

AN ABSTRACT OF THE THESIS OF

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A credit union is a society organized, operated, and controlled for their mutual benefit by people who have some common bond. In Thailand, all credit unions are organized as cooperative societies according to the Raiffeisen principles developed in Germany.

These credit unions serve the members with two main purposes: (1) to promote thrift by providing an automatic method of accumulating savings, and (2) to provide credit for provident or productive purposes.

The first credit union was organized in Thailand in 1949. By mid-1965 there were 76 societies with a total of 108,000 members. Any society must be organized with members from one occupational group, such as civil servants or other officials within one province or territory as defined in the bylaws. Until now, societies have been organized only among the salaried government people and teachers

in private schools.

Credit unions in Thailand are initiated and supported by the government. Under the provisions of cooperative law, the Under-Secretary of National Development or his deputy is designated as Registrar of cooperatives. The Registrar is in charge of the cooperative movement, but he delegates his powers to many departments. The Department of Credit and Marketing Cooperatives is responsible for organizing, supervising, and operating credit unions. Annual audits are made by the Department of Auditing Cooperatives.

To meet the primary purpose, credit unions force members to build up share capital by compulsory monthly subscriptions which are graduated according to the salary of each member. Credit unions also obtain operating capital by accepting deposits from members or nonmembers. Paid-up shareholdings in all credit unions in June, 1965, totaled 177,190,000 baht, and reserves, other funds, and deposits equaled 16,283,000 baht.

Lending methods consist of ordinary loans, emergency loans, and special loans. Ordinary loans usually do not exceed four-fold of each member's monthly salary and a term of 24 months. Emergency loans may not exceed one-half of the member's monthly pay and a repayment period of two months. Special loans do not exceed 20,000 bahts with 60 months term.

The important administrators of credit unions are their Board

of Directors who are elected from and by members to carry out all affairs of the credit union.

In the United States, credit unions may be organized under either Federal or State charters. The Bureau of Federal Credit Unions has a role similar to that of the Registrar. The Bureau examines credit unions to guarantee that operations are legal. Internal auditing, training, and supply are carried out by committees of local members, by Leagues of unions or by the Credit Union National Association.

Credit unions mobilize capital through savings and investment in Thailand. Idle funds are, generally, deposited in commercial banks. Only one credit union deposits with the Bank of Cooperatives. It is hoped that arrangements can be made in the future to make it convenient for credit unions to transmit the capital to the Cooperative Bank so that it will be available for lending to farmers through the cooperative credit system.

Problems in credit unions in Thailand arise because members may live far away from the office and do business through local representatives, which causes inconvenience and reduces participation.

Frequently, the Board of Directors is made up of supervisors. In some cases, Directors act in their own interest rather than on behalf of members. Criticism of operating policies by other members becomes very difficult.

Training of personnel, especially of Directors, and education of members through more frequent and convenient meeting in each district should solve these problems, and make credit unions a more effective source of capital formation.

CREDIT UNIONS IN THAILAND

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TABLE OF CONTENTS

	<u>Page</u>
CHAPTER I. INTRODUCTION	1
OBJECTIVES OF STUDY	3
TERMS AND PROCEDURE	3
Terms	4
Procedure	4
GENERAL APPROACH	5
CHAPTER II. STRUCTURE OF A CREDIT UNION	7
DEFINITION	7
BRIEF HISTORY	8
Europe and North America	8
Thailand	11
GENERAL CONCEPTS	14
Essential of Credit Unions	14
PRINCIPLES AND METHODS	16
Supervisor Concern	16
Purposes	17
Membership	18
Responsibility for Liabilities	19
Subscription and Share Capital	20
Deposits	22
Lending Procedure	24
Management	27
Distribution of Surplus	29
CHAPTER III. GOVERNMENT PARTICIPATION	31
COOPERATIVE LAW	31
COOPERATIVE REGISTRAR	32
ORGANIZATION	35

TABLE OF CONTENTS (Continued)

	<u>Page</u>
SUPERVISION	39
Laws, Regulations, and Bylaws	39
Reporting	40
Examination	42
Auditing	43
PROMOTION	48
Technical Assistance	48
Training	49
Establishment of Secondary Organization	50
Other Assistance	51
CHAPTER IV. CREDIT UNION DEVELOPMENT	53
PHYSICAL GROWTH	54
Number of Credit Unions	54
Membership	57
Size of Credit Unions	57
Paid-up Subscriptions	59
Deposits	61
Reserve and Other Funds	63
Working Capital	63
Loans	64
Net Surpluses	67
Bonuses	69
Dividends	69
Patronage Refunds	71
RELATED EFFECTS	71
Economic Effects	74
Social Effects	74
Public Administration	74
CHAPTER V. CREDIT UNIONS IN THE UNITED STATES	76
GOVERNMENT PARTICIPATION	76
Federal Credit Union Act	76
Rules, Regulations, and Bylaws	78

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Supervisory Examinations	78
Reports	79
Tax Exemption	81
 ORGANIZATION	 83
Eligible Membership	83
Board of Directors	86
Supervisory Committee	89
Credit Committee	90
Obligations	91
 ACTIVITIES	 93
Thrift Promotion	93
Financial Planning and Budgeting	94
Cash Control	97
Reserves	98
Dividends	99
Refund of Interests	100
Making Loans to Members	100
Investments	102
Deposits in Banks	104
Borrowings	105
Levying Late Charges	105
Impress and Enforce a Lien on Shares	106
Selling and Cashing Checks	106
Accounting System	107
Incidental Powers	108
 CREDIT UNION MOVEMENT	 110
Credit Union Growth	110
Credit Union League	113
CUNA International Incorporation	118
 CHAPTER VI. SUMMARY AND CONCLUSION	 123
SUMMARY	123

TABLE OF CONTENTS (Continued)

	<u>Page</u>
PROBLEMS AND RECOMMENDATIONS	131
Internal Problems	131
External Problems	138
CONCLUSION	139
BIBLIOGRAPHY	141

LIST OF TABLES

<u>Table</u>		<u>Page</u>
1	A consolidated statement of financial conditions of credit unions in Thailand as of June 30, 1965.	55
2	Growth of credit unions: numbers, membership, and working capital, 1955-1965.	56
3	Number of credit unions classified by number of members, December 31, 1964.	58
4	Number of credit unions classified by size of paid-up capital, December 31, 1964.	60
5	Reserves and other funds, deposits, and net profits, 1955-1965.	62
6	Loan disbursement, repayments, and outstanding, 1955-1965	65
7	Number of credit unions classified by size of net surplus, December, 1964.	68
8	Net surplus, bonus, dividend, and patronage refund of credit unions in Thailand.	70
9	Number of credit unions classified by size of patronage refund, December 31, 1964.	72
10	Distribution of credit unions by asset size in the United States at the end of 1964.	115

CREDIT UNIONS IN THAILAND

CHAPTER I

INTRODUCTION

In 1961, the Thai Government set up a six-year national economic development plan. Agricultural development is one of the primary purposes of the plan and, within it, agricultural finance is recognized as an important part of the whole program. Production credit and other agricultural credit cooperatives are encouraged by the government, in addition to other types of rural cooperatives, to meet demands for agricultural credit. Moreover, the whole cooperative system in Thailand is under the government's support and supervision. The credit unions which are established as the consumers cooperative type and named Cooperative Savings and Credit Societies for Salary-Earners are also included in the government's cooperative program.

The purposes and policies of the cooperative movement are to stimulate the cooperative members to realize self-help and mutual-help. This is believed to be an essential element in the infrastructure of developing countries, especially for the farmers of small means in rural areas of Thailand, who represent about 80 percent of the total population. The progress in each type of cooperative is

assumed to be extended to the others. According to this reasoning, if there are to be enough technical and financial advances in the credit unions, they are expected to be employed or served through the agricultural credit cooperatives in the future.

In Europe and North America, where the levels of education and standards of living are high, the efforts to organize, control, and operate the cooperative societies as well as credit unions are originated by the citizens themselves. The government supports them by issuing laws or rules, supervising, and examining those associations, to provide guarantees for their members and the general public, and also by helping them solve some of their problems.

The typical Thai has believed in "self-sufficiency" and has earned his own living for many centuries. But because of the continuous population increases and for the convenience of international relations, the situation must become commercialized, if the nation desires development to keep up with the rest of the world. People of better education may improve themselves without direct support from the government, but the government must be responsible to raise the standard of living of ones of lower education, as education programs cannot provide results immediately. This is the reason why the cooperative principles and methods are becoming essential elements.

OBJECTIVES OF STUDY

As mentioned above, the credit union program is attached to the whole cooperative system and supported by the government. The primary purpose of this study is to examine the roles of the credit unions, and the possibility of transferring their technical and financial surpluses, if there will be any, to the agricultural credit cooperatives. Before reaching the main purpose, however, it is useful to observe the structure and the organization of the credit unions; their principles and methods, their functions, and their achievements for their members. Going beyond this, Thailand at present is a developing country. She must determine and make decisions in some problems herself, and some answers must be sought in the advanced countries and adapted to Thai conditions. Study about credit unions in the United States where information prevails, is also one of the purposes of this thesis, to ascertain whether or not achievements in other countries can be adopted in Thailand.

TERMS AND PROCEDURE

Because the text of this thesis concerns mainly the credit union movement in Thailand, data and information are obtained from materials and articles which are expressed in Thai custom. Terms and procedures are specified here in order that the readers

may understand the real situation.

Terms

Readers should recognize the following terms used in this thesis:

1. Credit Union. A credit union is a cooperative society, organized, controlled, and operated by a group of people with the same common bonds, to help solve their economic problems. It has two main purposes: (1) to promote thriftiness and saving as a feasible practice, and (2) to provide provident and productive credit with moderate obligations to members.

Since credit unions are operated under cooperative principles and methods, the names of credit unions in Thailand always include the term "cooperative," and the full name can be translated as "Cooperative Savings and Credit Society for Salary-Earners." To avoid confusion, the term "credit union" will be used uniformly in this thesis.

2. Baht. Baht is a basic unit of Thai money, similar to a dollar as a basic unit of American money. The current rate of exchange is approximately 21 bahts per one dollar.

Procedure

Information for the part of this thesis which concerns the

credit union movement in Thailand was obtained from data and materials, mostly in Thai and partly in English, from the Department of Credit and Marketing Cooperatives, Ministry of National Development, Bangkok, Thailand. Information for the other part which relates to the credit union movement in the United States was obtained from articles and data prepared and published by the Bureau of Federal Credit Unions, Social Security Administration, U. S. Department of Health, Education, and Welfare, and also by the compliments of CUNA International Incorporation, 1617 Sherman Avenue, Madison, Wisconsin. Several text books and periodical articles were also used.

GENERAL APPROACH

This study tries to examine the entire credit union movement in Thailand. A general introduction in this first chapter is followed by a discussion of the structure of credit unions in Chapter II. It introduces definitions of credit unions and gives a brief history of the cooperative concepts and movements in Europe, North America, and Thailand, which involves general concepts of how credit unions originated and are essential for low income groups. Chapter II is also concerned with the principles and methods: why and how the employers or the supervisors of the organization participate in support and supervision of their own union. It deals with

the purposes of credit unions, membership, responsibility for liabilities, subscription and share capital, deposits from members and nonmembers, lending procedure, general management, and the distribution of surplus.

The third chapter presents the general roles of the government in the cooperative and credit union movement in Thailand. Those are the participation in organizing, the supervision, and the extension and establishment of secondary organizations.

Chapter IV deals with an analysis of the operation of the whole credit union movement and examines the growth in number of societies and membership, paid-up capital, deposits, reserves and other funds, working capital, loans, incomes, and the distribution of income.

Chapter V examines the precise structure of credit unions in the United States, especially federal credit unions. It includes study about their organization, administration, and progress. It recommends the roles of the credit unions in the United States which can be recognized as good examples to be applied.

The last chapter is devoted to conclusions and general recommendations, and the potentiality and possibility of adopting the lessons learned from other countries. It also includes some private opinions and criticism of the administration of credit unions in Thailand.

CHAPTER II

STRUCTURE OF A CREDIT UNION

It has been indicated previously that the cooperative movement in Europe and North America is different from that in Asia where the government initiates for the people. It will be useful here to take a brief look at the definition of the credit union, its precise history, and its principles and methods.

