

**HIGH COURT OF JAMMU & KASHMIR AND LADAKH
AT JAMMU**

Case: WP(C) No. 2472/2022

Reserved on : 18.09.2025

Pronounced on : 26.09.2025

01. M/s Saint Soldier Engineer and Contractor Pvt. Ltd. Through its Director Sham Singh Jamwal Age 66 Years S/o Sh. Sardar Singh Jamwal, R/o B.P 159, Channi Himmat, Jammu

..... Petitioners(s)/Appellant(s)

Through :- Mr. Gagan Kohli, Advocate
Mr. Manik Bhardwaj, Advocate

Vs

01. UT of Jammu and Kashmir
Through Commissioner/Secretary to Govt. PWD (R&B) Department, Jammu.

.....Respondent(s)

02. Chief Engineer PWD
(R&B) Department, Jammu.

03. Executive Engineer PWD
(R&B) Construction Division-I, Jammu

Through :- Mr. Ravinder Gupta, AAG

CORAM:

HON'BLE MR. JUSTICE WASIM SADIQ NARGAL, JUDGE

JUDGMENT

PRAYER

01. The present petition has been filed by the petitioner seeking writ of **Mandamus** to command and direct the respondents to release the payment of Rs.9787012/- in his favour alongwith 12% interest with regard to the works of 20 mm thick open graded premix carpet on link road from Dera Camp to Nikowal Sai KM 1st RD 0 to KM 7th RD 500 (length 5 km) and 50 mm thick

Bitumen Macadam (BM) and laying 25 mm open graded premix carpet (OGPC)s.

BRIEF FACTS

02. The petitioner is a registered contractor and claims to have executed various works of Government and Semi Government organizations allotted to him. Respondents in terms of E-NIT No.CD-1/63 of 2014-15 dated 10.03.2025 advertised the works for providing and laying 20 mm thick open graded premix carpet on link road from Dera camp to Nikowal and the petitioner participated in the auction process and accordingly was declared lowest bidder by the respondents. By virtue of letter no. SEJ/4377-69 dated 01.08.2015, allotted the three aforesaid works to the petitioner and the value of the work was restricted upto Rs.50,33,700. After the allotment of the said works, the scope of the work was enhanced for more up gradation of the road by way of providing and laying of wet mix as per necessity at site by way of laying of 50 mm thick Bitumen Macadam (MB) and laying 25 mm open graded premix carpet (OGPC) surfacing as the local people did not allow to execute the work on the original specification allotted to the petitioner.

03. The post fact approval for the revised proposal on the proposed rate for the execution of the work was also requested by respondent No. 3 vide communication dated 16.07.2016. An agreement for execution of the aforesaid revised work was also executed between the petitioner and the respondent no.3. The cost of the work notified for execution of the said work was Rs.2,37,39,1000/-. The Chief Engineer vide communication dated 04.08.2016 also accepted the proposed and recommended approval made by the Superintendent Engineer. It is urged that thereafter, the petitioner

successfully completed all the works allotted to him in the year 2017 but the respondents released part payment of the work executed by him and payment to the tune of Rs.9787012/- was withheld without any reason or justification, in spite of the fact that the Assistant Executive Engineer also entered the work executed by the petitioner in the measurement book and prepared the Bill amounting to Rs.9787012 vide communication dated 28/09/2018 after adjusting all the running payments.

04. Further, it is urged that petitioner approached the respondents for payment of his admitted due amount of Rs.9787012, but the same was not released and was pending consideration. The further case as projected is that the Executive Engineer vide communication dated 19/12/2020 also certified the lists of works including the work of the petitioner where the work done liability has been shown to be pending and payments were not released to the contractors for the year 2015-16 to 2018-19 and the claims of the petitioner against the works executed by him were not released due to non-availability of the funds. It is also submitted that petitioner filed number of representation and reminders to the respondents, but despite repeated representation and requests, the payment of the petitioner was not released by the respondents and feeling aggrieved of the same has approached this court through this petition for redressal of his grievance.

