONDENT AND ENDORSEMENT BEARING NO. REF. HO.HRW.STF.LEAVE.606. 2024-2025 DATED 04.10.2024 ISSUED BY THE RESPONDENT BY DENYING PAYMENT OF PL ENCASEMENT THE COPY OF WHICH HAS BEEN PRODUCED HERewith AND MARKED AS ANNEXURE-G. FURTHER DIRECTION MAY KINDLY BE ISSUED IN THE NATURE OF WRIT OF MANDAMUS DIRECTING THE RESPONDENT TO PAY ENCASEMENT OF PRIVILEGE LEAVE OF 220 DAYS TO THE PETITIONER WITH INTEREST 10% FROM THE DATE ON WHICH THE AMOUNT BECAME DUE TO BE PAYABLE TO THE PETITIONER TILL THE REALIZATION AND ETC.,





THIS WRIT PETITION, COMING ON FOR PRELIMINARY HEARING, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

ORAL ORDER

(PER: THE HON'BLE MR. JUSTICE M.NAGAPRASANNA)

THE ISSUE:

The issue that needs an answer in the case at hand is, *whether an employee who is imposed a penalty of dismissal from service is entitled to grant of encashment of privilege leave.*

2. Heard the learned counsel Sri.Naganagouda M. Patil, appearing for the petitioner and the learned counsel Sri. M.G.Kulkarni, appearing for the respondent.

3. Facts in brief, germane, are as follows:

The petitioner joins the service of the respondent - Pragathi Krishna Gramin Bank (hereinafter referred to as 'the Bank', for short) and works as an Assistant Manager in various branches of the Bank. It transpires that on 31.03.2012, the Bank initiates disciplinary proceedings against the petitioner alleging certain misconduct by



issuance of a charge-sheet. The enquiry conducted against the petitioner leads to imposition of penalty of dismissal from service with effect from 19.12.2014. The petitioner represents to the Bank seeking payment of his terminal benefits with particular reference to leave encashment. The said leave encashment that was accrued during the service of the petitioner for about 220 days, is denied on the ground that the petitioner has been dismissed from service, on account of misconduct and therefore, the Pragathi Krishna Gramin Bank (Officers and Employees) Service Regulations, 2013 (for short 'the Regulations'), would not permit payment of leave encashment to an employee, who has been dismissed from service. It is therefore, the petitioner is at the doors of this Court in the subject petition.

4. Sans details, facts in brief, are as follows:

The petitioner joins the service of the erstwhile Thungabhadra Gramina Bank on 23.05.1983 and has held several positions in the bank. During his service, alleging



certain misconduct, the bank initiates disciplinary proceedings. An enquiry officer was appointed to conduct an enquiry and he holds that the petitioner is guilty of the allegations. Based upon the findings of the enquiry officer, the disciplinary authority imposes a penalty of dismissal from service, in terms of its order dated 19.12.2014. The petitioner registers a claim for payment of encashment of privilege leave for a period of 220 days, which is accrued in favour of the petitioner in the course of his service in the bank. A representation to that effect was submitted, which goes unheeded. The petitioner then causes a legal notice on 21.09.2024, demanding the said payment, which comes to be rejected by the impugned order dated 04.10.2024. It is this that has driven the petitioner to this Court in the subject petition.

SUBMISSIONS:

PETITIONER'S:

5. The learned counsel appearing for the petitioner submits that Regulation 67 of the Regulations cannot be



invoked to deny payment of leave encashment of the petitioner, which is his right in terms of the Regulations and would seek to place reliance upon a judgment rendered by the High Court of Judicature at Bombay in **Writ Petition No.1347/2016**, disposed on 17.02.2017, to buttress his submission.