DEFINITION

Many authors defined the term "credit union" with different emphasis but the same purpose. The first striking definition, given by Roy F. Bergengren (1, p. 5), is as follows:

"A credit union is a cooperative society, organized with a group of people, operated under State, Provincial or Federal supervision and supplying its members with three primary services: (1) An easy and convenient system for accumulating savings; (2) A source of credit at normal interest rates; and (3) A school wherein the members are educated in the management and control of their own money."

At present, most credit unions are organized, controlled, and operated by a group of people with common bonds, to serve only their members for two explicit purposes: (1) to promote thrift and savings among members, and (2) to provide provident and productive credit to members.

Education of credit union members is also essential. Most credit unions in the United States establish educational committees to encourage education among members, but some do not (2, p. 49 and 175). But the latter still educate their members using other policies.

In the credit union movement in Thailand, such committees are not adopted because training programs are offered by the government.

BRIEF HISTORY

Because cooperative theory as well as credit unions originated in Europe, the history of the cooperative movement in Europe and North America shall be discussed first, followed by the history of the movement in Thailand.

Europe and North America

The first prophet of cooperatives was Robert Owen who was an articulate thinker. He was born in England in 1771 and became a business man who devised the basic cooperative principle of a limited return on invested capital with the balance of net earnings of business devoted to social purposes. The cooperative society was not initiated, however, until 1844 when the Rochdale weavers organized "The Rochdale Society Equitable Pioneers" under Charles

Howarth's plan. This society was a consumers cooperative which limited dividends on shares payable in installments based upon patronage refunds.

The first credit cooperatives were originated in France from Buchez's concepts (1796-1865) of undistributable surplus to the funds unless in case of liquidation. Pierre Joseph Proudon (1809-1865) adopted the policy of distributed interest for funds, and established a cooperative, but it failed. Louis Blanc (1811-1882) also organized a credit society with government aid and failed later. The first successful credit society was organized in Belgium in 1848 by M. Francois Haeck.

The prophet of cooperative credit in Germany was Victor Aime Huber who believed that the removing of the property pressure and mutual work can solve the economic problems of the individuals. Herman Schulze-Delitzch (1808-1883) and Frederick William Raiffeisen (1818-1883), who followed Huber's ideal, were the real fathers of credit unions in the world.

Herman Schulze, a German, known as the Justice of Delitzsch, encouraged the credit societies among small trades people in urban areas. "He established the principle of a reserve consisting of the entrance fees and a part of the earnings until the reserve equalled 10 percent of the capital" (1, p. 69).

Frederick William Raiffeisen, another German known as the

Mayor of Heddesdorf, organized cooperative societies among the peasants in rural areas. He was a humanitarian and developed the credit union philosophy which many countries, including the United States and Thailand, try to follow.

In Italy, the first leader of credit societies was Luigi Luzzatti who adopted Raiffeisen's methods to establish the first cooperative bank in Milan. He designed the policy of a maximum of individual holdings of share capital and the applicant for membership being vouched for by at least two members. The second leader was Dr. Leone Wollemborg, the Minister of Finance, who started his first society at Loregia in 1883. He originated the small entrance fee.

Alphonse DesJardins (1854-1921), a Montreal journalist, introduced credit unions to North America. The first credit union was founded at Levis, the Province of Quebec, Canada, in 1900.

DesJardins also helped to organize the first credit union in Manchester, New Hampshire, the United States, in 1909, chartered under the New Hampshire legislature. Pierre Jay, the Bank Commissioner of Massachusetts, in collaboration with DesJardins recommended the credit union law which was later enacted to law by the Massachusetts legislature in 1909. Edward A. Filene, a Boston merchant (1860-1937) and also an international economist, brought the credit unions from India in 1908 and helped to enact Massachusetts

law in 1909. Edward A. Filene is known as the founder of the credit union in the United States. He set up the Credit Union National Extension Bureau in 1921, to promote credit union development, with Roy F. Bergengren (1879-1955) as head. The first U. S. Federal Credit Union Act was passed in 1934, and in the same year, the Credit Union National Association (CUNA), a nonprofit, self-supporting organization, was established with Bergengren as first managing director.

In 1962, CUNA and the U. S. Agency for International Development signed a contract to develop credit unions in underdeveloped areas. Since then, CUNA has been changed to CUNA International Incorporation as an international institution of credit union.

Thailand

The cooperative movement in Thailand was initiated in 1916 by a section in the Department of Commerce and Statistics. The first cooperative society was an agricultural credit cooperative organized among the farmers in Pitsanulok. When this department was changed to the Ministry of Commerce and Communications in 1921, the cooperative section was enlarged into the Department of Cooperatives. During this period, the Cooperative Societies Act B. E. 2471 (1929) was promulgated. The Department of Cooperatives was transferred to the Ministry of Agriculture in 1934 and

became the Ministry of Cooperatives in 1952.

In order to modernize some governmental agencies in harmony with the national economic development plan which was set up in 1961, the Ministry of Cooperatives evolved into the Ministry of National Development in 1963. Since then, several cooperative departments and divisions in an old ministry were organized into three departments: the Department of Credit and Marketing Cooperatives, the Department of Land Cooperatives, and the Department of Auditing Cooperatives, under the new ministry. The credit unions are under the responsibility of the Department of Credit and Marketing Cooperatives.

After the first society was organized in 1916, several types of cooperative societies were developed: land purchase and land improvement cooperatives, producers and consumers cooperatives, Cooperative Savings and Credit Societies for Salary-Earners (credit unions), and the Bank for Cooperatives.

From the outset, all agricultural credit societies in Thailand were organized on the unlimited liability basis. Funds are obtained mainly through borrowing from the Bank for Cooperatives and partly from deposits of members. Loans are granted to members at 10 percent per annum interest. There are almost 10,000 such societies with about 200,000 members currently (12, p. 364).

Experience showed that these societies were not making

progress in performing the jobs for their members; it seemed to be a system of lending offered by the government to the farmers without consciousness. Because of this, the Department of Credit Cooperatives adopted the supervised credit through Production Credit Cooperatives in 1959. The first two experimental societies were organized at Pakchong and Chacherngsao in 1959 and 1960, respectively, in collaboration with the United States Agency for International Development. These new societies differ from the former types in three aspects: (1) The credit granted is emphasized for increasing production; (2) they are organized on a limited liability basis; and (3) the membership also consists of the most progressive men in the area. This type of cooperative is included in the national economic development plan and is recognized as the important project to develop agricultural finance effectively.

The Bank for Cooperatives was established in 1947 by the government. This bank obtains funds from the share capital held by cooperative societies and government, doing so mainly through borrowing from the Ministry of Finance and the Government Savings Bank, and to a lesser extent, from the sales of cooperative bonds, accumulated reserves, and deposits.

The first credit union was organized in 1949 by an effort of a few leading officials in the Department of Cooperatives at that time. These pioneers established the society attached to their

office with an initial membership of 138. By the end of 1964, there were 75 credit unions with a membership of 104,751 and paid-up subscriptions from members of 159,883,000 baht.

GENERAL CONCEPTS

Generally, the salary-earners, such as the government servants or the employees, in Thailand receive a limited amount of income. In case of emergency, they have to borrow from money lenders with exorbitant interest rates. Moreover, reasonable people always recognize that the accumulation of property is necessary for their own future and their successors. Then, thriftiness and savings become inevitable and desirable among them.

Essentials of Credit Unions

It is true that if the salary-earners can reduce their luxury spending, they are able to save. If one, who is immersed in debt, can find new loans with moderate obligation to retire the debt, he will be able to save and establish a firm family. The most difficult hindrance is that the salary-earners are urbanized with luxurious ways of life. For this reason, there should be a fundamental organization for their systematic savings, providing provident or productive loans. This organization is the "Cooperative Savings and Credit Society for Salary-Earners," which will be called "credit union"

in this thesis.

The stability of a credit union depends upon the common bonds of its members within well-disciplined institutions, and also the sympathy of the employers of such an institution. The loans granted are usually unproductive and lack guarantees, which is presumably a risky undertaking. A society should not be organized for just lending purposes; it should have cooperative savings as the primary purpose. To achieve this goal, compulsory monthly subscriptions to share capital is adopted to inculcate saving habits among members.

Lending policies must not be based on provident or productive purposes only but also must limit the maximum ceiling to be appropriate to the range of salaries and the amount of accumulating savings. Monthly installments of repayment must be imposed and collected at the payroll office in harmony with the terms stated in the application and the provisions of the bylaws.

Furthermore, some salary-earners have enormous debts before becoming members. The credit union is also responsible to provide loans for debt retirement prior to other purposes.

For several reasons, a credit union needs a large amount of operating funds from the outset of organization. To obtain such funds, the credit union as a consumers cooperative cannot adopt the unlimited liability principle like the rural cooperatives do, because it is composed of a large number of members who are not

familiar with each other enough to pool their responsibility together without limitation. So, credit unions are registered with limited liability as a corporate body; the share capital is designed to guarantee outside funds (deposits and borrowings) and, simultaneously, use them as operating funds.

The members cannot afford to subscribe a large amount of share capital at one time, however. Monthly subscriptions, then, are transformed into share capital holdings by the members.

PRINCIPLES AND METHODS

The definition, brief history, and general concepts of credit unions have been simplified already. This section concerns the principles and method of an organization of credit unions which consists of nine respects: supervisor concern, purposes, membership, responsibility for liabilities, subscription and share capital, deposits, lending, management, and distribution of surplus (14, p. 1-11).

Supervisor Concern

The credit union has been recognized as a welfare program attached to an institution. The achievement and strength of each union depends mostly upon the top supervisor under whom it is established. It would be advisable to approach the employers or supervisors at an early step of organization. If the supervisor

favours such organization among his subordinates, there are several ways in which he may give assistance:

1. The supervisor himself, or any high level official authorized by him, assumes the position of the union's ex-officio president in order to control the management of credit union with good discipline, especially at the outset.

2. He may authorize the financial personnel of that institute to deduct and collect the subscriptions and the loan installment repayment from members' salaries at the payroll office.

3. He may authorize some personnel of that institute to help perform the union's work at the fledgling step of operation, until the union's financial condition progresses enough to hire its own employees.

Purposes

Generally speaking, a credit union is operated by a group of people with common bonds to serve only its members with two basic purposes:

1. To promote the members' thrift by encouraging them to save part of their income with a convenient system and with some benefits.

2. To provide provident or productive credit to its members with moderate obligations whenever it is desirable.

Strictly speaking, thriftiness is the primary purpose, while credit is just the secondary one. The credit union must be a saving society rather than a credit society. In order to meet this objective, compulsory monthly subscriptions to share capital are adopted as a desirable means of inculcating the saving habit among members. Moreover, the credit union also promotes savings by encouraging its members to deposit money with the union. Loans are granted after investigations which reveal that they are necessary and useful, and the maximum of loans are limited as fixed in the union's bylaws in accordance with the amount of savings and the salary range of the applicants. Securities are required to guarantee or as the safeguard of loans which exceed the amount of that member's share holdings. If the credit union makes loans easily without regarding the members' status, it will be disadvantage rather than an advantage to both the credit union and its members. But when the credit union neglects the lending policy, its members are still immersed in debt, and they have to borrow from outside with onerous interests and finally cannot save with the cooperative methods.

Membership

It has been said that in Thailand the field of membership of a credit union is based on an occupational group or a group of salary-earners under the same supervisor, while in the United States,

three groups--occupational, associational, and residential--are eligible for charters (2, p. 28). It is also recognized that all members who work permanently within the same organization or institution have working relations close enough for them to know broad conditions and characteristics of each other, although their residences are different.

Before accepting eligible persons as members, the Board of Directors of each credit union must deliberately investigate to see that such persons are qualified to be members. Such qualifications include having reached the age of 20 years and not always being immersed in debt. When one with unavoidable debts becomes a union member and desires loans to retire his old debts, he must indicate and declare his real condition desirable for the union. In addition, it is necessary for the credit union to have its members express their consent in the application for admission that, after becoming members, they will allow the union to deduct subscriptions as well as loan installment payments from their salaries.

Responsibility for Liabilities

Each credit union consists of a large number of members within a wide territory and operates mostly with its own funds. Such funds are share capital and reserves. Then, the limitation of liabilities on the capital basis is adopted. This principle indicates

clearly that each member is responsible for the union's liabilities not exceeding his paid-up shareholding with the credit union.

