

Puducherry, the 10 OCT 2014

CIRCULAR

Sub: Investment of funds in other co-operative societies – Instructions – Issued.


On review of the working of some of the co-operatives, it has been brought to the notice of the undersigned that certain societies have invested their funds provided to them under various plan schemes with other societies in fixed deposits. It is also brought to light that some societies have invested their funds in fixed deposits in other societies without assessing the repayment capacity of such societies.

2. In order to enforce financial discipline among societies, the following instructions are issued, in larger public interest, to the co-operative societies functioning in the Union territory of Puducherry:

- (i) When funds are provided to the societies under plan schemes, such funds should be strictly utilized for the purpose for which it is sanctioned within the time limit.
- (ii) If for any reason the funds could not be utilized for the purpose for which it is sanctioned to the society, such funds shall be refunded, along with interest accrued there on, if any.
- (iii) Till such time the funds are utilized for the stated purpose, the funds shall be invested in separate bank account and shall not be utilized for the general business purpose.
- (iv) At any cost, the funds provided under plan schemes shall not be invested in fixed deposit, even for a short period, with other societies, as such investment is construed as misapplication of funds by the audit.
- (v) Similarly, the funds shall not be invested in bank for an indefinite period, which tantamounts to parking the funds of the society outside the Government account and an idle investment.

- (vi) When the funds are not utilized for the stated purpose, the societies concerned are not in a position to furnish the utilization certificate. The Finance Department and A.G. Audit come down heavily on such irregular procedure. Delay in furnishing the utilization certificate invites audit criticism. The Finance Department, time and again, underscores the timely submission of utilization certificate and delay in furnishing the utilization certificate stands in the way to sanction further funds to the society for the subsequent years.
- (vii) It is also seen that some societies deposit their funds with other societies without verifying the financial health of such societies. When the latter societies commit default in repaying the fixed deposits, the societies which have invested their funds find it difficult to run their business in a prudent way. It is, therefore, imperative that whenever societies invest their surplus funds in other societies, they should ensure that the investing society is sound enough and would be in a position to repay the funds invested as and when required. The Chief Executives shall take due care and caution in this matter.

Any deviation of the aforesaid instructions shall be viewed seriously and action will be taken as per law.


(Dr. A.S. SIVAKUMAR)
REGISTRAR OF CO-OP. SOCIETIES

To

All the co-operative societies in the Union territory of Puducherry.

Copy to :

Branch / Regional Officers — for follow-up