RESPONDENT'S:

6. *Per contra*, the learned counsel representing the Bank would take this Court through the Regulations, again with particular reference to Regulation 67 of the Regulations to contend that Regulation 67 deals with 'lapse of leave'. If the employee ceases to be in employment of the Bank by any mode, he would not be entitled to encashment of privilege leave / leave encashment, is his emphatic submission. He would submit that since the petitioner was proceeded departmentally, and a penalty of dismissal from service is imposed upon him, there can be no question of payment of privilege leave to the petitioner.



7. I have given my anxious consideration to the submissions made by both the learned counsel and perused the material on record.

ANALYSIS:

8. The afore-narrated facts are not in dispute. The issue now lies in a narrow compass as aforesaid. The petitioner registers a claim for encashment of privilege leave. This comes to be rejected by the impugned order dated 04.10.2024

"REF: HO: HRW: STF: LEAVE: 606:2024-25 DATE: 04.10.2024

To

Sri. N M Patil
Advocate, High Court,
C/o J.S.Shetty & Associates,
1st Floor, Nalawadi Building,
Line Bazaar, Dharwad.
Pin - 580001

Sir,

**Sub: Payment of PL Encashment to dismissed staff
Sri. G Linganagouda (606)- Reg**

Ref: Your letter dated 21.09.2024

XXXXX



We are in receipt of your legal notice dated 21.09.2024 wherein you have represented for release of PL encashment pertaining to dismissed staff Sri. G Linganagouda (606).

Regulation 67 of erstwhile Pragathi Krishna Gramin Bank (Officers and Employees) Service Regulation regarding "Lapse of leave" reads as below:

".....

Provided further that where a staff retires from the service of the Bank, he shall be eligible to be paid a sum equivalent to the emoluments for the period of privilege leave he had accumulated subject to sub-regulation (4) of regulation 61:

Provided also that in respect of the employee where his services are terminated owing to retrenchment, he shall be paid pay and allowances for the period of privilege leave at his credit".

Since termination of services by way of dismissal does not fall under any category mentioned in the above said Regulation, Sri. G Linganagouda (606) is not eligible for payment of PL encashment.

Yours faithfully,

Sd/-

GENERAL MANAGER"

(Emphasis added)

What is invoked to reject is, Regulation 67 of the Regulations. The Regulation that entitles an employee of the Bank for payment of privilege leave is Regulation 61 of



the Regulations. It deals with circumstances under which an employee is eligible for privilege leave. Regulation 67 of the Regulations deal with 'Lapse of Leave', which deals with the expiration of leave on certain circumstances. Regulations 61 and 67 of the Regulations read as follows:

"61. Privilege leave

- (1) An officer or employee shall be eligible for privilege leave computed at one day for every 11 days of service on duty:**

Provided that no privilege leave shall be availed of before the completion of 11 months of service on duty at the joining of his service.

- (2) The period of privilege leave to which an officer or employee is entitled at any time shall be the period which he has earned less the period availed of.**

- (3) An officer or employee on privilege leave shall be entitled to full emoluments for the period of leave.**

- (4) Privilege leave may be accumulated upto 31st December, 1989 for an aggregate period upto 180 days and from 1st January 1990, the privilege leave may be accumulated upto not more than 240 days.

- (5) An application for privilege leave shall be submitted by an officer or employee one month before the date from which such leave is required.

- (6) The application which does not satisfy the requirement of sub-regulation (5) may be refused without assigning any reason:



Provided that if the Competent Authority is satisfied that such requirement was not possible, he may, at his discretion, waive the requirement."

(Emphasis supplied)

"67. Lapse of leave

All leave shall lapse on the death of an officer or employee or if he ceases to be in the service of the Bank:

Provided that where an officer or employee dies in service, there shall be payable to his legal representatives, sums which would have been payable to the officer or employee as if he has availed of the privilege leave that he had accumulated at the time of his death subject to sub-regulation (4) of regulation 61.

Provided further that where a staff retires from the service of the Bank, he shall be eligible to be paid a sum equivalent to the emoluments for the period of privilege leave he had accumulated subject to sub-regulation (4) of regulation 61:

Provided also that in respect of the employee where his services are terminated owing to retrenchment, he shall be paid pay and allowances for the period of privilege leave at his credit."

