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Editorial

INVITING DISASTER

The Editorial Board should have delivered a message ensuring poetic justice to readers at this time of year, as we prepare to bid farewell to 2025 and welcome 2026. However, we regret to address the impending disaster looming over the banking industry. We feel helpless in this situation.

The Finance Minister has indicated that the government plans to reduce the number of banks to three or four major institutions to enhance the competitiveness of Indian banks in the global market. Reports suggest that the government is also considering appointing Managing Directors (MDs) in public sector banks from the private sector. These two measures are likely to weaken public sector banks, paving the way for eventual privatization. Previous mergers in the public sector have resulted in branch closures, job reductions, and disruptions in customer service, leading to an increase in business for private sector banks. In 2014, public sector banks employed over 900,000 staff, including employees from Regional Rural Banks (RRBs). In contrast, private sector banks, along with foreign banks, employed just over 300,000 staff with 18,708 branches, while the total number of branches for public sector banks and RRBs was 102,257 during the same period.

Back in 2014, public sector banks accounted for 79 percent of total deposits and 76 percent of outstanding loans, while private sector banks held only 21 percent of deposits and 24 percent of loans. However, by 2025, this picture has dramatically changed despite several public sector bank mergers. Currently, public sector banks, including RRBs, employ approximately 845,000 people, while private sector banks employ around 1,055,000. This shift is reflected in business composition, with public sector banks now holding only 59 percent of total deposits. This trend indicates that public sector banks have

been losing their competitive edge in the domestic market over the last decade, even after the merger exercises.

A critical question arises: Can Indian public sector banks become globally competitive through further significant mergers, as suggested in the media? Our firm answer is No! With a very low per capita income, a declining Indian Rupee, and negligible exports, banks cannot compete globally, nor can they address the fundamental weaknesses of the Indian economy.

Instead, let's explore what Indian public sector banks can do internally without chasing the unrealistic dream of global competitiveness. India has only 14 bank branches per one lakh people, whereas the USA has 138 branches. India needs more branches, adequate staffing in banks, and enhanced priority sector lending. This should be the focus of the Confederation in the New Year. Meanwhile, private sector banks are seeking senior executives from public sector banks to improve their struggling entities, while the Finance Minister supports the idea of selecting MDs for public sector banks from the private sector.

The government seems intent on undermining the well-performing public sector banks, which continue to generate significant profits and hold substantial assets, to benefit crony capitalists who wish to siphon off public funds for their own gain. Privatization will also unfairly impact younger generations by threatening job security, particularly with the new Labour Codes in effect.

To protect public sector banks and halt the government's consolidation policies, the United Forum of Bank Unions (UFBU) must not only unite but also embrace new allies from both organized and unorganized sectors. This will help transform the struggle of bankers into a genuine people's movement to safeguard public assets and the national economy.

Common Bond extends New Year greetings to all readers, patrons, and members for the upcoming year. May it be a year of determined effort to protect the identity of our public sector banks.

#SavePSBs
#HaltFurtherMergers
#BankingInThePublicSector
#NoToMDFromPrivateSector
#YesToAdequateRecruitment
#MarchOnComrades,
#NationAgainstPrivatisation
#BankBachaoDeshBachao

CIRCULAR

Circular No. 2025/41 **Date: 04.11.2025**
To All Affiliates

UFBU MEETING ON 3RD NOV. AND CONCILIATION MEETING ON 4TH NOV. 2025

We reproduce the text of UFBU Circular no. 2025/14 dated 04.11.2025 for your information.

Dear Comrades,

UFBU meeting on 3rd Nov. and Conciliation meeting on 4th Nov. 2025

Another round of conciliation proceedings was held today at the CLC's office in New Delhi. During the conciliation meeting, the following issues were discussed:

PLI : The gist of discussions between IBA and UFBU was reported to the Dy. CLC and DFS representatives. It was informed by the DFS that the Government is considering ensuring payment of PLI to all the scale 4 and above officers as per Joint Note formula who may not be eligible to get PLI under the Government formula. We pointed out our other views about the Government formula which require reconsideration by the DFS. In view of this, the DY. CLC advised IBA and UFBU to continue the discussion and submit concrete suggestions to find an amicable solution for consideration by DFS.