Subscription and Share Capital

It was emphasized previously that the primary purpose of the credit union is to promote saving habits among its members. To meet such an objective, each union has designed the range of monthly subscriptions for each member who subscribes to the credit union to be in accordance with the range of his salary as indicated in the following table:

<u>Monthly Pay</u> (Baht)	<u>Monthly Subscription</u> (Baht)
Not over 600	20
601 to 800	30
801 to 1,000	40
1,001 to 1,500	50
1,501 to 2,000	60
2,001 to 2,500	70
2,501 to 3,000	80
Over 3,000	100

Each member has to subscribe regularly in accordance with the appropriation above. In order to keep its members within the track, the union has fixed in its bylaws the rule that one will be discharged from the membership if he neglects to pay three monthly subscriptions continuously or if such delinquency totals six monthly

subscriptions without the assent of the Board. In such a case, however, the Board will investigate, and if it reveals that the member is unable to pay the subscription, the member may be allowed some additional time. Such allowances might be made for conditions such as severe illnesses.

The credit union formulates rather low maximum range of subscriptions in harmony with the low income of the members. However, the members have an option to subscribe at higher ranges than their proportions. Additionally, the above illustrative ranges usually do not exceed five percent of each range of monthly pay.

Monthly subscriptions will be converted into share capital on the first day of each month for every ten bahts each member holds. The union also offers dividends on share capital from the date on which the subscriptions were converted, but the dividend rate must not exceed six percent per annum as under the provision of the Cooperative Societies Act B. E. 2471 (13, Sec. 5(4)).

Compulsory monthly subscriptions are applied in order to inculcate the members to save for their own or their descendants' permanent objectives in the future. As long as they assume membership, the union will not allow them to withdraw or transfer their share capital; if so, the union's primary purpose would certainly collapse. Each member may borrow from the union, about which more will be said later, if he desires or needs to borrow. The

accumulated share capital can be withdrawn after retirement from membership.

Deposits

Deposits from members to the credit union are a second means of promoting thriftiness and savings among them. Credit unions make every effort to induce deposits from members as well as from outsiders. Simultaneously, this policy is a method of obtaining additional funds from which to make loans to members.

Each credit union usually receives two types of deposits: time deposits and demand deposits.

Time Deposit. A time deposit is for a specific time and only a specific amount of the deposited money may be withdrawn. The credit union has issued an "Order of Demand Deposit" addition to its bylaws, which consists of nine articles summarized here.

The credit union receives time deposits from both members and nonmembers of an amount not less than 50 bahts and for at least a six-month term. On receiving such deposits, the union will issue nonnegotiable certificates to the depositor. There are two categories of interest on time deposits: one is four percent for a deposit of less than 12 months; the other is five percent for a deposit of over 12 months. Such interests will be paid either at maturity or in accordance with the agreement. Normally, depositors cannot withdraw

a time deposit before maturity, except by the permission of the Board of Directors; even so, if the depositor is a member, the union may pay an interest rate of only three percent, if the depositor is a nonmember, the union will not pay any interest at all.

Demand Deposit. The object of demand deposits is to encourage the members to save a small sum out of their daily incidental spendings. As they did with time deposits, the union's Board of Directors also may issue an "Order of Demand Deposit" attached to its bylaws, which contains the following provisions:

The credit union can receive demand deposits from its own members only. After opening any account, the union will issue a passbook to the depositor. This passbook must be submitted to the union's financial officials at each depositing or withdrawal. The depositor may deposit or withdraw whatever amount of money he desires whenever it is convenient, but he has to maintain at least 10 bahts in his passbook at all time. The union offers an interest rate of three percent per annum on the lowest balance of the deposit in each month. The union reserves its authority to change the rate whenever reasonable; however, such changes will be proclaimed to all members. The amount of interest will be added to each passbook at the end of the fiscal year before auditing.

The members who have borrowed on special loans may open demand deposit accounts for such loans, in addition to the old one,

in accordance with the "Order of Special Loan" rule of the union. The union offers a six percent interest rate for the deposits of the special loans.

Furthermore, the union may receive other types of deposits from its members whenever the Board of Directors decides, for the union's benefit; such deposits are to be regulated in the proper order.

Lending Procedure

Lending is only the secondary purpose of the union and is to help its members for debt retirement, daily incidentals, and investment for some benefits.

At the outset, each credit union provides only two types of loans--ordinary loans and emergency loans. When its financial position progresses steadily, the union may decide to set up an "Order of Special Loans" and provide such loans to its members to increase their financial status by investing for other benefits.

1. Ordinary Loans. This loan can be made for several purposes, except for luxurious or speculation. The amount of this loan depends upon the jurisdiction of the Board of Directors or a Loan Committee (if formulated), and usually does not exceed 8,000 bahts, or fourfold of the monthly pay of the member, or as fixed in its by-laws, whichever is the least. If the loan exceeds the amount of the

borrowing member's shareholdings with the union, then immovable property, government securities, or two member guarantors are required. This loan may be repaid in an equivalent monthly installment, each with interest. The amount of the installments also depends upon the Board of Directors' jurisdiction, which considers the borrower's status and the amount and purposes of the loan. Total installments usually must not exceed 24 months, or as fixed in the union's bylaws. In exceptional cases, repayment may be amortized over the term, but not exceeding six months, however.

2. Emergency Loan. The purpose of this loan is for emergency or unforeseen expenditures. This loan is also under the Board of Directors' jurisdiction and is usually not to exceed 800 bahts or one-half of that member's monthly salary, whichever is less, or as fixed in the union's bylaws. This loan must be repaid entirely at the end of the month, or not exceeding two monthly installments without any exception.

Practically, the Board of Directors authorizes the jurisdiction of this loan to the President and Treasurer of the union. All emergency loans granted must be reported to the Board of Directors every month. In addition, as this loan is for a small amount and is very short-term, no security is required.

3. Special Loan. As mentioned before, this loan will be provided for promoting the members' financial status to invest for

other benefits, when the union's financial condition progresses enough. The procedure of this loan is formulated within the "Order of Special Loan" which can be summarized as follows:

1. The borrower must submit vouchers and plans for the desirable loan to the Board of Directors.
2. The amount of the loan is under the Board's jurisdiction, usually not to exceed 20,000 bahts or as fixed in its bylaws.
3. The member who does not finish the repayment of his other loans is not allowed to borrow a special loan, and vice versa, unless the amount of the new loan plus former ones does not exceed the maximum amount allowed for an ordinary loan.
4. The borrower must have immovable properties or government securities to insure the special loan. There is no such requirement for anyone who holds share capital with the credit union in excess of or equivalent to the amount of loan.
5. The repayment of the special loan is adopted from the requirements for the ordinary loan, but the total installments must not exceed 60 months, or as provided by the union's bylaws, without any exception.

The interest charges for all types of loans are 12 percent per annum on the unpaid balance. This rate is rather high, but it is designed to discourage the members from borrowing unconsciously.

Management

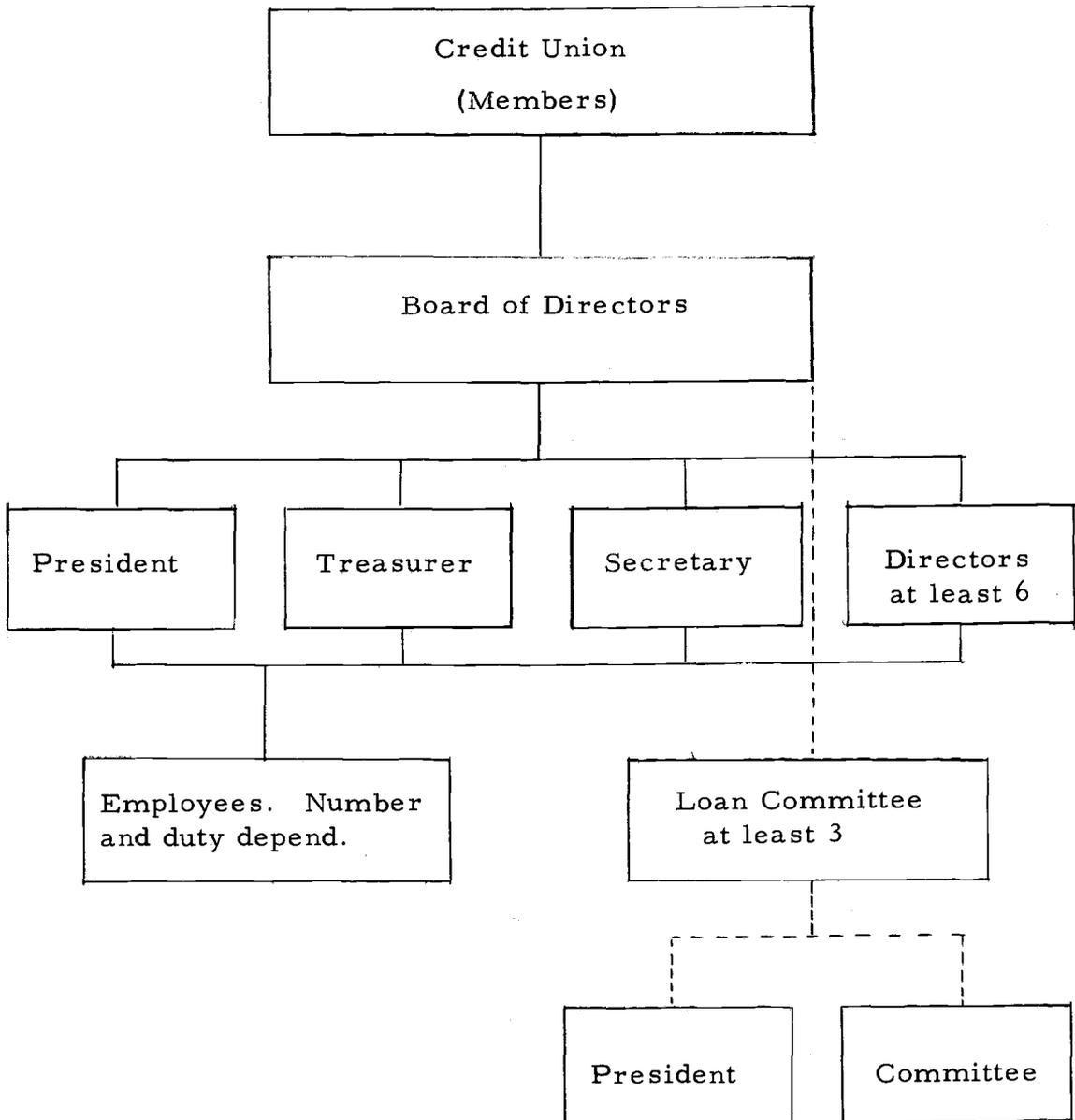
The Board of Directors is the administrative mechanism of the credit unions under the provision and control of all members as decided at their meetings. The Board, practically, consists of the top supervisor or any one authorized by him as ex-officio president, the chief of the treasury or any appropriate one as ex-officio treasurer, a secretary, and other directors, to total number fixed by the union's bylaws, and is generally from six to fifteen persons, all elected by and from members at the annual meeting (see Chart 1). The Board may meet whenever necessary, but must meet at least once a month. It has an authority and responsibility to administer the affairs including the promotion and development of the credit union both as prescribed by the annual meeting and the provisions of laws, regulations, and bylaws. The Board is required to prepare and present the annual report of overall operations to the members at the annual meeting.

Some credit unions formulate a Loan Committee consisting of at least three directors elected from the Directors themselves. The Board delegates loan-making authority to this Committee, and, in turn, the Committee has to report the result of their jurisdiction on the loan applications to the Board monthly.

At the end of the financial calendar (currently, calendar year),

Chart 1

The Organization of Credit Unions



Continuous lines indicate required functions.

Broken lines indicate optional ones.

each union is required to prepare for the auditors a balance sheet including a profit and loss statement as formed by the Cooperative Registrar. When the auditors have finished the audit and approved the balance sheet, the Board is responsible to present that balance sheet to the annual meeting.

Distribution of Surplus

By the end of each year, after closing all accounts and deducting the operating costs and depreciations, if the union has a surplus, it is regarded as a net surplus. The members at their annual meeting may consider the proposed surplus distribution prepared and presented by the Board under the laws, rules, and bylaws for the following purposes:

1. To the common-good fund, normally not to exceed 10 percent. This fund is for several purposes, such as for promoting members' education, for charity, and for other public benefits.
2. To provide for the dividend stabilization fund not to exceed two percent of the total amount of share capital, until it is accumulated up to six percent of such capital. This fund may be withdrawn to pay for dividends on share capital in case the yearly surplus does not cover the dividends on share capital.
3. To provide for bonuses to the credit union's employees, committee, and Directors, not to exceed 20 percent.