(Emphasis supplied)

An officer or employee of the Bank is eligible for privilege leave, computed in the manner that is depicted in Regulation 61. Therefore, Regulation 61 forms a right on the part of the employee to get the privilege leave to the maximum available days. The other Regulation is Regulation 67, which deals with lapse of leave. Regulation



67 places an embargo that all the leave would lapse on certain circumstances and even on the death of an officer or employee or if he ceases to be in the service of the Bank.

9. Interpretation of Regulations 61 and 67 of the Regulations need not detain this Court for long or delve deep into the matter. Interpreting an identical regulation of respective Gramina banks, the High Courts of Bombay and Madhya Pradesh have held that the privilege leave that is available to the employee is akin to the property under Article 300A of the Constitution of India and therefore, cannot be taken away unless the statute so permits.

10. A division bench of High Court of Bombay in a judgment reported in **2024 SSC OnLine Bomb 1253** in the case of **DATTARAM ATMARAM SAWANT AND ANOTHER VS. VIDHARBHA KONKAN GRAMIN BANK, THROUGH ITS CHAIRMAN**, has held as follows:

"11. The concept of privilege leave and encashment thereof is governed by the statutory Rules. It is not in dispute that both the Petitioners have completed 30 years



of qualifying service. Had the Petitioners retired from service on superannuation on the date of their resignation, they would have been entitled to encashment of privilege leave. The question, therefore, is whether their resignation would take away their right to claim leave encashment.

12. Regulation 67 of Chapter-VI of the Regulations of 2013 deals with lapse of leave. Regulation 67 reads as follows:

"67. Lapse of Leave.- All leave shall lapse on the death of an officer or employee or if he ceases to be in the service of the Bank:

Provided that where an officer or employee dies in service, there shall be payable to his legal representatives sums which would have been payable to the officer or employee as if he has availed of the privilege leave that he had accumulated at the time of his death, subject to sub-regulation (4) of regulation 61:

Provided further that where a staff retires from the service of the Bank, he shall be eligible to be paid a sum equivalent to the emoluments for the period of privilege leave he had accumulated subject to sub- regulation (4) of regulation 61:

Provided also that in respect of the employee where his services are terminated owing to retrenchment, he shall be paid pay and allowances for the period of privilege leave at his credit."

13. The Petitioners have relied upon various decisions to show the different contingencies of cessation of service where a right of earned leave encashment has been upheld, which are as follows: (i) T. Veeravinothan Vs. The Registrar of Cooperative Societies, Kilpauk, Chennai & Ors.1; (ii) Atmesh Kumar Roy Versus Madhya Bihar Gramin Bank and Another2; (iii) Shrinath Upadhyay Versus Union of India, through its Secretary Ministry of Finance and Others 3; (iv) Mohanlal Gupta Versus Madhyanchal Gramin Bank, Sagar and Another4; (v) Gopalkrishna Varadaraj Acharya Versus The Chairman, PHRD Division, Karnataka Vikas Grameen Bank and Another5; (vi) State of Jharkhand and Others Versus Jitendra Kumar Srivastava and Another6; (vii) Buddhadeb Ruidas and Others Versus State