5 Days Working per Week: We pointed out that despite the assurance of the Government to expedite their decisions on introduction of 5 Days working per week in Banks, no decision is forthcoming from the Government. Representatives of DFS informed that the issue is under the active consideration of the Government. However, we expressed our disappointment at the undue delay and informed the Dy. CLC that UFBU will be constrained to revive our protest action on this important issue.

Enhancement of ceiling under Gratuity Act : DFS representatives informed that the issue is under regular follow-up with the Ministry of Labour. Hence we requested the Dy CLC to pursue the matter so that the Notification increasing gratuity under the Act is expedited.

Appointment and filling up of posts of Workman Director and Officer Director in PSBs: It was informed that the approval of the recommendations is still awaited from the Appointments Committee.

Recruitments: The IBA and DFS informed that as against the recruitment and filling up of 30,000 posts of employees and officers for the current year, the indent for the next year is around 50,000. They also informed that the sequence of recruitment would be suitably changed next year to avoid attrition and non-joining by candidates. We pointed out that sufficient empaneled list of successful candidates should be maintained by IBPS so that replacement against non-joining is provided to banks.

Other residual issues: It was agreed that discussions between IBA and UFBU would continue.
With this, the conciliation proceedings have been adjourned to 22-12-2025.

UFBU meeting : Preceding the conciliation meeting, the UFBU meeting was held on 3rd November, 2025.

The meeting took note of the developments that have taken place after our last UFBU meeting held

in August, 2025. The meeting observed that repeatedly media reports are coming about Government's proposal for further merger of Banks, increasing FDI in public sector banks up to 49%, increasing instances for foreign investments in the private banks, etc. The meeting also noted the Government's recent decision to appoint private sector Executives as MD/EDs of Public Sector Banks. The meeting decided that all these are part of the Government's agenda of liberalization of banking sector and hence decided to hold meetings at all levels to apprise the rank and file about these moves of the Government and to be in preparedness for agitational programmes that will be decided by UFBU in due course.

The meeting reviewed the developments with regard to the various issues and demands raised by UFBU and the conciliation proceedings held so far. While the indents for recruitment of clerical staff have been improved in some of the Banks. Overall, the recruitments have to be further stepped up. Meeting decided to emphasise the recruitment of substaff as there is acute shortage resulting in large engagement of temporary employees.

On implementation of the understandings between IBA and UFBU on introduction of a five-day work week, in view of the inordinate delay by the Government to approve the same, **it was decided to revive our protest and give the call for strike on this issue.** Date of the strike and other programmes will be finalized and informed shortly. With revolutionary greetings,

Comradely Yours,

Sd/-
Rupam Roy
General Secretary

NEWS

The United Forum of Bank Unions (UFBU), representing nine unions of officers and workmen across public sector banks (PSBs) strongly opposed the Centre's recent move to open up top management positions in PSBs, the Life Insurance Corporation of India (LIC), and non-life insurance companies to private sector candidates. Calling it "an attack on the public character of national institutions", the UFBU has demanded immediate withdrawal of the revised consolidated guidelines issued by the Appointments Committee of the Cabinet (ACC).

Some senior bankers have also expressed concern, calling the move a serious threat to the security and integrity of PSBs. "This poses a serious risk to the institutional framework and culture of PSBs. The strength of institutions like SBI lies in the fact that a probationary officer can, through years of service and experience, rise to become the chairman of the bank. This tradition exists across all PSBs. Allowing external entrants at the top may disrupt this system, and affect operational decision-making as the managing director's (MD's) position is central to the bank's functioning," said a senior public sector banker on condition of anonymity.

In a detailed statement, the UFBU said the new rules allowing private sector executives to be considered for posts such as MD, executive director (ED), whole-time director (WTD), and chairperson in public financial institutions are "a serious legal and constitutional transgression" that effectively amounts to "a de facto privatisation of leadership". The unions noted that these changes were introduced without amending the relevant statutes — including the State Bank of India Act, 1955; the Banking Companies (Acquisition and Transfer of Undertakings) Acts, 1970 & 1980; and the LIC Act, 1956 — all of which require parliamentary sanction.