After the deduction of the above items, the members at their annual meeting shall provide the rest of net surplus for the reserve, and is usually not less than 10 percent. The remainder may provide for the following:

1. Dividends on share capital, usually not to exceed six percent of the paid-up share capital held by each member.
2. Patronage refunds in accordance with the agreement of the members based on the interest which all members paid to the union.
3. The remainder from the above provisions the union shall add to the reserves.

Finally, mention should be made here that a great accession of strength occurs to a credit union from the sympathy of the head of the office, through whom recoveries of installments of loans payments are so arranged that the danger of overdues are practically eliminated. This method may deteriorate the cooperative principle, but it is a substantial effect which all members recognize as a wise policy to help them become punctual.

The successfulness of a credit union lies also in a high level of culture and intelligence of the members who avoid extravagance, and in the spirit and discipline that prevails in a modern, well-conducted office.

CHAPTER III

GOVERNMENT PARTICIPATION

Theoretically, a cooperative is a society organized on a self-help and mutual-help basis by a weak economic status group with common bonds to do any legal activity which can promote its members' standard of living, relationships, or community or national development as well. In Thailand, unlike in Europe and North America, the level of education and the standard of living of people are low; and generally, they cannot combine their strength, minds, or talents in organizing their own cooperative societies successfully without any government support. Because of this, the government is in charge of promoting cooperative societies which it believes to be the right method to help people of small means develop through their own cooperation.

COOPERATIVE LAW

The government of Thailand, as stated previously, promulgated the Cooperative Societies Act B. E. 2471 in 1929. This Act contained specific provisions about the organization of the cooperative societies which may be established, such as the types of societies, territory, membership, management, and also the government authority in charge of the Act.

Beginning with the first important requirement, Section 6 of this Act provides that

"The Minister^{1/} is empowered within the limits of the foregoing section, to specify as he thinks fit, from time to time, by publication in the Government Gazette, the types and kinds of cooperative societies which may be admitted to registration. He may also specify the classes of the individuals of whom the societies may be composed, and the places where they may be established" (13, Sec. 6).

According to this section, the Department of Cooperatives, at that time, has to ask for permission for opening cooperative territory and for a specified date for cooperative registration, before other processes. In the case of the credit unions, the Minister of Agriculture (at that time) has authorized such processes since August 16, 1949 (11, p. 39).

COOPERATIVE REGISTRAR

Principally, full authority for the execution of cooperatives beyond the provision of Section 6 is given to the Minister who is in charge, as specified by the Act. But in practice the Minister authorizes his power to any civil officer whom he thinks deserving, as clearly provided in Section 8 of the Act that

^{1/} At the time when the Act was promulgated, the Minister of Commerce and Communications was in charge of the execution of the Act; now, such authority is deemed to the Minister of National Development, under which the several departments of cooperatives are located.

"The Minister shall, by notification in the Government Gazette, appoint an official as Registrar of cooperative societies, whose duty shall be the registration of cooperative societies and the performance of such other functions as prescribed by this Act.

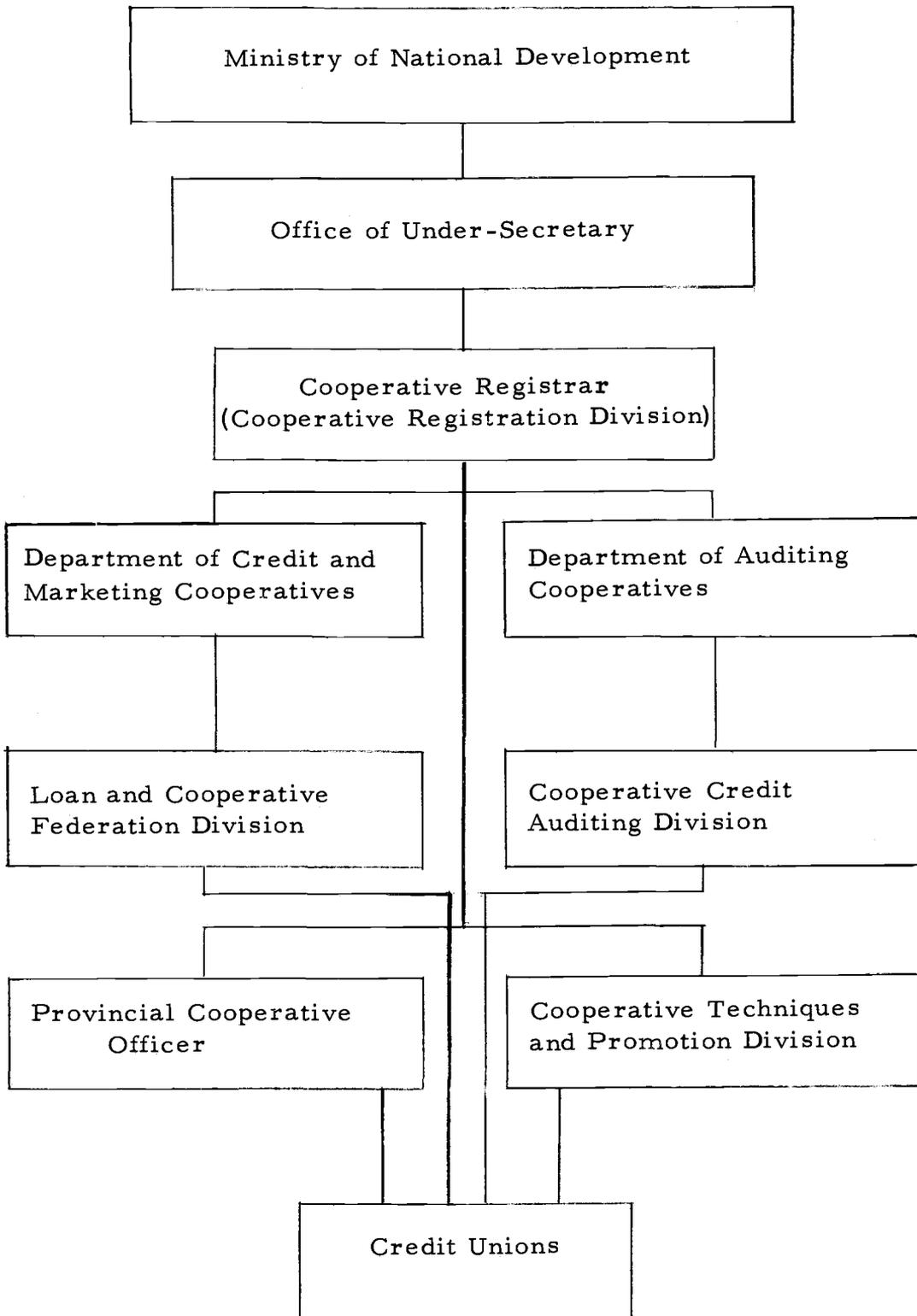
The Registrar may, with the written sanction of the Minister, delegate in writing his powers or parts of his powers under the Acts to any person under his control" (13, Sec. 8).

From this provision, the Cooperative Registrar is a special position different from general cooperative officials in that he is appointed by the Minister in addition to his former position. In practice, such appointments are usually made to the civil official who assumes the highest position in the cooperative work: the Director-General, in the period of the Department of Cooperatives; and the Under-Secretary, in the period of Ministry. Currently, the Deputy Under-Secretary of the Ministry of National Development is in charge.

The Cooperative Registrar, then, has the authority as provided by law, and he, in turn, delegates parts of his powers to several departments and divisions, for the cooperative task responsibility. These functions may be summarized as organization, supervision, and extension (see Chart 2). The Registrar also has the staff-offices, each headed by a Provincial Cooperative Officer who is appointed officially as the supervisor and is the liaison officer between the central and the local administration in each

Chart 2

Government Agencies Participating in Credit Unions



province (Changwad).

ORGANIZATION

The responsibility to carry out all credit, consumers, and producers cooperatives is vested in the Department of Credit and Marketing Cooperatives. The credit unions are under the supervision of the Loan and Cooperative Federation Division of this department. This division not only formulates the principles and methods for credit unions, but also gives advice and guidance for the establishment and management of the unions as follows (14, p. 1-11).

1. The initiatory organizing group should consist of persons with the same common bond of interest for their own organization. This can be achieved through study and learning from the cooperative principles and methods provided by the Loan and Cooperative Federation Division. The initiatory group should also introduce such principles to persons eligible for membership, in order to educate prospective members to realize the union's purposes and, certainly, to cooperate with the union to reach those purposes.

2. When there are demands for a union, the head or the top supervisor should coordinate by appointing any qualified personnel (including himself) to assume an ex-officio presidency, the treasurer or financial official as an ex-officio treasurer, and also appoint

some employees to perform the union's work at the outset of operation.

3. When it has been decided to organize a credit union, the initiatory group should make contacts with the Provincial (Changwad) Cooperative Officer or the Department of Credit and Marketing Cooperatives, whichever is the case. These agencies shall appoint the officials to help in the establishment of the credit union. At the outset, the initiatory group should examine the standard form of bylaws which has been formulated by the Registrar, in order to improve and articulate a proper environment and prepare to present them to the audience at a meeting for an organization.

4. After finishing the above process, the initiatory group should form and send prospectus letters to prospective members to persuade them to apply for membership and then registration. Such letters should contain the union's purposes, principles and methods, and advantages. When there are adequate applicants (usually about 100 persons, at least), those should be contacted and urged to attend a meeting for determining the union's draft of bylaws, election of representatives to sign the names for the registration, election of the union's first Board of Directors, and others as required by law.

In addition, an application for registration must be submitted to the Registrar in accordance with the form required by him.

The qualifications are provided in the Cooperative Societies Act

B. E. 2471 as follows:

"Section 9. A society desiring to be registered as a cooperative society must, if composed of individual members, consist of at least ten persons of age of twenty years or over; and, where the object of the society is the creation of funds to be lent to its members, such persons must reside in the same village or group of villages, or in such other limited areas as the Registrar may approve.

Section 10. Application for registration must be made to the Registrar in the form provided by him for that purpose. Such application must be signed:

(1) In the case of a society of which no cooperative society is a member, by at least ten persons qualified in accordance with Section 9.

(2) In the case of a society which is a federation of cooperative societies, by a duly authorized person on behalf of every such cooperative society" (13, Sec. 9).

The application must indicate the name, address, and the objectives of the cooperative society, and four documents must be attached: (1) two copies of the draft bylaws which were approved at the meeting, (2) a copy of the list of the representatives signed for registration, (3) a copy of the list records of all members, and (4) a copy of the minutes of all members' meetings for the registration.

5. To select persons eligible for membership, the initiatory group (or the Board of Directors after registration) should investigate the applicants carefully, concerning their job security, extravagance,

and indebtedness.

6. At an early stage of operation, the union should urge the members with means to contribute high rates of monthly subscriptions and deposit a large amount of money with the union. This method is recognized as sound savings and secured investment; simultaneously, this money will become the operating funds for the union to lend to fellow members for retiring their old debts as soon as possible.

7. The Board of Directors should be elected from persons considered as respectable, sincere, and social-minded, and who will realize the cooperative ideal, in order to carry out the work successfully.

8. The main hazard of the union is that it will neglect savings as the primary purpose and decline into being just a lending society. The Board of Directors or the Loan Committee must contemplate carefully when examining applications for loans.

9. The union must be operated upon a business basis instead of that of an eleemosynary institution. Keeping within its bylaws is the best policy.

10. The Board of Directors and the employees should know, or have some experiences about, banking and bookkeeping systems. All books must be kept up-to-date so they can be examined at any time.

SUPERVISION

In order to promote the credit unions to make the achievements, the government agencies adopted the following instruments: laws, regulations and bylaws, reporting, inspecting, and auditing.

Laws, Regulations, and Bylaws

These controlling instruments can be summarized as follows:

1. The Cooperative Law. The first cooperative law is the Cooperative Societies Act B. E. 2471 which was issued in 1929. The first and second amendments were made in 1935. This Act provides several functions for the Minister and the Registrar who are responsible for the cooperative movement.

2. Regulations. The cooperative law contains a wide scope of cooperative principles and practices. To have it flexible for the cooperative societies and persons with whom it is concerned, Section 33 of the Act provides "The Minister is empowered to issue regulations under the Act fixing the fee payable for registration, and for the purpose of carrying out all objects of this Act. . ."