LEGAL ANALYSIS

05. Heard learned counsel for the parties and perused the record.

06. The record reveals that notice in the instant petition was issued on 18.11.2022, but despite granting numerous opportunities to the respondents the objections have not been filed. From the perusal of file, it is apparent that on

04.09.2024 last and final opportunity for filing the objections was granted, failing which it was made clear that the right to file the same shall stand closed and the matter would be heard on its own merits. In spite of availing last and final opportunity, reply was not filed by Mr. Ravinder Gupta, learned AAG and the matter was admitted to hearing and time was granted to file counter affidavit which was also not filed and right to file the same stands closed today. However, Mr. Ravinder Gupta was given an opportunity to argue the matter in absence of counter affidavit. Thus the instant petition is taken up for final disposal.

07. It is a well-settled principle in law of pleadings that where specific averments have been made in a petition and the same are not controverted, denied, or specifically traversed by the respondents in their reply or counter affidavit, such non-denial amounts to an admission of the facts pleaded by the petitioner. Silence or evasive denial cannot take the place of a categorical traverse, and consequently, the uncontroverted pleadings are deemed to have been admitted.

08. The record reveals that the petitioner, a registered government contractor, was initially awarded a contract valued at ₹50,33,700/- for providing and laying a 20 mm thick open-graded premix carpet on a 5 km stretch of the link road from Dera Camp to Nikowal Sai. However, as per the necessity at site and objections from local residents, the scope of work was revised to include laying 50 mm thick Bitumen Macadam (BM) alongside 25 mm open-graded premix carpet (OGPC).

09. This revision, duly approved by the competent authority, led to an enhanced contract value of ₹2,37,39,1000/-.

10. The petitioner completed the revised work in 2017 and submitted claims for payment. The respondents released the part payment of work but despite an admitted amount of Rs. 97,87,012, the same was withheld without justification even after the final bills were settled and repeated representations were made in this regard. The official communications from the Executive Engineer in 2016, 2018, and 2020 acknowledged the liability, but the respondents cited paucity of funds as a reason for non-payment. Subsequent requests in 2021 and 2022 failed to secure the release of dues, prompting the petitioner to approach this Court seeking a writ of mandamus directing payment with interest.

11. Upon consideration, it is evident that the petitioner satisfactorily executed the contractual work as per the revised specifications sanctioned by the respondents. The admitted liability has been acknowledged by the respondents from time to time which can be authenticated from bare perusal of the official record and final bills. The respondents' counsel however have argued that the claim of the petitioner is time-barred which as per record is not tenable and cannot be justified.

12. The objection of the respondents regarding limitation is not tenable in the eyes of law. This Court finds that the present claim is not a time-barred claim in the strict sense. Sections 18 of the Limitation Act, 1963, which deal with the effect of acknowledgment and part-payment, do not strictly govern the field in matters arising under Article 226 of the Constitution. The present case is not one of a stale demand being resurrected after long dormancy; rather, it concerns a continuing liability of the State which stands acknowledged on more than one occasion. For facility of reference, Sections 18 of the Limitation Act is reproduced as under:-

“18. Effect of acknowledgment in writing.—(1) Where, before the expiration of the prescribed period for a suit or application in respect of any property or right, an acknowledgment of liability in respect of such property or right has been made in writing signed by the party against whom such property or right is claimed, or by any person through whom he derives his title or liability, a fresh period of limitation shall be computed from the time when the acknowledgment was so signed.

(2) Where the writing containing the acknowledgment is undated, oral evidence may be given of the time when it was signed; but subject to the provisions of the Indian Evidence Act, 1872 (1 of 1872), oral evidence of its contents shall not be received.

Explanation.—For the purposes of this section,—

(a) an acknowledgment may be sufficient though it omits to specify the exact nature of the property or right, or avers that the time for payment, delivery, performance or enjoyment has not yet come or is accompanied by a refusal to pay, deliver, perform or permit to enjoy, or is coupled with a claim to set off, or is addressed to a person other than a person entitled to the property or right,

(b) the word “signed” means signed either personally or by an agent duly authorised in this behalf, and

(c) an application for the execution of a decree or order shall not be deemed to be an application in respect of any property or right.”