NO REGULATOR SHOULD SUBSTITUTE BOARDROOM JUDGEMENT: RBI GOVERNOR MALHOTRA

Financial stability remains the 'North Star' for the central bank

Reserve Bank of India (RBI)Governor Sanjay Malhotra said it was not the regulator's job to take decisions for bank boards, speaking in the context of the wide range of enabling reforms announced for lenders during the October monetary policy review, and emphasised that financial stability remained the regulator's focus.

The central bank announced 22 regulatory measures last month, which included a nod for banks to finance acquisitions, higher limits on loans against shares, and draft norms for transitioning to the expected credit loss (ECL) framework for loan loss provisioning.

Indian banks' financial health has improved in the last decade and they also have more freedom to do business, Malhotra indicated. "No regulator can, or should, substitute for boardroom judgement, especially in a diverse country such as ours. Each case, each loan, each deposit, each transaction is different, with varying risks and opportunities," the Governor said at the SBI Banking and Economics Conclave.

"We need to allow the regulated entities to take decisions based on the merits of each case, rather than prescribing a 'one size fits all' rule. This will enable regulated entities to experiment and innovate, learn and improve," he said.

While noting that there is a trade-off between stability and efficiency, and regulation to enhance stability too is not devoid of costs, Malhotra underlined that at the same time, financial stability remains the pole star for the RBI.

"For us in the Reserve Bank, financial stability remains the North Star, for short term growth achieved at the cost of financial stability can have bigger consequences for long-term growth. Research shows that financial instability may not only more than offset the gains of higher short term growth, but also make recovery more distressful and longer," Malhotra said. The recent regulatory proposals strive to maintain this balance — the balance between the drive to innovate and grow and the duty to protect, he stressed.

Allowing banks to finance acquisitions is acknowledged worldwide as an integral part of an evolved financial system and it helps in the better allocation of financial resources. At the same time, there are restrictions to ensure safety.

"Removal of the restriction (on acquisition financing) on banks will benefit the real economy. The proposed guardrails like limiting bank funding to 70 per cent of deal value, limits on debt to equity ratio, aggregate exposure limits relative to Tier-1 capital, and eligibility criteria will contain concentration and credit risks, thereby ensuring safety while allowing banks and their stakeholders to reap benefits of additional business," he said.

Recent regulatory measures should be seen in the context of better financial health of banks, like higher capital adequacy ratio, asset quality and improved profitability, he said.

He cited credit and deposits which have expanded almost three times in the last 10 years. Capital buffers have strengthened and asset quality has also improved with Gross non-performing assets (NPAs) and Net NPAs reduced to 2.3 per cent and 0.5 per cent in March 2025, respectively, after rising to highs of 11.2 per cent and 5.96 per cent, respectively, in March 2018. Profitability of banks has enhanced significantly between 2017-18 and 2024-25, as Return on Assets increased from -0.24 per cent to 1.37 per cent, and Return on Equity jumped from -2 per cent to 14 per cent.

"This evolution implies that prudential rulebooks too

should evolve in a calibrated manner as banks are now stronger and supervision more alert even as alternative risk-bearing pillars have deepened and market-based risk transfer mechanisms have become more effective…Regulation cannot ignore this performance, these changed realities," he said. Malhotra said the revised external commercial borrowing norms – which have done away with the all-in cost ceilings – were framed on the backdrop of a strong external sector.

India's current account recorded a surplus of USD 13.5 billion (1.3 per cent of GDP) in Q4 FY25, followed by a modest deficit of USD 2.4 billion (0.2 per cent of GDP) in Q1 FY26. Foreign exchange reserves stand at about USD 690–700 billion, sufficient to cover nearly 11 months of merchandise imports and the capital account remains robust.

"The recalibration of the ECB framework is a natural step in India's financial evolution - grounded in strong fundamentals, guided by prudence, and inspired by confidence in the economy's capacity to engage with global finance on its own terms. Linking the borrowing limits to the borrower's net worth under automatic route links ECB to the strength of the borrower, while enhancing ease of doing business," he concluded.

Source: Business Standard, dt.26/11/2025

NINE YEARS AFTER DEMONETISATION: WHY CURRENCY WITH PUBLIC REMAINS HIGH

The sudden withdrawal of notes roiled the economy with demand falling, businesses facing a crisis and gross domestic product (GDP) growth declining nearly 1.5 per cent.