According to this provision, the Minister of Agriculture has issued the following Ministerial Regulations for the deposits and investments of the cooperative societies concerning the following:

- (1) Deposits with other cooperative societies or with the

Bank for Cooperatives.

(2) Deposits with any bank by the consent of the Registrar.

(3) Buying government securities, or stocks and securities of other cooperative societies, or of the Bank for Cooperatives.

(4) Buying stocks of any limited corporation which operates for the convenience or support of the cooperative movement, by the consent of the Registrar.

3. Bylaws. The Department of Credit and Marketing Cooperatives, by the approval of the Registrar, has formulated a standard form of bylaws for the credit unions. The bylaws contain several details regulating operation of a credit union. The Department shall also appoint some officials to work in cooperation with the Provincial Cooperative Officer to provide technical assistance from the outset of organization.

Reporting

The Registrar and the Department of Credit and Marketing Cooperatives acquire the reports from all cooperative societies in order to determine the progress of their operations and keep records of statistics.

1. Registration Report. As indicated before, every organized group must submit a report concerning monthly subscriptions, loans and amortizations, and others to the Department of Credit

and Marketing Cooperatives. After reviewed by this Department and a record kept, it shall be submitted to the Registrar for the same purpose.

2. Financial Statements. The Department works together with credit unions on the financial statements submitted quarterly by each credit union. This statement is filled with the number of members, paid-up share capital, the subscriptions as of the last month of each quarter (which shall be converted to share capital on the first day of the next month), reserves and other funds, deposits, total operating funds, amount of loans granted, and the amounts of repayment. These statements are available for the Department to analyze the financial progress and also keep a record.

3. Annual Report. The Board of Directors is responsible to prepare an annual report of operations in each fiscal year and present it to the annual meeting after finishing an audit. When this report is approved, it shall be transmitted to the Department. The detail of the annual report is similar to the quarterly statement.

4. Examination Report. The examiners or inspectors who are appointed by the Registrar to inspect the cooperative societies must prepare and submit a report to the Registrar and also to the Department.

5. Auditing Report. Auditing authority is vested in the Department of Auditing Cooperatives who shall select internal

officials for the Registrar to appoint as auditors. After finishing an audit, the auditors are required to prepare and submit the report to their Department for review which will then be transmitted to the Registrar, to the Department of Credit and Marketing Cooperatives, to the Governor through the Provincial Cooperative Officer where the cooperatives are located, and to the cooperatives which were audited.

Examination

Section 17 of the Cooperative Societies Act B. E. 2471 provides that "The Registrar, or some person authorized by him in writing, shall audit the accounts of every cooperative society at least once a year. . ."

Practically, the powers to inspect the credit unions are granted to the Provincial Cooperative Officers and the Department of Credit and Marketing Cooperatives. This Department selects qualified personnel for the Registrar to appoint as the examiners or inspectors. By the provision of the same section of the Act, the examiners as well as the auditors shall, at all times, have access to all books, papers, and securities of any cooperative society.

After the examination is finished, the inspectors must submit the examination report to the Registrar and others as indicated above.

Auditing

It has been mentioned that the cooperative examiners are appointed by the Registrar from the officials of the Department of Auditing Cooperatives. Before access to the auditing of any cooperative society is given, the auditors must understand the accounting system of such organizations.

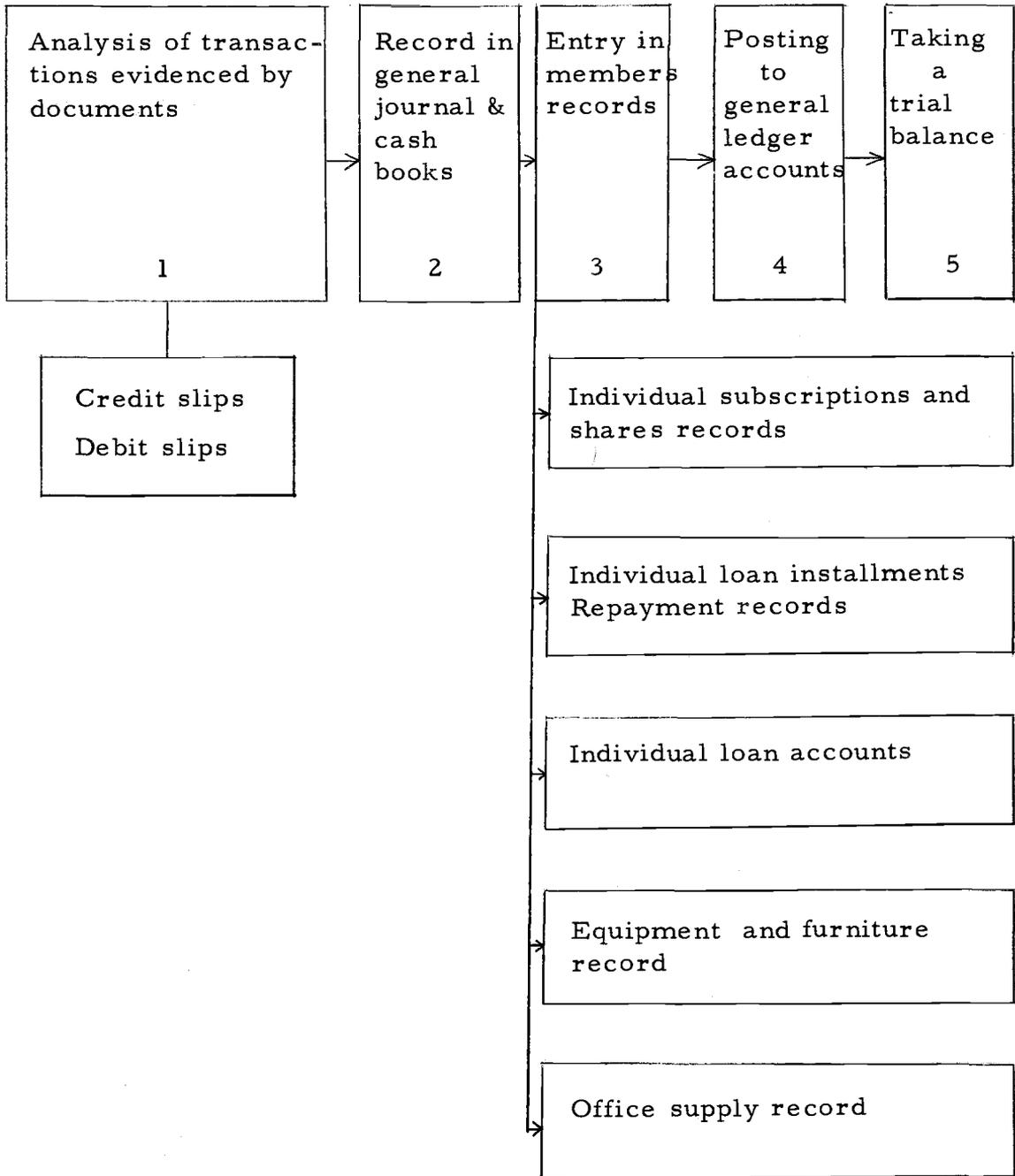
The bookkeeping process of the credit unions is similar to that of banks and some other businesses and is composed of the following stages: (1) original transaction, (2) record of General Journal, (3) entry in the member's record, (4) posting to record the final entry, and (5) balancing the records and preparation of statements, as illustrated in Chart 3.

1. Original Transaction. A credit union accounting system consists of several accounts or transactions which should be kept or recorded at the time they occur. At the first step, the auditor has to verify all documents with the debit slips or credit slips, whichever is the case.

The slips are prepared as descriptions of each transaction before recording in the General Journal. They contain the date of the transaction, an indication of the debit or credit, the kind of transaction in accordance with the specific account, and the total amount of money for that slip as well as the account.

Chart 3

Bookkeeping Process of a Credit Union



The debit slips are prepared from the documents on which the credit union has made payments. The credit slips are prepared from several kinds of bills of receipts.

2. Record of General Journal. After daily transactions have been completed, a permanent record shall be made. Cash records and the General Journal are used for this purpose. Normally, the Cash Receivable Book and the Cash Payable Book are separate from each other and also from the General Journal. The General Journal is a book of original entry in which the transactions are recorded in chronological order. The daily cash balance in the cash books must be verified with the General Journal as well as the General Ledger.

3. Entry in the Members' Records. Because the majority of a credit union's transactions are with its members, opening an account entry for an individual member is the requirement. There are the Individual Subscriptions and Shares Record, the Individual Loans Record, and the Individual Loan installments Record. Moreover, the credit union must keep separate records for equipment and furniture and for office supplies.

These are the transactions in which the accounts of each member are entered in detail in chronological order in this subsidiary record.

4. Posting to Record of Final Entry. The General Ledger

is the record of final entry. It serves as a means of summarizing the transactions of the credit union and as the basis for the preparation of the statements. The total of the summary columns and accounts of the individual miscellaneous items in the General Journal and the Cash Books are posted to this record daily. The auditors have to check this verification of all transactions and records.

5. Balancing the Records and Preparation of Statements.

When the General Ledger has been posted completely, it should be balanced. The correctness of this balance is determined by preparing the Trial Balance of the General Ledger Accounts. The financial statement is then prepared. The correctness of the General Ledger Cash Account should be proved by the cash books and the bank account. Simultaneously, the totals of Individual Shares and Loans Records as well as the Individual Loan Installments should be balanced with their respective General Ledger control accounts.

Some accounts may require adjustment in order to keep the data current. There are two basic causes of adjustments:

(1) Certain events have occurred which require revision, for example, the expiration of costs which requires the transfer of expired costs from asset accounts to expenses of the account balance in the Ledger.

(2) Certain events have occurred which have not yet been compiled in the ledger accounts, for instance, the accrual expenses like salaries and wages earned by employees but not yet paid and hence not recorded.

The Balance Sheet. The balance sheet is the financial statement which reports the assets and equities of an entity as of a specific date (25, p. 25 and 164). The monetary amounts reported for various assets and equities are postulated on the accounting concepts of the business entity--the going concern and the cost. These mean that every amount is stated in terms of fluctuating unit value.

In general, the assets side of the balance sheet are classified broadly into two main divisions: current assets and fixed assets. Current assets are sometimes called working assets consisting of cash, marketable securities, short-term receivables, inventory, and short-term prepayments, for instance. Fixed assets consist of investments, property, premises, equipment, and intangibles.

The liabilities side can be divided into two main groups, namely, liabilities and equities. Liabilities are broken down into current liabilities which consist of accounts payable, notes payable, accrued wages and salaries, taxes payable, dividends payable, and advances from customers. The other is long-term liabilities which are composed of bonds and mortgage notes payable, for example.

Owners' equities may consist of capital accounts, other funds, and retained earnings, depending upon how large the business is.

After the auditing is completed, the auditors have to present the results to the Board of Directors and then to the annual meeting.

PROMOTION

The government is not only responsible for the organization and supervision of cooperative societies but also engages in extension work. The extension process consists of technical assistance, training both government and cooperative officials, promoting cooperative principles, establishing secondary organizations, acting as the central agency for various cooperative societies, and exempting some taxes.

Technical Assistance

The Cooperative Techniques and Promotion Division is responsible for research and obtaining technical knowledge from well-developed cooperative movements in foreign countries. This Division also publishes cooperative text books for government employees, students, and the public, including text books for primary and secondary schools, and so forth.

Training

Since the revolution in 1958, the Thai Government has emphasized the training of government servants, by ordering each department to arrange training programs for their own officials, in order to develop their knowledge, skills, and efficiency in performing the jobs. In the United States, the Government Employees Training Act of 1958 was passed by the declaration of Congress that "self-education, self-improvement, and self-training by Federal employees should be supplemented and extended by continuous government-sponsored training. . ." (5, p. 200-201). It is obvious that training of personnel is an essential aspect of the direction of human effort. "The perpetual problem of training is to see to it that intellectual influences blow their fresh winds periodically through the stale airs of organization structure" (10, p. 310).

As the matter of fact, the Ministry of Cooperatives (now the Ministry of National Development) initiated the first cooperative official training in 1953 (11, p. 41), but the emphasis has been made just after 1957. Currently, training programs are provided for two groups: The government cooperative officials, such as Provincial Officers and cooperative examiners, and the cooperative societies' officials and their members.