of West Bengal and Others⁷; (viii) Ashok s/o. Munjappa Potphale and Others vs Chief Secretary, Union of India, Banking Division and Others⁸; (ix) Managing Committee, K.D.Jain Shikshan Parishad & Anr. Versus Smt. Mamta Gangwal & Anr. ⁹; (x) Omprakash s/o. Jiwandas Miglani vs Coal India Ltd., Kolkata and another¹⁰; (xi) Siyaram Basanti Versus Chhattisgarh Rajya Gramin Bank, through Its Chairman and Others¹¹; (xii) The Karnataka Vikas Grameena Bank, Dharwad-8 and Another versus 1 2016 0 Supreme (Mad) 868 2 2020 SCC OnLine Pat 1367 3 2020 SCC OnLine Pat 1546 4 2022 SCC OnLine MP 5814 5 High Court of Karnataka in Writ Petition No. 102049 of 2022 dated 8 September 2023 6 (2013) 12 SCC 210 7 (2013) 12 SCC 221 8 2017 (3) Mh. L.J. 540 9 2021 (1) RLW 231 (Raj.) 10 2012 (5) Mh. L.J. 11 2022 SCC OnLine Chh 1798 Trupti 9 @WP-12161-2019.doc Chandrashekhara¹² and (xiii) Jagdish Prasad Saini and Others Versus State of Rajasthan and Others.

14. From the review of the decisions cited by the Petitioners, the following position of law emerges. Regulation 61 stipulates that an employee earns one day of privilege leave for every 11 days of duty, with the entitlement being the accumulated days earned minus those already utilised. Additionally, Regulation 61 specifies that an employee on privilege leave shall receive full emoluments for the duration of the leave. Consequently, the right to leave is a statutory entitlement granted to employees as per the provisions of the law. This privilege leave, as defined in Regulation 61, is available to employees upon fulfilling the prescribed duty period. Regulations states that during this period, employees are entitled to full emoluments as if they were on duty.

15. Leave encashment is akin to a salary, which is property. Depriving a person of his property without any valid statutory provision would violate Article 300 A of the Constitution of India. Leave encashment paid on account of unutilised leave is not a bounty. If an employee has earned it and the employee has chosen to accumulate his earned leave to his credit, then encashment becomes his right. The Hon'ble Supreme Court, in the case of the State of Jharkhand and Others, held that a person could not be deprived of his right to pension without the authority of law, which is the 12 2021 SCC OnLine Kar



15842 13 2022 SCC OnLine SC 1298 Trupti 10 @WP-12161-2019.doc constitutional mandate enshrined in Article 300 A of the Constitution of India. The Supreme Court, in the case of D.S. Nakara and Others v. Union of India¹⁴, has established the legal position that pension is a statutory right, not subject to the whims of the authorities, but is governed by statutory rules. In the case of Jitendra Kumar Srivastava, the Apex Court emphasised that the right to property cannot be infringed upon without due process of law. Thus any attempt to deprive an employee of pension, gratuity, or leave encashment without a statutory provision, is untenable.

16. Consequently, leave encashment which was acquired by the Petitioners constitute their property once earned. Deprivation of such property without statutory backing will not be permitted. Leave encashment is recognised as a right by the courts, accruing to employees upon fulfilment of statutory conditions, and can only be restricted by another statutory provision empowering the employer to withhold it. Regulation 67 when it states that all leave shall lapse on the death of an officer or employee or if he ceases to be in the service of the Bank cannot take away the right to the Petitioners which has already accrued. All the decisions that the Petitioner has cited referred to above have analyzed different form of cessation of service, including dismissal, and have held accordingly.

17. Once there is no such specific regulation that takes away the accrued right to encash privilege leave on resignation, then without 14 (1983) 1 SCC 305 Trupti 11 @WP-12161-2019.doc there being any specific regulation, the right already accrued cannot be forfeited. Though Regulation 67 states that all leave shall lapse, it does not mean the right already accrued for encashment will lapse.

18. The Division Bench of this Court in the case of Ashok s/o. Munjappa Potphale and Others considered the provisions of the Maharashtra Gramin Bank (Officers and Employees) Service Regulations, 2010, which are identical to the Regulations of 2013. In this case, the Petitioners therein who were penalised with removal from service after holding up the disciplinary enquiry, had claimed entitlement



to their privilege leave. The employer -bank opposed the petition, stating that the petitioners therein were found guilty of the charges, they were compulsorily retired by way of punishment, and they were not entitled to leave encashment. **The Division Bench found that there was no provision for withholding leave encashment on the grounds that they have been penalised and directed to pay the amounts of privilege leave encashment to the petitioners as per their entitlement, considering the privilege leave standing to their credit.**