13. It is not disputed that the respondents themselves acknowledged the liability in the year 2018, which was well within the period of limitation, and the same was again reaffirmed in 2020. Once liability is admitted and the State continues to enjoy the fruits of the work executed by the petitioner, it cannot be permitted to turn around and deny payment on the plea of limitation.

14. The liability in the present case is in the nature of a recurring liability. The work has been executed, utilized, and the benefits continue to accrue to the respondents. In such cases, the cause of action is a continuing one, and every day of non-payment constitutes a fresh infraction of the petitioner's rights. Therefore, the bar of limitation cannot be rigidly applied to defeat such claims.

15. It is equally well settled that the power under Article 226 of the Constitution is discretionary in nature. While it is true that ordinarily claims which are stale, delayed, or barred may not be entertained, the Court retains

discretion to intervene where arbitrariness, admitted liability, or unjust enrichment of the State is writ large.

16. Thus, the argument of Mr. Ravinder Gupta learned AAG that the writ petition is time barred merely because the petitioner did not agitate his cause earlier cannot be accepted. The duty of the State to pay for work executed and enjoyed is a constitutional obligation flowing from Article 14, and delay in seeking enforcement of such right cannot absolve the State from its responsibility.

17. What emerges from the record is that the liability is admitted by the respondents themselves. Once liability is admitted, the only question that remains is with respect to delay in release of payment. Such delay, in the opinion of this Court, requires to be enquired into so that responsibility can be fixed upon the officers concerned. If contractors are compelled to knock at the doors of the Court day in and day out for release of legitimate dues, the fault lies not with the petitioner but with the respondents.

18. This Court notes with concern that such cases of withholding of admitted dues are repeatedly coming before this Court, reflecting systemic inaction. The writ court cannot turn a blind eye to such grievances on hyper-technical pleas of limitation, when non-payment of the admitted liability being acknowledged by the respondents from time to time is a recurring cause till the amount is released.

19. Further this Court is of the considered view that once work has been executed by the contractor in conformity with the terms and conditions of the contract agreement, the concerned department is under a legal obligation to release the payment without undue delay. The straight jacket formula of claim

being time barred on hyper technical grounds cannot be imported or applied in the present matter, nor can the limitation under Section 18 of the Limitation Act be attracted to withhold such legitimate dues.

20. It is well settled that execution of work gives rise to a corresponding obligation upon the State to honour its financial commitments. Any administrative approval or availability of funds is a matter to be ensured by the department prior to the allotment of work. After the execution of the contract, no “post facto” objection can be raised to deny or delay payment.

21. This Court is constrained to observe that in numerous cases involving government contracts, despite completion of work in accordance with the terms and conditions of the contract, the payments due to contractors are not released in a timely manner. The delay is often attributed to administrative reasons, such as the need for administrative approval or the alleged paucity of funds or the funds being diverted to other projects to frustrate the claim of the contractors. In the present case as well, despite admitted liability and due completion of work by the petitioner well in time the payment has been unjustifiably withheld for a considerable period of time.

22. This Court has, on numerous occasions, been compelled to intervene in matters where contractors, having fulfilled their contractual obligations in letter and spirit, are denied timely release of their dues by government departments. The State and its instrumentalities, despite enjoying the benefit of completed works, unjustifiably withhold payment for years together, thereby driving the contractors to litigate. Such unnecessary litigation clogs the docket of constitutional courts, drains public resources, and erodes the confidence of

citizens in the fairness of State action. This systemic malaise demands judicial correction and policy direction.

23. Article 14 of the Constitution of India guarantees equality before the law and equal protection of laws. The jurisprudence under Article 14 has evolved far beyond formal equality, it now encompasses the principle that State action, whether legislative, executive, or contractual, must not be arbitrary, unreasonable, or unfair.