In the United States, most credit unions have their own

educational committee to carry out education programs among credit union leaders and members in collaboration with the credit union league and CUNA International Incorporation, as we shall see later.

Because in Thailand a cooperative society, as well as a credit union, cannot afford to arrange training programs for its members exclusively, the Cooperative Techniques and Promotion Division is authorized to carry out such programs for cooperative societies. The training instruments consist of nine rotation training units, each equipped with a car, audio-visual equipment, posters, bulletins, and pamphlets to train cooperatives' members and people in rural areas throughout the country.

Establishment of Secondary Organization

The Ministry of National Development is preparing to establish a cooperative union and a federation for the whole cooperative movement in the nation.

A credit union league is also being planned and will be organized by the Department of Credit and Marketing Cooperatives in the near future. This Department will be giving assistance in equipping and training the league personnel, so that extensive and effective programs of credit union organization, education, and supervision may be carried out by the league, in close cooperation with the Department.

Other Assistance

The government agencies and departments who are in charge of cooperative societies' activities also act as the centers for information and relations between cooperative societies. They also contact the Ministry of Finance for tax exemption of the cooperative societies' business.

The items exempted from tax are entrance fees under the provision of Section 3 of the Cooperative Societies Act B. E. 2471 (second amendment) and items listed under the provision of the Revenue Code and the Ministerial Regulation of the Ministry of Finance, such as the stamp duty in making loans or contracts between a cooperative society and its members.

The Ministry of National Development also contacts international agencies, such as U. S. /AID, for technical and financial assistance for cooperatives' officials and members.

As observed at the outset, government officials play an important part in the cooperative movement in Thailand. Thus, public personnel is a vital problem in that country. The efficiency of public services as well as credit unions depends mostly upon the personnel who perform the work. Under the current situation, the elected government has been replaced by a revolutionary one, and political leadership including executive officers should be

sincere and patriotic persons of high morals. If the government makes every effort to develop all economic or human resources, the prospective goals can certainly be achieved.

For people, self-consciousness or responsibility is, of course, significant. Every person must realize that the government administration does not perform as a sort of gigantic eleemosynary institution as most people view it. The government expenditures are obtained from taxes from people. All things offered to the people should be recognized as national benefits and are based on the marginal returns in every sense. The perpetual development of the nation depends upon humans; thus, education and training for every person are convincingly essential.

CHAPTER IV

CREDIT UNION DEVELOPMENT

It has been stated previously that the first credit union in Thailand was organized and attached to their office by a few leading officials in the Department of Cooperatives (at that time) in 1949 with an initial membership of only 138. This credit union was operated as an experimental organization for six years with satisfactory progress. At the end of 1954, there were 750 members, with a working capital of 1,293,426 baht which was composed of 889,930 paid-up subscriptions and shares held by members. This experimental credit union was recognized as a sound savings and loan institution for its members. Beginning in 1955, the second credit union was established among teachers in the province (Changwad) of Nakornsawan, by the encouragement of the Department of Credit Cooperatives, especially Mr. Chamnian Saranaga, Chief, Division of Credit Cooperatives (at that time) who should be acknowledged as the pioneer of credit union movement in Thailand. Since then, credit unions have been extended within groups of teachers in several provinces throughout the country.

PHYSICAL GROWTH

The credit union movement will be analyzed from 1955 to the end of June, 1965, as the data are available, to examine the growth of number of societies, membership, paid-up subscriptions and shares, working capital, loans, and other activities.

Number of Credit Unions

In spite of the fact that credit unions in Thailand are organized and operated among the salary-earners only, the number of societies has increased continuously from 2 in 1955 to 76 at the end of June, 1965, Table 1, which means there are teachers credit unions in almost each province. From Table 2, it appears that the rates of increase were approximately 50 percent each year from 1955 through 1961. New registered credit unions have increased slowly since 1962, since about 85 percent of eligible groups of teachers have organized their own credit unions already. The teachers credit unions constituted nearly 86 percent (9, p. 3) of all credit unions in Thailand at the end of 1964.

The above data do not mean that credit unions are limited to and promoted among teachers only. Other governmental officials or employees who work in the several departments and agencies in Bangkok as well as in the provinces are eligible to establish credit

Table 1. A consolidated statement of financial conditions of credit unions in Thailand as of June 30, 1965.

Number of credit unions	76
Number of members	108,033
	<u>Baht</u>
Paid-up subscriptions from members	177,190,360
Total deposits	8,804,126
Reserve and other funds	7,478,576
Total working capital	193,473,058
Loans granted during the year	136,714,385
Repayment during the year	117,441,900
Loans granted, cumulative from beginning	980,320,765
Loans repayments, cumulative from beginning	811,779,721
Loans outstanding with members	168,541,041
Net earnings (1964)	15,974,936

Source: Department of Credit and Marketing Cooperatives, Bangkok, Thailand.

Table 2. Growth of credit unions: numbers, membership, and working capital, 1955-1965.

Year	No. of Credit Unions	Number of Members		Paid-up Subscrip- tions		Total Working Capital	
		Number	Percent Growth	Amount (฿ 1,000)	Percent Growth	Amount (฿ 1,000)	Percent Growth
1955	2	2,409		1,591		2,067	
1956	5	4,601	91.0	2,664	67.4	3,593	73.8
1957	13	10,448	127.1	5,196	95.0	6,679	85.9
1958	22	20,702	98.1	10,910	110.0	13,957	109.0
1959	34	33,413	61.4	20,974	92.2	24,978	79.0
1960	49	50,975	52.6	36,948	76.2	41,597	66.5
1961	65	70,595	38.5	59,642	61.4	67,642	62.6
1962	68	84,627	19.9	89,398	49.9	100,246	48.2
1963	71	94,434	11.6	123,469	38.1	135,491	35.2
1964	75	104,751	10.9	159,883	29.5	173,575	28.1
1965*	76	108,033	3.1	177,190	10.8	193,473	11.5

* End of June, 1965.

Source: Department of Credit and Marketing Cooperatives, Bangkok, Thailand.

unions. It depends upon the individual's attitudes and demands for the societies. However, the far-sighted departments, and other institutions such as some universities, have organized their credit unions attached to their offices as welfare programs. It is expected that the number of credit unions shall reach to 100 societies and more in the next few years.

Membership

The growth rate of credit unions' membership is similar to that of the number of societies. It climbed from 2,409 persons at the end of 1955 to 108,033 persons by the end of June, 1965. The rate of increase was about 100 percent during the early period, but it has slowed down since 1961 pursuant to the number of new registered credit unions.

At the end of 1964, the ratio of actual to potential membership of the credit unions exceeded 75 percent, and total members represented about 0.34 percent of the total population.

Size of Credit Unions

After 10 years of the credit union movement, the size of societies classified by members and working capital has grown satisfactorily. From Table 3, it can be seen that about 56 percent of the total credit unions have memberships ranging from 501 to

Table 3. Number of credit unions classified by number of members, December 31, 1964.

Number of Members	Number of Credit Unions
250 and under	1
251 - 500	8
501 - 1,000	19
1,001 - 1,500	23
1,501 - 2,000	7
2,001 - 2,500	6
2,501 - 3,000	6
3,001 - 3,500	3
3,501 - 4,000	1
4,001 and over	1
Total	75

Source: Phairoh Praianant. Some Fact about Cooperative Savings and Loans Societies in Thailand. Department of Credit and Marketing Cooperatives, Bangkok, Thailand.

1,500 persons; moreover, 23 out of 75 unions represent groups with members between 1,001 to 1,500 persons. The average of members per one credit union was nearly 1,400 persons at the end of 1964.

The Nakornrajsima Teachers' Credit Union with a membership of 4,240 is the largest union in Thailand.

The size of credit unions as classified by paid-up members' shareholdings is shown in Table 4. By the end of 1964, almost 50 percent of all credit unions had accumulated capital from more than one million to three million bahts. Two unions with working capital exceeding six million bahts are Nakornrajsima Teachers' Credit Union and Surin Teachers' Credit Union. The average paid-up share capital is approximately 2.1 million bahts per one credit union; about half of all credit unions are the medium size, as classified by share capital.

Paid-Up Subscriptions

Paid-up subscriptions here are included in the share capital which represents the majority of savings by the members, and they are also the largest part of the total working capital. The total amount of paid-up subscriptions and the percentage of increase each year since 1955 was presented in Table 2. Although it increased at a decreasing rate from 1959, the amount of increase was considerably high. It climbed from only 1.6 million bahts at the end of 1955

Table 4. Number of credit unions classified by size of paid-up capital, December 31, 1964.

Size of Paid-up Capital	Number of Societies
500,000 and under	13
500,001 - 1,000,000	10
1,000,001 - 1,500,000	12
1,500,001 - 2,000,000	10
2,000,001 - 2,500,000	4
2,500,001 - 3,000,000	10
3,000,001 - 3,500,000	4
3,500,001 - 4,000,000	3
4,000,001 - 4,500,000	1
4,500,001 - 5,000,000	1
5,000,001 - 5,500,000	5
5,500,001 - 6,000,000	-
6,000,001 and over	2
Total	75

Source: Phairoh Praianant. Some Fact about Cooperative Savings and Loans Societies in Thailand. Department of Credit and Marketing Cooperatives, Bangkok, Thailand.

to 177 million bahts by the end of June, 1965, which contributed roughly 90 percent of the working capital.

By the end of 1964, the average paid-up subscriptions per one credit union was about 2.1 million bahts, or about 1,500 bahts per one credit union member.

The subscriptions shall be contributed by members in accordance with the credit unions' bylaws as long as they remain in membership.

Deposits

Total deposits of all 75 credit unions are presented in Table 5. The deposits have fluctuated during the period of 10 years since 1955. They decreased about 1.7 and 1.0 percent in 1963 and 1964, respectively, because of the withdrawals of temporary deposits by members and nonmembers (time deposits). The deposits have caused changes in the liquidity portion of the credit unions in some periods, but the trend has been mostly an increase. They climbed from 0.4 million bahts in 1955 to nearly 9.0 million bahts by the end of June, 1965.

The deposits by members in the credit unions are recognized as the second method of promoting thrift and savings among members, next to the subscriptions. If the Board of Directors improves its policy to induce deposits from members regularly, especially time

Table 5. Reserves and other funds, deposits, and net profits,
1955-1965.

Year	Reserves and Other Funds		Deposits		Net Surplus	
	Amount (฿ 1,000)	Percent Growth	Amount (฿ 1,000)	Percent Growth	Amount (฿ 1,000)	Percent Growth
1955	44	--	433	--	136	--
1956	57	29.5	872	101.4	247	59.6
1957	87	52.6	1,396	60.1	503	103.6
1958	187	114.9	2,860	104.9	1,005	99.8
1959	379	102.7	3,625	26.7	1,882	87.3
1960	730	92.6	3,918	8.1	3,301	75.3
1961	1,367	87.3	6,634	69.3	5,230	58.4
1962	2,306	68.7	8,541	28.7	8,423	61.1
1963	3,629	57.4	8,393	-1.7	12,317	46.2
1964	5,386	48.4	8,305	-1.0	15,975	29.7
1965*	7,479	38.9	8,804	6.0	n. a.	--

* End of June, 1965.

Source: Department of Credit and Marketing Cooperatives, Bangkok,
Thailand.

deposits, it may help both the credit unions and the members reaching the achievement.

Reserve and Other Funds

The reserve here refers to the mandatory reserve which is required by law. Other funds include the common-good fund and the dividend stabilization fund. As shown in Table 5, these items increased continuously from only 0.4 million bahts in 1955 to almost 7.5 million bahts by the end of June, 1965. The average of the reserves and other funds per one credit union was about 72,000 bahts, at the end of 1964. It seems to be low in comparison with working capital. But as we have seen, most credit unions have been operating less than 10 years. They have the long way to go for the accumulation of their reserves.

The advantages of reserves are two-fold: one is for the safeguard of the credit union according to the given ratio of assets, the other is to provide working capital.

Working Capital

Paid-up subscriptions and shares, deposits, reserves, and other funds are combined as the working capital of each credit union. It should be acknowledged that all credit unions in Thailand are operated entirely with their own established funds. They do not

borrow from any source, except for a small amount of time deposits from nonmembers. It is true that new credit unions demand more funds at the fledgling period of operation, but when considering a safe and sound managing basis, each society should begin with its own funds in such conditions.