19. In the case of The Karnataka Vikas Grameena Bank, Dharwad-8 and Another, the Division Bench of the High Court of Karnataka considered the issue of encashment of privilege leave in the case of a resignation. Regulation 64 of the Karnataka Vikas Grameena Bank (Officers and Employees) Service Regulations, 2005 is the identical clause regarding lapse of leave where similar Trupti 12 @WP-12161-2019.doc provisions as per the Regulations of 2013 have been made, that is, when an officer or employee dies in service; when a staff retires from the Bank's services; and when the services of the officer or employee are terminated owing to retrenchment. The Division Bench held that there was no distinction between the one who was retired and resigned since the benefit had already accrued. This decision supports the Petitioners.

(Emphasis supplied)

A little earlier to the afore-quoted judgment, a division bench of High Court of Madhya Pradesh, a judgment reported in **2023(1) M.P.L.J. 209**, in the case of **MOHANLAL GUPTA VS. MADHYANCHAL GRAMIN BANK, SAGAR AND ANOTHER**, has held as follows:

"15. In order to deal with the petitioner's claim with regard to leave encashment, it is first necessary to evaluate as to



whether leave encashment is property of the petitioner are not.

16. Regulation 61 in unequivocal terms reflect that an employee earns leave upon performance of duty for certain period of days and therefore, while performing his duties in terms of Regulation 61, an employee becomes entitled for the privilege leave, which in-turn entitles him for the entire emoluments, as if he was on duty. Therefore, such a privilege leave, which the employee has earned, becomes his property and deprivation from such a property, in absence of statutory rule not permitted. A question regarding pension, came up before the Hon'ble Supreme Court in the case of *D.S. Nakara and drs. v. Union of India*, (1983) 1 SCC 305 wherein the Apex Court in paragraph-20 has held as under:—

"31. From the discussion three things emerge : (i) that pension is neither a bounty nor a matter of grace depending upon the sweet will of the employer and that it creates a vested right subject to 1972 rules which are statutory in character because they are enacted in exercise of powers conferred by the proviso to Art. 309 and clause (5) of Art. 148 of the Constitution; (ii) that the pension is not an *ex gratia* payment but it is a payment for the past service rendered; and (iii) it is a social welfare measure rendering socio-economic justice to those who in the hey-day of their life ceaselessly toiled for the employer on an assurance that in their old age they would not be left in lurch. It must also be noticed that the quantum of pension is a certain percentage correlated to the average emoluments drawn during last three years of service reduced to ten months under liberalised pension scheme. Its payment is dependent upon an additional condition of impeccable behaviour even subsequent to requirement, that is, since the cessation of the contract of service and that it can be reduced or withdrawn as a disciplinary measure."

17. The Apex Court held that pension is a right and payment of the same does not depend upon the discretion of the government subject to statutory rules. The Apex Court has also referred to an earlier decision of the Apex Court in the case of *Deoki Nandan Prasad v. State of Bihar*, (1971) 2 SCC 330.



18. Therefore, the benefits like pension and leave encashment are earned by an employee and therefore, once such benefit are earned, they become property of an employee and if an employee is deprived of such a property, there has to be specific provision in the statutory rules governing the field.

19. The Apex Court in the case of Jitendra Kumar Srivastava (*supra*), while dealing with the provisions of Article 300-A of Constitution of India held that the right to property cannot be taken away without due process of law. The Apex Court has held in paragraph-14 as under:—

"14. Article 300A of the Constitution of India reads as under:

"300-A. Persons not to be deprived of property save by authority of law.— No person shall be deprived of his property save by authority of law." Once we proceed on that premise, the answer to the question posed by us in the beginning of this judgment becomes too obvious. A person cannot be deprived of this pension without the authority of law, which is the Constitutional mandate enshrined in Article 300-A of the Constitution. **It follows that attempt of the appellant to take away a part of pension or gratuity or even leave encashment without any statutory provision and under the umbrage of administrative instruction cannot be countenanced."**

20. In view of the aforesaid enunciation of law, an employee has a right for leave encashment, which in view of enunciation of law laid down by the Apex Court becomes his property upon earning the same in terms of statutory provisions and therefore, such a right can only be curtailed by another statutory provision empowering the employer to forfeit or withhold the same."