24. The Government, when entering into contracts or dealing with contractors, does not shed its constitutional obligations. Unlike a private party, the State is bound to act as a model litigant. Once the liability is admitted such as when work is duly executed, measured, and certified the withholding of the payment without justification amounts to arbitrary action and thus falls foul of Article 14.

25. The Division Bench Of this court in case titled as **Union Territory Of JK & Ors vs Mohammad Atzal Reshi** on 4 September, 2024 has been pleased to hold as under;

19. Under the circumstances, this Court feels that an order needs to be passed in this particular Letters Patent Appeal which is exemplary and deterrent in nature to prevent the Union Territory from filing such frivolous cases and delaying the relief granted to the litigants. In this particular case, the respondent herein has been kept waiting for nine (9) years from the year 2015 for the payment of his just dues which are not disputed. He was compelled to file writ petition only because his admitted dues were not being paid by the Union Territory for six long years on the grounds of paucity of funds which excuse is abominable and condemnable in the strongest words. The UT LPA No. 121/2023 The government is part of the Union Government which is the repository of the lion's share of the wealth generated in this country in the first instance and thereafter distributed to the states. It

shocks the conscience that we tout ourselves as the fifth largest economy in the world, aspiring to be the third largest soon, but do not have the funds to pay the legitimate dues of the respondent amount to Rs. 20.97 Lacs, which denigrates and puts to doubt the lofty claims of the economic prowess of the country.

26. It is pertinent to note that if, for instance, the Government owes ₹1 crore for the work executed in 2016, and chooses to release this amount only after 5 to 10 years and that too forcing the contractors to litigate and if the Court allows such petition thereafter by directing, to release the principal amount without paying any interest or compensation, then it is the contractor who unjustly bears the entire burden of delay. The petitioner suffers not only monetary loss due to lack of timely liquidity, but also business hardship, opportunity costs, and mental agony. If the amount had been released when it became due, the contractor could have utilised the same in future projects or earned interest had it been kept in a financial institution. This situation is further exacerbated when, even after the contractor obtains a judgment after multiple rounds of litigation, the judgment is not implemented in letter and spirit. Contractors are often forced to file contempt petitions for enforcement, which remain pending for years. It is only when courts takes a strict view, in contempt matters the principal amounts is released, but, by then, considerable time has been lost. Such delayed payments deprive contractors of their rightful property without legal authority, which amounts to a violation of their constitutional rights under **Article 300A** (right to property) and **Article 21** (right to life and personal liberty), as the Hon'ble Supreme Court has recognized that the deprivation of property must follow due process of law, and unjust withholding causes significant hardship. Because delayed payment

amounts to virtual expropriation without authority of law. The State cannot enrich itself by retaining the money of contractors indefinitely. Such conduct undermines the rule of law and violates the guarantee of fairness embedded in Article 300A.

27. Article 300A of the Constitution mandates that “no person shall be deprived of his property save by authority of law.” Though the right to property is no longer a Fundamental Right, the Hon’ble Supreme Court has repeatedly held that it remains a constitutional right, and in a welfare State, it assumes the character of a human right. Reliance is placed upon case titled **K.T Plantation Private Limited And another v. State of Karnataka (2011 9 SCC 1**, wherein the Hon’ble Apex Court ha held as under;

“Article 300-A proclaims that no person can be deprived of his property save by authority of law, meaning thereby that a person cannot be deprived of his property merely by an executive fiat, without any specific legal authority or without the support of law made by a competent legislature. The expression “property” in Article 300-A confined not to land alone, it includes intangibles like copyrights and other intellectual property and embraces every possible interest recognised by the law.”

28. From a contractual standpoint, Section 70 of the Indian Contract Act, 1872 imposes a duty to return benefits received without lawful justification, preventing unjust enrichment. If the Government wrongfully withholds payments, the contractor can claim compensation. Similarly, under Section 73 of the Contract Act, a party suffering loss due to breach of contract is entitled

to receive compensation for the loss or damage caused, which naturally includes interest and damages for delayed payments.