Similar to the subscriptions and shares, as shown in Table 2, the growth of working capital is related to the number of credit unions and members. The total working capital has increased continuously every year from only 2 million in 1955 to 173.6 million and 193.5 million baht at the end of 1964 and June, 1965, respectively. The average working capital per one credit union was approximately 2.3 million baht, and about 1,650 baht per each member, by the end of 1964.

Loans

Loan disbursement, repayment, and loans outstanding are shown in Table 6. Loans were granted entirely to members, and they increased in accordance with the increase of working capital. Loan repayments were made pursuant to the installments expressed by the members in the applications under the prescription of the bylaws. From inception, no loan was charged as a bad debt; even though it was a hardship for some borrowing members to pay, they were permitted by the Board of Directors. In any case, the

Table 6. Loan disbursement, repayments, and outstanding, 1955-1965.

Year	Loan Disbursed Since January		Loan Repayment Since January		Loan Outstanding at Year End	
	Amount (฿ 1,000)	Percent Growth	Amount (฿ 1,000)	Percent Growth	Amount (฿ 1,000)	Percent Growth
1955	3,541	--	2,993	--	1,705	--
1956	6,069	71.4	4,724	57.8	3,050	78.9
1957	11,915	96.3	9,145	93.6	5,820	90.8
1958	23,778	99.6	17,708	93.6	11,890	104.3
1959	41,556	74.8	31,969	80.5	21,477	80.6
1960	63,509	52.8	48,614	52.1	36,372	69.4
1961	98,774	55.5	76,204	56.8	58,942	62.1
1962	148,445	50.3	117,084	53.6	90,302	53.2
1963	191,991	29.3	163,853	39.9	118,440	31.2
1964	247,829	29.1	217,001	32.4	149,269	26.0
1965*	136,714	--	117,442	--	168,541	12.9

* End of June, 1965.

Source: Department of Credit and Marketing Cooperatives, Bangkok, Thailand.

guarantors were responsible for delinquent loans. Also, since repayments for loans were made at the payroll office, borrowers could not avoid the payments.

Loans outstanding have gained every year from 1955, following the increase of working capital as well as loans granted and loan repayment. It should be observed that loans outstanding have been less than working capital every year; for instance, at the end of June, 1965, loans outstanding were 168.5 million baht compared with a working capital of 193.5 million baht, leaving a difference of 25 million baht. This does not mean that the different amount is in an idle fund. Credit unions shall make loans at the first of the next month, including reserves for daily expenses. There are some old credit unions, for example the Cooperative Officials' Society, which deposits idle funds with the Bank for Cooperatives in Bangkok. The Bank, in turn, makes loans to agricultural cooperatives. This is the best example of a progressive credit union transmitting its funds for agricultural credit indirectly. Some other credit unions also deposit their idle funds, left after lending to members, with the commercial banks because of no Banks for Cooperatives in the community.

It may be interesting to note here that, by the end of 1964, 62 out of 75 credit unions fixed the maximum amount of the ordinary loans (medium-term) at 10,000 baht, while 13 of them have the

maximum of 20,000 baht. There are 58 credit unions which give the maximum amount of the special loans (long-term) of not exceeding 20,000 baht, compared with 13 unions with the ceiling of loans at 30,000 baht. The Cooperative Officials' Society (the first credit union in Thailand) fixes maximum loans at 40,000 baht. The Chulalongkorn University Credit Union gives maximum loans of 70,000 baht (8, p. 3).

Net Surpluses

From Table 5, it can be seen that net surpluses have increased continuously with satisfactory rates. They shifted from only 0.1 million baht in 1955 to nearly 16 million baht in 1964, or increased almost 30 percent from 1963. In 1964 alone, the average surplus per one credit union was almost 213,000 baht, and approximately 150 baht per one member. Credit unions are not profit-seeking institutions. Their surpluses increase every year because of the expansion of lending to meet their members' demands, but these surpluses were distributed for several purposes to stabilize credit unions themselves, as we shall see later.

The number of credit unions classified by the size of net surplus are presented in Table 7. It shows that almost half of the total credit unions have surpluses ranging from 100,000 to 300,000 baht, while approximately 30 percent have less than this range,

Table 7. Number of credit unions classified by size of net surplus, December, 1964.

Size of Net Surplus	Number of Credit Unions
20,000 and under	4
20,001 - 40,000	4
40,001 - 60,000	5
60,001 - 80,000	4
80,001 - 100,000	6
100,001 - 200,000	19
200,001 - 300,000	15
300,001 - 400,000	9
400,001 - 500,000	4
500,001 - 600,000	3
600,001 - 700,000	1
700,001 - 800,000	-
800,001 and over	1
Total	75

Source: Phairoh Praianant. Some Facts about Cooperative Savings and Loans Societies in Thailand. Department of Credit and Marketing Cooperatives, Bangkok, Thailand.

leaving about 20 percent with a surplus of more than 300,000 baht, by the end of 1964. Again, we see that most credit unions are small and medium sizes when classified by surpluses.

Bonuses

The Board of Directors and the other committees of credit unions work without direct salaries; consequently, to encourage them in the improvement of the credit unions' activities, bonuses are awarded annually at a rate not to exceed 20 percent of the net surplus. The bonuses are also provided for the credit unions' employees. Table 8 shows the amount of bonuses and the average percentage of them from net surpluses. It appears that the annual bonuses have increased from about 0.03 million baht in 1955 to approximately 2.6 million baht at the end of 1964, even though an average of the percentage of net surpluses decreased from 18 to 16 percent. The amount of bonuses awarded has exceeded the patronage refund since 1959 (see Table 8). This often causes disputes between the Board of Directors and the members of credit unions.

Dividends

As described in the preceding chapter, the rate of dividends on share capital is fixed by Cooperative Law and cannot exceed six percent of paid-up share capital per annum. In order to induce

Table 8. Net surplus, bonus, dividend, and patronage refund of credit unions in Thailand.

Year	Net Surplus	Bonus		Dividend		Patronage Refund
		Amount (฿ 1,000)	Percent of Surplus	Amount (฿ 1,000)	Percent Shares	
1955	136	25	18.03	73	6	25
1956	247	44	17.75	123	6	49
1957	503	84	16.75	219	6	98
1958	1,005	175	17.31	452	6	179
1959	1,882	325	17.29	881	6	301
1960	3,301	545	16.47	1,616	6	452
1961	5,230	907	17.34	2,534	6	708
1962	8,423	1,440	17.10	4,113	6	1,225
1963	12,317	2,086	16.94	5,999	6	1,763
1964	15,975	2,582	16.16	7,980	6	2,421

Source: Department of Credit and Marketing Cooperatives, Bangkok, Thailand.

subscriptions from members, all credit unions always offer six percent of dividend on share capital. As shown in Table 8, the amount of dividends paid increased regularly from 0.07 million baht in 1955 to almost 8 million baht by the end of 1964.

Patronage Refunds

The declared patronage refunds of all credit unions are based on the amount of interest on loans which members paid to the credit union. The amount of annual refunds by all credit unions is shown in Table 8. It increased continuously every year from only 0.03 million baht in 1955 to 2.4 million baht in 1964, but it fell behind the amount of bonuses awarded the Board of Directors, committees, and credit unions' employees since 1959. As a matter of fact, patronage refunds to all members should be greater than the bonuses awarded.

The rate of patronage refunds is different in many credit unions. As shown in Table 9, more than half of the credit unions paid the refund at 10 percent of the interest paid by members. When the credit unions' surpluses increase, the rate shall be shifted up to 15 and 20 percent, respectively.

RELATED EFFECTS

The physical growth which concerns the number of societies,

Table 9. Number of credit unions classified by size of patronage refund, December 31, 1964.

Size of Patronage Refund (percentage of interest paid)	Number of Credit Unions
Non-refund*	2
5	1
10	39
12	1
15	15
17	1
18	1
20	14
30	1
Total	75

* Two newly operated credit unions did not declare patronage refunds.

Source: Department of Credit and Marketing Cooperatives, Bangkok, Thailand.

membership, and financial status of credit unions in Thailand has been examined and illustrated. It can be observed that credit unions have served their members with satisfactory achievements during the first 10 years of the movement. So far, it is possible for the growth trend to be continued in the future as long as there are competent personnel performing the jobs, and there is supervision and support by the government.

The obvious benefits of credit unions are two-fold:

1. Each credit union enables its members to save automatically by the subscriptions which each member makes to credit unions continuously. As we have seen the average member's shareholdings in a credit union is approximately 1,500 baht each, at the end of 1964.

2. A credit union serves as a source of loans for provident and productive purposes. By the end of 1964, the loans outstanding with members averaged about 1,400 baht. So, credit unions can relieve members from outside onerous debts, and also help them to meet incidental spending more reasonably.

Other benefits which are assumed to be invisible shall be determined as economic effects, social effects, and public administration.

Economic Effects

Beyond the above results, credit unions may be considered a source of national capital formation. When savings by members accumulated more and more until they exceed members' demands for credit, credit unions may deposit the idle money in the Bank of Cooperatives as well as commercial banks, for national investment.

The other result is that, credit union, so far as they exist, can relieve the market interest rate and finally induce investment.

Social Effects

The slogan of credit unions and other types of cooperatives is "Each for all and all for each." This statement means that all members of a credit union which organize, operate, and control their own society have to work cooperatively with their fellow members. Each member must be responsible for his duties and simultaneously take an active part for the benefits of society. By practicing this principle, social strength can come.

Public Administration

When credit unions as well as other cooperative societies become popular throughout the country, cooperative principles such as democratic control by one man, one vote, and self-help and mutual help shall penetrate to people's minds. Each citizen is a

member of the nation is likely to view and take part in the nation as he participates in the credit union. When all people have cooperative minds and realize that in controlling themselves, they can accept control of the whole society, governing policy shall become easy. "The best government governs least" can be achieved.

CHAPTER V

CREDIT UNIONS IN THE UNITED STATES

After the organization of credit unions in New Hampshire, DesJardins and Feline helped in the passage of the first credit union law in Massachusetts in 1909. Credit unions in the United States began to expand then. In 1934, the United States Federal Credit Union Act was passed, and in the same year the Credit Union National Association (CUNA), which shall be discussed later, was organized.

GOVERNMENT PARTICIPATION

Before 1934, credit unions were chartered under state laws except in a few states which did not provide such laws. When the Federal Credit Union Act was passed, many credit unions were chartered under the Federal law.

Procedures and operations of credit unions under state laws and the Federal law are the same, only the fees, annual examination, and a few other items are different. Emphasis is made here to the organization and operation of the credit unions under the Federal Charter.

Federal Credit Union Act

As mentioned above, the Congress passed the Federal Credit

Union Act in 1934. The latest amendment was made on July 2, 1964. This Act defines the term "Federal credit union" as "a cooperative association organized in accordance with the provisions of this Act for the purpose of promoting thrift among its members and creating a source of credit for provident and productive purposes" (23, Sec. 2).

This Act also provides for the creation of the Bureau of Federal Credit Unions placed in the Social Security Administration of the Department of Health, Education and Welfare. The Bureau is headed by a Director who is in charge of the Federal credit unions and appointed by the Secretary of the Department. Its mission is four-fold (18, p. 7):

1. To promote self-help security through privately owned and democratically-controlled Federal credit unions.
2. To stimulate systematic savings to provide capital and liquid reserves for credit union members.
3. To make available to people of small means credit for provident purposes and at reasonable rates through a national system of cooperative thrift and credit.
4. To help stabilize the economy of the United States by developing sound thrift, credit, and personal financial management practices.

The Bureau works with Federal credit unions in three major activities: chartering, supervising, and examining. Its head office

is in Washington, D. C. , while most activities are decentralized to regions in various cities throughout the United States. A Regional Representative has charge of each region and its staff of examiners.

Since 1953, its activities have been financed solely through charter, supervision, and examination fees paid by the Federal credit unions without direct appropriation funds from Congress. The Bureau is subject to the supervision of and is audited periodically by the General Accounting Office, the Bureau of the Budget, the Civil Service Commission, and the internal audit staff of the Department of Health, Education, and Welfare.

Rules, Regulations and Bylaws

The Bureau has issued the "Rules and Regulations for the Federal Credit Unions" which covers their organization, operation, and so forth, in accordance with the Act. It also formulates a standard form of bylaws consistent with the Act and the Rules. Every Federal credit union has to operate in conformity with such laws. Amendments to the bylaws will not be effective until approved by the Director of the Bureau.