Currency with the public has more than doubled since November first week in 2016 when demonetisation of ₹500 and ₹1,000 notes was announced by the government. Currency with the public, which stood at ₹17.97 lakh crore on November 4, 2016 and declined to ₹ 7.8 lakh crore in January 2017 soon after demonetisation, has now increased to ₹ 37.29 lakh crore as on October 17, 2025, according to RBI data. However, the size of the economy also expanded with a 6 per cent plus growth every year, bringing the currency in circulation to GDP ratio below the pre-demonetisation level.

When was demonetisation?

Prime Minister Narendra Modi announced demonetisation on November 8, 2016, at 8:00 pm in a televised address to the nation. The announcement declared that all existing ₹ 500 and ₹ 1,000 notes — which together accounted for about 86 per cent of the currency in circulation — would cease to be legal tender from midnight of that day (November 9). Demonetisation in 2016 was apparently intended to eliminate black money, curb counterfeit currency, promote digital payments and formalise the economy.

What was the impact?

The sudden withdrawal of notes roiled the economy with demand falling, businesses facing a crisis and gross domestic product (GDP) growth declining nearly 1.5 per cent. Many small units were hit hard and downed shutters after the note ban as it created liquidity shortage. The shock of suddenly invalidated high-denomination notes disrupted daily commerce, forced long queues at banks and ATMs, and pushed people and businesses to reconfigure how they manage cash. In the years that followed, a combination of renewed printing of new denomination notes (₹ 500 and ₹ 2,000 which was later withdrawn), greater hoarding and a persistent preference for cash in large parts of the economy drove the stock of currency with the public to levels well above the pre-demonetisation norm.

Pandemic impact

After demonetisation, the jump in cash with the public in 2021 was primarily driven by a rush for cash by the public in 2020-21 as the government announced

a stringent lockdown to tackle the spread of the Covid pandemic. People began accumulating cash to meet their grocery needs that were being mainly catered by neighbourhood grocery stores. People also used cash for other essential needs like medical expenses.

How currency with the public is defined

As per the RBI's definition, currency with public is arrived at after deducting cash with banks from total currency in circulation (CIC). CIC refers to currency notes and coins issued by the central bank within a country that is physically used to conduct transactions between consumers and businesses. During the fortnight ended October 17, cash with the public increased by ₹ 30,709 crore and on a year-on-year basis, it rose by ₹ 3.13 lakh crore.

Currency-to-GDP ratio stable

The rise in currency in circulation in absolute numbers is not the reflection of reality as GDP growth has remained strong and even touched 7.8 per cent in the first quarter of FY2026. Since demonetisation in 2016, currency in circulation has risen steadily every year, with the CIC to GDP ratio having surged to 14.5 per cent in 2020-21 from 8.7 per cent in 2016-17. The ratio has now come down to 11.11 per cent in 2025 from 12.1 per cent in March 2016. A high CIC-to-GDP ratio indicates that people and businesses rely heavily on cash for transactions, while a lower ratio reflects a shift towards digital payments, banking channels and formal financial systems.

A lower CIC-to-GDP ratio, driven by increased digitalization and reduced reliance on cash, generally enables smoother monetary policy transmission and better inflation control, experts say.

How does India compare with countries

After the demonetisation and the Covid period, though India's currency to GDP ratio has improved, it's higher than other major economies. Japan has a ratio of 9-11 per cent, Eurozone 8-10 per cent and China 9.5 per cent. Russia has a lower ratio of 8.3 per cent and the US 7.96 per cent. India's elevated currency-to-GDP ratio of 11.11 per cent stems from its sizable cash-dependent informal economy, a strong cultural preference for holding cash, limited card usage and comparatively lower adoption — but picking up fast — of digital payment systems, in contrast to the highly formalized and digitalised economies of the US, Eurozone, China and Russia.