29. Relying upon the aforesaid principles of law, the Apex Court in case titled **Union of India v. Raman Iron Foundry (1962) 3 SCR 556**, has awarded interest on delayed payments, recognizing the contractor's right to be compensated for the financial hardship caused by delayed disbursement.

30. Thus, this Court is of the view that consequently, delayed payments causing financial ruin to contractors without due compensation are not only a violation of contractual obligations but also breach constitutional safeguards. The Courts must ensure that contractors receive timely payments along with interest and compensation for losses incurred due to wrongful withholding, failing which contractors face irreparable financial and business hardship.

31. This Court is of the considered view that such conduct on part of the Government is wholly arbitrary and unfair. The State, as a model litigant, is expected to act fairly and reasonably. It cannot take advantage of its position and delay legitimate dues while contractors are subjected to procedural hurdles and financial strain. If the law of limitation is to be applied strictly against the petitioner, then the State must also be held accountable for each day of delay in releasing admitted payments when there is no legal impediment or fault attributed to contractors.

32. The legal position regarding the payment of dues for contractual work executed is well-settled by the Hon'ble Supreme Court in several authoritative pronouncements. These judgments collectively underscore the imperative that ***“contractual payments must not be unduly delayed or withheld by the State without valid reasons.”***

33. As held by the Hon'ble Supreme Court in **Ramakrishna Construction Co. v. Union of India**, (2010) 3 SCC 579, it is a settled proposition that once work has been executed and the liability is admitted, the State cannot arbitrarily withhold payment.

34. Similarly, in **Surya Constructions v. State of U.P.**, (1986) 3 SCC 247, the Hon'ble Supreme Court observed that “*courts can exercise writ jurisdiction under Article 226 of the Constitution in cases where admitted contractual dues are withheld without justification.*”

35. In view of the above, this Court holds that where the delay in releasing payments is attributable to the State, and there is no legal impediment or contractual dispute, the Government must explain the cause of such delay. Each day's delay in the release of payment must be justified. In the absence of such justification, the Government shall be liable to pay interest for the delayed period to the affected contractor/petitioner. Further, the Government shall also be liable to compensate the petitioner for the financial loss and mental distress caused due to such delay. The principle of fairness demands that the State cannot have a ‘win-win’ situation, where it delays payment for years and still discharges only the principal amount, without any consequence or accountability.

36. Accordingly, this Court is of the view that it is the need of the hour that the respondents be called upon by this Court to adopt a policy ensuring that funds are earmarked and made available prior to the issuance of work orders or execution of contracts. Once the work is completed and all formalities are fulfilled, there should be no impediment in the expeditious release of payment. In cases, where such delay is found to be unjustified or attributable to the

Government machinery, the contractor shall be entitled not only to interest on delayed payments but also compensation, wherever appropriate.

37. This Court further directs that in all such cases where the work has been executed in accordance with the terms and conditions of contract and administrative approval has already been accorded, the payment shall be released to the contractors expeditiously without any delay. The Diversion of budgetary heads or exhibition funds earmarked for the said work for any other purpose shall not be permitted to defeat the legitimate claim of the contractor.

38. It is made clear that if any payment is withheld for reasons not attributable to the contractor, the State would be liable to pay interest on the delayed amount at rates prevalent in nationalized banks from the date the amount became due, till actual payment. In the eventuality, that such delay is occasioned due to the inaction or lapse of the responsible officer(s), after conducting detailed inquiry, the amount of interest so accrued shall be recoverable from the salary component of the concerned delinquent officer(s).

39. This Court cannot overlook the recurrent tendency of authorities to withhold payments on flimsy pretexts, thereby subjecting contractors to unnecessary hardship. In order to ensure accountability, it is directed that in cases where the delay in releasing payments is due to the lapse or negligence of officers concerned, the burden of interest liability shall not fall on the public exchequer, but shall be recoverable from the salary components of such erring officers who occasioned the delay. This measure is in consonance with the principle of administrative accountability as evolved by judicial pronouncements.

