

Circular No. 22624 dt. 17.12.2004

XIV-63/76 BK.3(A)

A ceiling on cost of management of all Cooperative institutions has been fixed at 2.5 % of the working capital vide this office circular No. 30888 dt. 8.9.77. In the meantime, there has been gradual reduction in the rate of interest, both on deposits as well as loans. This results in reduction in margin earlier available to different tiers in the cooperative sector. In non-credit sector, the business has become too competitive to force the Cooperative organisations to bring about reduction in their margin in order to remain market competitive. The financial assistance from Govt. earlier available to coop. institutions are gradually declining, rather stopped. ~~xxx~~ Under the above scenario, it is very much essential to revise the ceiling so that the cooperative can maintain themselves within the margin available to them. In this age of market economy, cooperatives can thrive and develop if they function on commercial lines and could be able to observe in letter and spirit the age old maxim of cutting your cost according to your cloth. It is therefore expected that the said providential prodence should prevail in all cooperative organisations.

In view of reduction margin, the ceiling on the cost of management at 2.5% to the working capital warrants a downward revision. So in supersession of the previous circular, it is hereby observed that the cost of management of any coop. organisation shall not exceed 2 % of the working capital and in respect of O.S.C. Bank it shall not exceed 1% of the working fund. The cost of management will include all the items as contained in circular No. 30888 dt. 8.9.77, similarly, working capital will mean the total liabilities of the balancesheet excluding contra items and intangible assets like accumulated losses. The aforesaid limit is the maximum.

It may be argued that the working capital is only arrived taking into account the year-ending position, whereas the expenditure is incurred during and throughout the year or an anticipated working capital. So, by the time working capital is made known to the organisation, expenditure would have been already incurred, which would defeat the pious intention of limiting within the prescribed percentage. However to obviate such apprehension, it is further prescribed that the organisation

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should always regulate its cost of establishment within the margin earned by the organisation. This margin or income is to be determined on monthly basis taking into consideration the total business undertaken during the month.

It is a fact that there is increase in the cost of establishment due to rise in market price. However cooperative organisations are required to limit their expenditure within margin available in business, which is possible only through diversification and expansion of business of the organisation.

This circular will into force with immediate effect.

Sd/Sudarsan Nayak.
Registrar of Coop. Societies, Orissa.
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Memo No. 22627 Dt. 17.12.2004

Copy forwarded to Joint Secretary to Govt. Coopn. Deptt/Auditor General of C.S. Orissa for information.

Sd/- -
Joint Registrar of C.S. (Credit)

Directorate of Cooperative Audit, Orissa, Bhubaneswar.

Memo No. VI(i)62/99 60 (16) A-8/ Dt. 3.1.05

Copy communicated to the Asst. Auditor General of C.S. of circles for information and circulation amongst the auditors of their respective circles for their guidance in audit of Coop. institutions.

Sub-Asst. Auditor General of C.S.
Central Audit.

Memo No

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Copy forwarded to all auditors of Central Audit/all seats of central audit for their information and guidance.

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Sub-Asst. Auditor General of CS

Copy to G.F./15s.c.

R/Sahoo
7/1/05