29. Now, to deal with the contentions of the respondents as regards the interpretation of Regulation 67, in the light of the Apex Court in the case of Govind Singh (*supra*), it would be germane to appreciate the provisions of Regulation 72, of the Regulations as well. Regulation 72 provides for gratuity and in the said regulation, the Bank while recognizing the right of the employee, permits disbursement of gratuity to an employee,



*even in a case of dismissal where "no financial loss to the Bank has caused." In the present case, the respondents while appreciating the fact that the disciplinary authority while passing the order of removal dated 22-4-2014 observed that, as the petitioner while depositing the amount has compensated/indemnified the bank and therefore, has released the amount of gratuity. **Therefore, when the leave encashment as well as gratuity is the property of the petitioner, therefore, in the considered view of this Court, a restricted interpretation of Regulation 67 would not only be in direct conflict with the provision of Article 300-A of Constitution of India but, will also leave scope with the employer to pass order in whimsical as well as capricious manner. The respondent/Bank cannot take recourse to discrimination in the cases of gratuity as well as leave encashment. When the bank itself permits that even upon penalty of dismissal, an employee is entitled for the gratuity, if there is no financial loss to the bank, then, in the present case, when undisputedly, there is no financial loss to the bank, under the garb of conspicuously silent provisions of Regulation 67, the petitioner herein could not have been deprived of the benefit of leave encashment, which is not only his statutory right but, also falls within the ambit of provisions of Article 300-A of Constitution of India."***

(Emphasis supplied)

One common stream that runs through both these judgments is, the employee has a right to get privilege leave under Regulation 61. Regulation 67 does not permit taking away the employee's right for encashment of privilege leave. I am in respectful agreement to what the division benches of both the High Courts have held.



THE CONCLUSION:

11. The findings of both the High Courts would clearly cover the issue at hand on all its force, as those were also the cases where employees were dismissed from service on misconduct. The petitioner in the case at hand is also dismissed, on account of misconduct. Benefit of leave encashment to an employee is trite, a statutory right, but it has an imprimatur to the legal principle that right to receive terminal benefits is recognized as a right to property obtaining under Article 300A of the Constitution of India.

"300-A. Persons not to be deprived of property save by authority of law.—No person shall be deprived of his property save by authority of law."

Article 300A mandates that persons not to be deprived of property save by authority of law. Therefore, it becomes unmistakably clear that any attempt of the employer to take away the right of any part of terminal benefit, which in the case at hand is, leave encashment, without any



umbrage of a statutory provision, such action is **sans countenanced**.

12. Therefore, it is a right of an employee not only under the statute, even under the fountainhead of all statutes – The Constitution of India.

13. For the aforesaid reasons, the following:

ORDER

- i. The writ petition is allowed.
- ii. The impugned order dated 13.12.2017 and the endorsement dated 04.10.2024, by which the Bank rejects the payment of encashment of privilege leave, stands quashed.
- iii. The petitioner is declared entitled to privilege leave at 220 days that is accrued to his benefit throughout his service.
- iv. The payment shall be paid by the Bank within 2 months from the date of receipt of a copy of the order.
- v. In the event the payment is not made within 2 months, the petitioner shall become



entitled to interest at 6% per annum from the date it fell due, till the date on which, the amount reaches the doors of the petitioner.

Ordered accordingly.

SD/-

JUSTICE M.NAGAPRASANNA

KGK/CT-ASC
List No.: 1 Sl No.: 46