40. The Hon'ble Supreme Court of India has consistently maintained that the State, despite its sovereign status, is not above its contractual obligations. When the State acts arbitrarily, unfairly, or malafide in fulfilling such contracts, it can be held accountable through judicial intervention. Notably, the writ jurisdiction under Article 226 of the Constitution plays a crucial role in enforcing these obligations, particularly in cases where the State's conduct reflects clear arbitrariness or unjust withholding of dues.

41. The judicial trend clearly establishes that the State, when entering into contracts, is bound by the same standards of fairness and accountability as any private party. The writ jurisdiction under Article 226 acts as a powerful corrective tool to prevent arbitrary, unfair, or mala fide conduct by the State in contractual matters. Courts have unequivocally stated that technicalities or administrative lacunae cannot be used as excuses for non-payment or non-performance once the State has admitted its liability or the contract terms are fulfilled. These decisions collectively underscore the principle that good governance and equitable treatment must govern contractual dealings of the State, ensuring justice and protection for contractors and service providers alike.

42. This Court expresses serious concern over the recurrent presentation of cases involving the withholding of admitted dues by respondents, which reflects a pattern of systemic inaction and neglect in honoring contractual obligations. It is incumbent upon this Court, vested with writ jurisdiction, to address such grievances decisively and not to permit dismissal of petitions on hyper-technical grounds such as limitation, particularly where such pleas serve as instruments for delaying justice and perpetuating arbitrariness.

43. Reliance is also placed upon a case titled *U.T of J&K v. Tejeinder Singh* bearing no *LPA No. 139/2022* decided on 05.03.2025, wherein the Hon'ble Division bench of this court has observed as under;

“Coming to the objection of Mr. Gupta with regard to the entertaining of the time barred claim of the petitioner by the writ court, suffice it to say, that the law of limitation, in particularly 'The Limitation Act', does not in stricto sensu apply to the proceedings under Article 226 of the Constitution of India. However, that does not mean that the writ petition can be filed by a person aggrieved at the time of his choosing and even after the considerable delay. The delay and laches is one of the grounds on which this Court may refuse to exercise its discretionary jurisdiction vested by Article 226 of the Constitution. It is true and as is held by the Hon'ble Supreme Court in the case of Bhailal Bhai (supra), that with a view to determine as to whether there is unreasonable delay on the part of the petitioner to approach the court under Article 226 of the Constitution, the court shall keep in mind as to whether the suit for claiming such relief would be barred by the law of limitation or not. The maximum period fixed by the legislature as the time within which the relief by way of civil suit in a civil court must be brought may ordinarily be taken to be reasonable standard by which delay in seeking remedy under Article 226 can be measured. The Constitutional Court exercising its jurisdiction under Article 226 of the Constitution of India may consider the delay unreasonable even if it is less than the period of limitation prescribed for a civil action. In a nut-shell, the remedy under Article 226 of the Constitution of India is discretionary remedy and this Court can refuse to entertain a claim which is not brought before it within a reasonable period. What could be reasonable period in a given case would depend upon the facts and circumstances of such case.”

In the instant case, having regard to the fact that the appellants have acknowledged their liability from time to time, we are of the considered opinion that the writ petition was not hit by any delay and laches. The work was stated to have been completed and handed over to the respondent in September, 2014. The period of limitation as per Article 56 of the Schedule to the Limitation Act would have expired in September, 2017. There is acknowledgement by the appellants dated 10.03.2017 and in view of the provisions of Section 19, the period of limitation prescribed for seeking the recovery of the amount by way of civil action stood extended up to 10.03.2020. There is further acknowledgement of the liability by the appellants on 20.12.2017 which would extend the period of limitation to

19.12.2020. There is another acknowledgement dated 20.10.2020 which takes the limitation period to 21.10.2023”.

44. This Court, in the light of what has been discussed hereinabove coupled with the settled legal position deems it proper to allow the instant petition by directing the respondents to release the outstanding amount of ₹97,87,012/- along with interest at the rate 6% from the date of completion of work and fulfilling all requisite codal formalities in 2017 until actual payment. As a Constitutional Court, this court is not merely confined to adjudicating statutory rights but are also empowered to issue appropriate directions, orders, or writs, wherever, State action is found to be arbitrary, unreasonable, or in violation of constitutional mandates, particularly those enshrined under Article 14. In cases, where the statutory scheme is silent or where administrative practices result in manifest injustice, what may be referred to as a grey area, this Court is fully competent to lay down principles, evolve procedural safeguards, and enforce obligations consistent with the rule of law.