Cash remains king despite digitisation

Although the government and the RBI have pushed for a "less cash society", digitisation of payments and imposed restrictions on the use of cash in various transactions, cash in the system has remained high. Unified Payment Interface (UPI) is the driving force behind the behavioural shift of growing digital transactions, with 54.9 billion transactions in Q1FY26 and 185.9 billion transactions in FY25. UPI transactions grew at a CAGR of 49 per cent between FY23 and FY25, underscoring rapid adoption and deepening penetration in tier 2 and tier 3 cities. UPI is expected to continue its rapid growth, further solidifying its dominance in India's digital payments landscape, says a CareEdge Ratings report.

Source: The Indian Express dt.26/11/2025 Article Written by George Mathew

CIRCULARS

40 dated 31st October, 2025	:	Circular on Dearness Allowance for November 2025 to January 2026
41 dated 04th November, 2025	:	Text of UFBU Circular no.2025/14 dated 04.11.2025 on UFBU meeting on 3rd November and Conciliation meeting on 4th November, 2025

YOU WILL NOT BE PUNISHED FOR YOUR ANGER, YOU WILL BE PUNISHED BY YOUR ANGER

IN THE SUPREME COURT OF INDIA
2025 INSC 736 | 2025 SCO.LR 7(1)[5]
Judgement Date: 19 May 2025

LOKAYUKTHA POLICE, DAVANAGERE... APPELLANT

Versus

CB NAGARAJ... RESPONDENTS

PROOF OF DEMANDING BRIBE A MUST IN CASES UNDER THE PREVENTION OF CORRUPTION ACT

CASE SUMMARY

The Supreme Court held that in order to presume that a public servant took a bribe under Section 20 of the Prevention of Corruption Act, 1988, there should be proof that they demanded it.

A complainant alleged that the respondent demanded and accepted a bribe of ₹1500 to issue a spot inspection report for a validity certificate. The Lokayuktha police found positive fingerprints on the currency notes given to Nagaraj by the complainant. The Trial Court convicted him under the 1988 Act. The High Court set aside the conviction, reasoning that there was no credible proof of demand.

The Supreme Court upheld the acquittal. It observed that the complainant's testimony was unreliable and was riddled with factual contradictions. Moreover, the spot inspection report had already been sent before the alleged bribe was given to him. Therefore, the presumption of seeking a bribe does not arise unless the foundational fact of demand is first proved beyond a reasonable doubt.

Keyphrases: ***Prevention of Corruption Act, 1988—Section 20—presumption of undue advantage—proof of demand essential for presumption***

Bench: ***Pankaj Mithal J, Ahsanuddin Amanullah J***

JUDGEMENT

AHSANUDDIN AMANULLAH, J.

1. This appeal assails the Final Judgment and Order of a learned Single Judge of the High Court of Karnataka (hereinafter referred to as the 'High Court') dated 09.07.2013 rendered in Criminal Appeal No.12/2012 (hereinafter referred to as the 'Impugned Judgment') [2013 SCC OnLine Kar 5293], whereby the High Court set aside the Judgment and Order of conviction dated 23.12.2011 passed by the learned Special Judge, Davanagere (hereinafter referred to as the 'Trial Court') in Spl. C. (Lokayuktha) No.8/2007. Vide this Order, the Trial Court convicted the sole Respondent under Sections 7, 13(1)(d) read with 13(2) of the Prevention of Corruption Act, 1988 (hereinafter referred to as the 'Act'). The Respondent was sentenced to undergo simple imprisonment for a period of six months and to pay fine of ₹ 2,000/- (Rupees Two Thousand) for the offence punishable under Section 7 of the Act, and simple imprisonment for a period of 2 years and pay a fine of ₹ 3,000/- (Rupees Three Thousand) for the offence punishable under Sections 13(1)(d) read with 13(2) of the Act.

BRIEF FACTS

2. The Respondent was working as an Extension

Officer, in the office of the Taluka Panchayath, Davanagere. The Complainant, one Mr. E R Krishnamurthy (hereinafter referred to as the 'Complainant') was appointed to the post of Primary School Teacher in Yadgir Academic District, under Category-II A. A letter was sent to the BCM Office, Davanagere from the DDPI Office, Yadgir for the certified copy of Validity Certificate of the Complainant's claim under Category-II A. This file was put up to the Respondent to enquire and report. The Complainant alleged that the Respondent on 07.02.2007 at about 12:30 PM demanded illegal gratification of ₹ 1,500/- (Rupees One Thousand Five Hundred) from him to submit the spot inspection report prepared by the Respondent.