45. Accordingly, this Court issues the following directions:

- i. The respondents shall release the outstanding principal amount of ₹97,87,012/- to the petitioner within a period of four (4) weeks from the date of this judgment, without any further delay or excuse.
- ii. The interest shall be paid on the above amount at the rate of 6% from the date of completion of work and fulfillment of all codal formalities in 2017 until actual payment.

46. In conclusion, this Court directs that the respondents are unequivocally prohibited from denying or delaying payments legitimately due to the petitioner under the pretext of administrative objections or financial

constraints. Such conduct would constitute an arbitrary exercise of power, contrary to the principles enshrined under Articles 14 of the Constitution of India, and would not withstand judicial scrutiny. The State, as a party to contractual engagements, is duty-bound to uphold the principles of fairness, transparency, and good governance, and to discharge its financial obligations promptly and without undue delay.

47. This Court, having examined the admitted facts of the case and the binding legal principles laid down by the Hon'ble Supreme Court, holds that the action of the respondents in withholding the petitioner's legitimate and undisputed contractual dues is not only arbitrary but also deeply injurious to the constitutional values of fairness, equity, and good governance enshrined under Article 14 of the Constitution of India.

48. The continued failure to honour such financial obligations despite repeated acknowledgments, finalisation of bills, and utilization of the work executed amounts to a systemic breach of public trust and administrative accountability. This conduct also undermines the larger goals of nation-building, for it discourages lawful commercial engagement with the State, hampers infrastructure development, and erodes investor and contractor confidence particularly among small and medium enterprises that form the backbone of public works execution.

49. Furthermore, the principle of compound interest, as recognized in fiscal jurisprudence, supports the proposition that undue retention of monies, especially over several years must carry with it not just simple interest, but accrued or compounded interest, considering the opportunity costs, inflation, and business loss suffered by the aggrieved party. The State cannot enrich

itself at the expense of private individuals and simultaneously resist its obligation to compensate for the time-value of money.

50. The Court also deems it necessary to record that the repeated invocation of untenable objections such as limitation or paucity of funds—despite the admitted nature of liability, is not merely a procedural lapse but borders on contempt of judicial discipline. Once such objections have been rejected in binding precedents and prior cases, reiteration of the same without new legal foundation amounts to wilful disregard of judicial authority, and must be viewed seriously.

51. Therefore, this Court cannot remain a passive onlooker where admitted dues are unjustifiably withheld under the guise of administrative delays or financial constraints. Once it is established that work has been executed in accordance with the terms of the contract and liability has been admitted, the State cannot be permitted to evade its financial obligations. In the absence of a valid legal impediment, this court holds that such conduct amounts to arbitrary action and violates the principles of fairness and accountability. Accordingly, this Court exercises its constitutional mandate by issuing guidelines in such cases by directing the Government and its agencies to release the payment, impose interest for delay, and fix accountability, both institutional and individual, so as to deter future lapses and uphold the public trust reposed in the functioning of the State.

52. It is further clarified that in instances where payments are withheld despite the undisputed completion of contractual obligations, the respondents shall be liable to pay interest on the delayed amount at rates prevailing in nationalized

banks, calculated from the date the payment became due until the date of actual realization by the petitioner.