3. On this allegation, a complaint was registered against the Respondent by the Davanagere Lokayuktha Police Station under Sections 7, 13(1)(d) read with 13(2) of the Act.

4. It is further alleged that on the same day between 5:30 PM and 5:45 PM, the Respondent received said illegal gratification from the Complainant.

5. Pursuant thereto, a trap was conducted by the Lokayuktha Police team on 07.02.2007. Through this trap, phenolphthaleinsmeared currency notes amounting to ₹.1,500/- (Rupees One Thousand Five Hundred) received by the Respondent, were seized by the trap team. Thereafter, the Respondent's fingers were dipped in sodium carbonate solution which turned pink due to the presence of phenolphthalein on the fingers of the respondent as they had come in contact with the currency notes smeared with phenolphthalein.

6. In this backdrop, the Trial Court framed two questions: Whether on 07.02.2007, the Respondent demanded illegal gratification of a sum of ₹.1,500/- (Rupees One Thousand Five Hundred) from the Complainant as motive or reward for performing the above-mentioned official act/favour? And, whether the Respondent, on the same date between 5:30 PM and 5:45 PM in his office, obtained the said sum from the Complainant for showing the above-mentioned act/ favour, and thereby committed misconduct in the discharge of his duties?

7. Answering both questions in the affirmative, the Trial Court convicted the Respondent under the charged provisions of the Act. The High Court, vide the Impugned Judgment, allowed the Respondent's appeal and set aside the order of conviction by the Trial Court.

8. Against the Impugned Judgment of the High Court, the State through the Lokayuktha Police is in appeal before this Court.

APPELLANT'S SUBMISSIONS:

9. The learned counsel for the Appellant contended that the presumption under Section 20 of the Act, comes into play once demand and acceptance of a sum of money is proved. Learned counsel submitted that, this presumption, though being rebuttable at the option of the accused, the Respondent herein did not adduce any material evidence, and also did not cross-examine the prosecution witness on this point. Further, it was submitted that the prosecution on the other hand, had proved beyond all reasonable doubt that the recovery of the tainted currency notes amounting to ₹ 1,500/- (Rupees One Thousand Five Hundred) from the possession of the Respondent, was a bribe.

10. To support this contention, learned counsel placed reliance on the decision of this Court in State of Karnataka v Chandrasha, 2024 SCC OnLine SC 3469 wherein it has been held that '... Section 20 gets attracted when it is proved that the public servant has accepted or agreed to accept any gratification other than legal remuneration and in that case, presumption is that it is the motive or reward for any of the acts covered under Section 7, 11, or 13(1)(b) of the Act. ...' The Court also held that the presumption under Section 20 of the Act is similar to the presumption under Section 118 of the Negotiable Instruments Act, 1881, where the onus is on the accused to prove that he is not guilty of the offences charged.

11. Thus, learned counsel for the Appellant submitted that once the recovery of bribe amount from the Respondent is proved, the explanation offered by the Respondent – that the money received by him was repayment of money lent by the Respondent to the Complainant on an earlier occasion, is clearly not

worthy of being accepted. Therefore, upon the aspects of **'demand'** and **'acceptance'** of the bribe amount being established beyond doubt, no two views are possible in the matter. It was urged that the appeal should be allowed.

RESPONDENT'S SUBMISSIONS:

12. Per contra, learned counsel for the Respondent based his submissions on three points. Firstly, learned counsel submitted that the evidence of the Complainant is not credible and shows mala fide conduct. Learned counsel submitted that the Complainant with oblique intentions denied the spot inspection report though he had signed it. However, when he was confronted with the said spot inspection report, he conceded thereto, stating that it was signed by him and his father.

13. Secondly, it was urged that the Complainant was aware that the spot inspection report had already been sent to the concerned department, and there was no work pending with the Respondent, at the time of the alleged demand.

14. Thirdly, learned counsel contended that the Respondent has been consistently stating, right from the time of seizure, without any afterthought, that the alleged bribe recovered from the Respondent, was only repayment of amount that was given to the Complainant at the time of the spot inspection.

15. Learned counsel summing up his arguments submitted that the Respondent is a 67-year-old, award-receiving serviceman with an impeccable service record, and suffers from permanent visual disability and old age ailments. It was urged that the appeal be dismissed in the interest of justice.

ANALYSIS, REASONING, AND CONCLUSION:

16. We have gone through the pleadings, materials on record and considered the submissions made on behalf of the parties.

17. The admitted facts are that the Respondent, at the relevant point in time, was holding the post of Extension Officer in the Office of Taluka Panchayath, Davanagere. The Complainant had applied for a Validity Certificate with regard to claim under Category-II A and for the grant of the same, the matter had to be placed before Caste Scrutiny Committee along with a spot inspection report, to be prepared by the Respondent.

18. In this connection, the Respondent visited the village of the Complainant on 05.02.2007 and thereafter the Complainant went to his office on 07.02.2007 at about 12:30 PM and again visited him at 5:30 PM on the same day.

19. The entire episode hinges around the aforesaid factual narrow compass. As per the Complainant's/ prosecution version, the Respondent, to favour the Complainant demanded ₹ 1,500/- (Rupees One Thousand Five Hundred) as illegal gratification from the Complainant when the Complainant came to his office at 12:30 PM on 07.02.2007. It is further alleged that to satisfy such demand, the Complainant again went to the office of the Respondent on the same day at 5:30 PM alongwith an amount of ₹1,500/- (Rupees One Thousand Five Hundred), which was allegedly accepted by the Respondent in the presence of the trap witnesses/panchas.

20. On behalf of the prosecution, nine witnesses have been examined, whereas on behalf of the defence, one witness was produced.

21. From the evidence recorded of the prosecution witnesses, PW2 stated that the Respondent asked about the alleged bribe, when the Complainant asked about the report. However, in his cross-examination, initially PW2 stated that he had not heard the conversation between the Respondent and the Complainant which occurred inside the chamber of the Respondent, as he was standing near the entrance door. However, PW2 later stated that when the Respondent and the Complainant came down, he followed them, and the Respondent demanded the bribe amount from the Complainant, and thereafter, when they walked down the stairs, he had seen the Complainant give the bribe amount to the Respondent from a distance of 2 to 3 feet. Yet, PW2 further stated that he did not know whether the Respondent had asked the Complainant for the amount he had given to him. Except for this reference, coming in the deposition of PW2 apart from that of the Complainant himself i.e., PW1, no other witness has testified to being privy of such demand. Even in the initial

complaint of the Complainant, he has stated that he had gone to enquire about the certified copy of the Validity Certificate from the Respondent, whom he met on 07.02.2007 in the afternoon at about 12:30 PM, who is alleged to have told him that though the spot inspection report, that had to be sent to the BCM Office, Davanagere was ready, he would only forward it on payment of ₹1,500/- (Rupees One Thousand Five Hundred). The Complainant, taking the plea that he did not have the money with him, told the Respondent that he would return in the evening with the money. Thereafter, the Complainant moved the Lokayukhta's Office and the trap came to be organized.

22. From the aforesaid, as per the version of the Complainant, the demand was made for the first time on 07.02.2007 at about 12:30 PM by the Respondent and later on as per the deposition of the witnesses, the Respondent is said to have informed the Complainant that he had already forwarded the file and after that also asked for the money, which was paid and recovered from the Respondent.

23. In such background, it is clear that, basically, it is only the version of the Complainant himself which can be said to have some basis with regard to the demand of the amount of ₹ 1,500/- (Rupees One Thousand Five Hundred) as bribe, allegedly made by the Respondent. The reference in PW2's deposition being not very coherent and slightly self-contradictory, the benefit thereof has to flow to the Respondent, in the absence of PW2's testimony being clear on this point.

24. Coming to the deposition of the Complainant himself read with his complaint – for it to be taken as fully reliable and made the sole basis to convict the Respondent, the same would require greater scrutiny apropos its veracity and reliability. A glaring pointer in this regard is the fact that the Complainant categorically stated in his deposition that he was not aware of any spot inspection report by the accused on 05.02.2007, however the moment he was confronted with the document viz. Exhibit D8, he, without demur, accepted the same. Not stopping at acceptance, the Complainant also admitted to have signed on the document and identified both his and his father's signature as also of the witness.