53. In light of the foregoing, this Court issues the following directions to ensure the effective enforcement of contractual payments and to uphold the principles of fairness and accountability:

A. *Obligation to Pay Post Completion:* *Once the work has been executed strictly in accordance with the terms and conditions set out in the tender and the agreement, the respondents shall be under a clear statutory and contractual obligation to release the due payment without any undue or arbitrary delay.*

B. *Rejection of Post-facto Administrative Objections:* *After the execution of work, the respondents shall not be permitted to raise objections pertaining to administrative approvals, sanction of funds, or diversion of funds as grounds to withhold or delay payment.*

C. *Payment of Interest on Delayed Amounts:* *In cases, where the delay in payment is not attributable to the contractors, the respondents shall be liable to pay interest on the outstanding amount at the prevailing rates in nationalized banks, calculated from the date the payment fell due until the actual date of payment.*

D. *Personal Accountability for Malafide Conduct:* *Where delay or withholding of payment arises from negligence, omission, or mala fide conduct on the part of any officer or official, the accrued interest shall be recovered from the salary or emoluments of such officer, thereby fixing personal accountability and deterring arbitrary exercise of power.*

E. Constitutional and Welfare Considerations: A welfare State cannot legitimately plead “paucity of funds” when payments for works already executed and utilized are withheld. The principle of economic justice obliges the State to ensure that contractors, having fulfilled their part of the bargain, are not subjected to financial distress on account of arbitrary or habitual withholding of dues. In cases of habitual or willful withholding, apart from interest, the Court may impose exemplary costs against the erring department, to be deposited with the State Legal Services Authority for utilisation towards public welfare purposes.

54. In addition, the Chief Secretary of the Union Territory is directed to formulate and implement a Standard Operating Procedure (SOP) to ensure that no admitted dues arising from completed contractual works are withheld beyond a period of sixty (60) days from the date of submission of final bills provided there is no legal impediment and all the codal formalities are completed. It is further made clear that while formulating and implementing the said SOP, the directions issued and observation made by this Court to ensure the effective enforcement of contractual payments expeditiously with a view to uphold the principle of fairness and accountability, shall be adhered to in its letter and spirit. A compliance affidavit to this effect shall be filed within six (6) weeks.

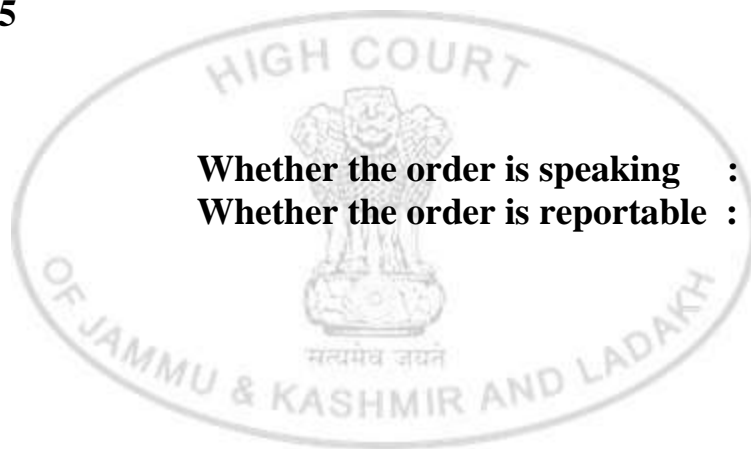
55. Let it be underscored that constitutional governance does not permit the State to hide behind bureaucratic excuses while depriving its contractors of their rightful dues. The dignity of governance lies not merely in rule-making, but in timely honouring of obligations, duty which the State, as a model litigant, is expected to uphold scrupulously. This Court, therefore, in exercise

of its powers under Article 226 of the Constitution of India, not only redresses the grievance of the petitioner/contractors but also affirms the principle that the State must act with transparency, fairness, and accountability in all its contractual dealings.

56. Thus, in light of what has been discussed hereinabove coupled with settled legal position, the writ petition preferred by the petitioner is allowed and *disposed of* in the manner indicated above along with all connected application(s).

(Wasim Sadiq Nargal)
Judge

Jammu:
26.09.2025
Mihul



Whether the order is speaking : Yes
Whether the order is reportable : Yes