25. It is pertinent to note that till 05.02.2007, when the Respondent had conducted the physical/spot inspection, there is not even a whisper of there being any demand of bribe. Moreover, when the Complainant went back to the Respondent's office at 5:30 PM with the money, the prosecution case itself as per the deposition of its witnesses makes it clear that the Respondent had informed the Complainant that he had already forwarded the concerned file. Thus, if the same is accepted, there was no occasion for the Complainant to go ahead with paying the amount, which he claims to be in the nature of bribe demanded by the Respondent, after the work for which the bribe was purportedly sought, had already been done. The observation of the High Court to this extent is correct that just because money changed hands, in cases like the present, it cannot be ipso facto presumed that the same was pursuant to a demand, for the law requires that for conviction under the Act, an entire chain – beginning from demand, acceptance, and recovery has to be completed. In the case at hand, when the initial demand itself is suspicious, even if the two other components – of payment and recovery can be held to have been proved, the chain would not be complete. A penal law has to be strictly construed [Md. Rahim Ali v State of Assam, 2024 SCC OnLine SC 1695 @ Paragraph 45 and Jay Kishan v State of U.P., 2025 SCC OnLine SC 296 @ Paragraph 24]. While we will advert to the presumption under Section 20 of the Act hereinafter, there is no cavil that while a reverse onus under specific statute can be placed on an accused, even then, there cannot be a presumption which casts an uncalled for onus on the accused. Chandrasha (supra) would not apply as demand has not been proven. In Paritala Sudhakar v State of Telangana, 2025 SCC OnLine SC 1072, it was stated thus:

'21. As far as the submission of the State is that the presumption under Section 20 of the Act, as it then was, would operate against the Appellant is concerned, our analysis supra would indicate that the factum of demand, in the backdrop of an element of animus between the Appellant and complainant, is not proved. In such circumstances, the presumption under Section 20 of the Act would not militate against the Appellant, in terms of the pronouncement in Om Parkash v. State of Haryana, (2006) 2 SCC 250:

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'22. In view of the aforementioned discrepancies in the prosecution case, we are of the opinion that the defence story set up by the appellant cannot be said to be wholly improbable. Furthermore, it is not a case where the burden of proof was on the accused in terms of Section 20 of the Act. Even otherwise, where demand has not been proved, Section 20 will also have no application. (Union of India v. Purnandu Biswas [(2005) 12 SCC 576: (2005) 8 Scale 246] and T. Subramanian v. State of T.N. [(2006) 1 SCC 401: (2006) 1 Scale 116])'(emphasis supplied)'
(emphasis in bold is original, underlining is ours)

26. Moreover, the testimony of the Complainant, as discussed supra, does not inspire confidence, inasmuch as, for reasons best known to him alone, he completely denied the visit of the Respondent for spot inspection, that too, just two days prior to the date of the trap and immediately changed such stance by accepting such visit and admitting the spot report as also identifying his own, his father's and the witness's signatures. In the considered opinion of this Court, such conduct is sufficient to render his testimony unreliable.

27. Though it can be commented that the High Court was required to give detailed factual reasoning, which has not been done, as to why it was overturning an order of conviction by that of acquittal, yet since the factum of demand itself has not been proved beyond reasonable doubt, the acquittal of the Respondent by the Impugned Judgment cannot be termed perverse or unwarranted, in the factual matrix of the present lis. In Yadwinder Singh v Lakhi, 2025 SCC OnLine SC 686, this Court opined that 'The Trial Court could have better worded its order through clearer reasoning.' However, upon examination of all relevant factors, the Court chose to restore the order of the Trial Court therein and set aside the order impugned therein, upon examining all factors of the matter itself. In the instant case, needless to add, we have applied our mind independently to all material aspects and find ourselves ad idem with the conclusion of the High Court.

28. Thus, on an overall conspectus of the facts and circumstances of the case and the discussions made hereinabove, we do not find any ground made out by the Appellant requiring interference by this Court. The Impugned Judgment is, hence, upheld.

29. Accordingly, the appeal stands dismissed.

30. No order as to costs.

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