Supervisory Examinations

The examiners of the Bureau can verify all books and activities of the Federal credit unions without notice. This examination

is not the same as audits by the supervisory committee, however. After each examination, the examiners will meet with the Directors, committee, or officials of that credit union to discuss the findings and make possible recommendations.

Reports

Another method through which the Bureau works with the Federal credit unions is the written reports:

1. Report of Examination. The examiners also make available to the Federal credit union a written report of the results they have reached. After this report has been reviewed in the regional office, a representative of that office may make additional suggestions based on the conditions disclosed by the examination report to the Federal credit union. The Board of Directors of that credit union is responsible for seeing that any necessary action is taken, and the supervisory committee has the duty to follow through and make sure that the Board does take effective action.

2. Financial and Statistical Reports. The Bureau and the Federal credit unions also work together through the financial and statistical reports submitted to the Bureau by each union. An analysis of the financial progress of the unions is made from such reports. Furthermore, they provide the information which enables the Bureau to file a consolidated Form 990, "Return of Organization

Exempt from Income Tax," with the Internal Revenue Service (18, p. 8).

3. Supervisory Committee Audit Reports. Section 301.12 of the Rules and Regulations for Federal Credit Unions provides that

"The supervisory committee of every Federal credit union shall audit the affairs of its credit union at least quarterly and shall promptly make a report of each audit to the Board of Directors.... A copy of this report for the period ending December 31 of each year shall be filed by the supervisory committee with the Regional Representative not later than the following January 31" (19, Sec. 301.12).

This report can help the Bureau to serve credit unions in correcting any shortcomings disclosed by the credit unions' own internal auditors.

4. Election Report. The Rules and Regulations of the Federal Credit Unions also provide for an election report from every Federal credit union. Within ten days of the election or appointment of officials, a report setting forth the names and addresses of its officials shall be submitted to the Regional Representative (19, Sec. 301.11).

5. Other Reports. From time to time, the Regional Representative or the Director of the Bureau may request information from Federal credit unions to be used in compiling special reports. This will be recognized as parts of research, statistics, and studies beneficial not only to the individual Federal credit unions but to the

credit union movement as a whole (18, p. 8).

Tax Exemption

The Act (23, Sec. 23) also provides for the properties of credit unions which shall be subject to and exempt from taxation imposed by the United States, states, territories, or local taxing authorities. The Act allows the states the right to tax real property and tangible personal property owned by Federal credit unions. It forbids taxation of any property except real and tangible personal property as mentioned above. Their income, franchises, capital, reserves, surpluses, and other funds may not be taxed.

On the other hand, taxes on intangible personal property may not be levied against a Federal credit union. The states or local taxation authorities may tax members of Federal credit unions on the value of the members' shareholdings. The duty or burden of collecting or enforcing the payment of such a tax shall not be imposed upon any such Federal credit union. Other provisions on taxation from the Federal Credit Union Act and other laws can be simplified as follows:

1. Federal Income Taxes. The provisions of the Federal Credit Union Act exempt Federal credit unions from the Federal Income Tax. As a result of a special ruling of the Internal Revenue Service, the Bureau of the Federal Credit Unions is authorized to

prepare a consolidated report on Form 990, "Return of Exempt Organization," for all several credit unions (18, p. 9).

2. Social Security Taxes. Federal credit unions are subject to the provisions of the Federal Insurance Contribution Act. When a Federal credit union employs persons and pays salaries or wages which bring them under the Social Security Act, that union must pay the employer's share of the required contributions and withhold and remit the employee's share in accordance with regulations of the Internal Revenue Service (18, p. 9).

3. Unemployment Insurance Taxes. When a Federal credit union employs four or more employees, it is subject to the Federal Unemployment Tax under the Security Amendments of 1960. These credit unions are also subject to the State Unemployment Tax. "In some states which tax employers of less than four persons, some Federal credit unions will be subject to the state but not the Federal tax" (18, p. 9).

4. Sales and Use Taxes. The provisions of the Federal Credit Union Act cover also sales and use taxes. When the incidence of a sales or use tax is upon the consumer or producer, Federal credit unions are exempt from such taxes on purchases made by them.

5. Excise Taxes. The Handbook for Federal Credit Unions summarizes that "Federal credit unions are not exempt from payment of excise taxes included in the sales price of property or

services purchased, if the legal incidence of such taxes is upon the manufacturer, distributor, or retailer" (18, p. 9).

ORGANIZATION

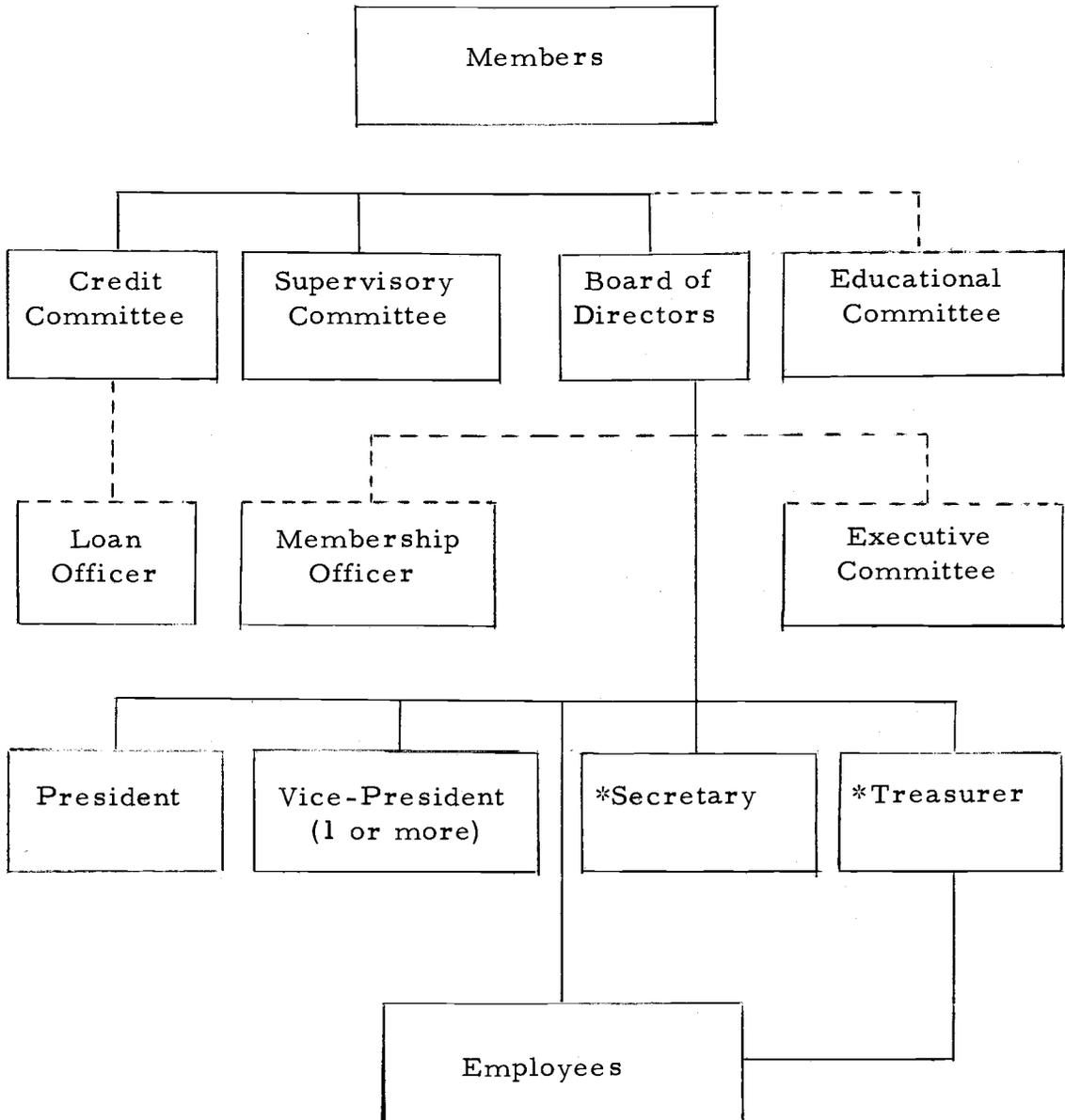
Mention has been made several times that the organization, operation, and control of the cooperatives and credit unions in the United States are carried out by the local citizens themselves. The government, the Bureau of Federal Credit Unions in the case of the Federal credit unions, just charters, supervises, and examines to check their legality, as shall be seen in this part (Chart 4).

Eligible Membership

The Federal Credit Union Act allows for a wide range of groups for eligible membership. It specifies that "Federal credit union membership shall be limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district..." (23, Sec. 10). The same section of this Act also provides for each member to subscribe at least one share of its stock and to pay the initial installment thereon and the entrance fee. Because of such wide provisions, the Bureau has written out the "Type-of-Membership Classification for Federal Credit Unions" (20) as of November, 1961, which can be summarized hereunder:

Chart 4

Structure of a Credit Union in the United States



Continuous lines indicate required functions.

Broken lines indicate optional functions.

*May be held by same person.

1. Associational Group. This group is divided into five sub-groups: (1) cooperatives such as Farmers' Cooperative Society; (2) fraternal and professional groups such as Knights of Columbus, Farm Bureau, Association of the Blind; (3) religions such as the Catholic Church; (4) labor unions; (5) groups not elsewhere classified, such as officers' credit unions.

2. Occupational Group. This group may be divided into tremendous sub-groups: It includes groups of people who work in agriculture, industry, construction, commerce, banking, insurance, government, education, and so forth.

3. Residential Group. This group is peculiar; it may be divided as urban community, rural community, and unclassified.

The recommendations for organizing are similar to those of Thailand which have been explained in the preceding chapter. The organizers may obtain information from the Bureau or its Regional Representatives, or the Director of the state supervisory agencies, whichever is the case. To contact the employer for his sympathy and coordination is also recommended.

Section 4 of the Federal Credit Union Act provides that any seven or more natural persons who desire to form a Federal credit union must subscribe an organization certificate in duplicate which specifically states the name, location, territory of the proposed union, and names, address, and number of shares of each subscriber,

to the Regional Representative or the Bureau. The par value of shares is \$5 each.

After an investigation and review by the Regional Representative, the organization certificate shall be transmitted to the Bureau in Washington, D. C. , with a report and recommendations. The Director of the Bureau of Federal Credit Unions is empowered to approve the organization certificate if it conforms with the Act, and Rules and Regulations. When a Federal credit union becomes a corporate body, it is necessary to follow the laws.

Board of Directors

Section 12 of the Federal Credit Union Act specifies

"The business affairs of the Federal credit union shall be managed by a Board of not less than five Directors, and a credit committee of not less than three members, all to be elected at the annual members' meeting by and from the members, and by a supervisory committee of not less than three members nor more than five members, one of whom may be a Director, other than the Treasurer, to be appointed by the Board...." (23, Sec. 12).

The Board of Directors is the custodian of members' interest in supervising and formulating general management policies. Each Director should be a person of leadership, executive skills, human relation talents, and honesty. The Directors work without compensation.

Responsibilities of the Board. The Board's responsibilities

may be classified as follows (19, p. 11-15):

1. To hold monthly meetings to determine general affairs such as membership applications, designating depositories for funds, supervising collections of loans and late charges, hiring employees and fixing duties, and authorizing and supervising investments and borrowings.

2. To periodically review and fix the amount of surety bonds on the treasurer and employees (at least semi-annually), fix maximum individual share limit, and set the loan policy, including maximum of loans and interest.

3. To appoint a supervisory committee and temporary officials, and they may appoint a membership officer and executive committee or educational committee.

4. May declare dividends, interest refunds, and plan for the annual meeting including preparing reports to members.

President. The President of the Board is responsible for his customary duties, such as calling and presiding at meetings, countersigning checks and other obligations if bylaws so require; carrying out the instructions of the Board on investments and borrowings; and he may appoint a nominating committee.

Vice-President. Besides acting as President during his absence, the Vice-President may have other functions assigned by the Board.

Secretary. The Secretary is responsible for keeping minutes of the Board and members' meetings, preparing notices of any meetings of members including sending the annual election report and any change in the managing staff to the Bureau, plus any other duties assigned by the Board.

Treasurer. The Treasurer is the general manager of a credit union with the following responsibilities:

1. To have custody of all assets, keep books of account, sign checks and other obligations, receive shares and loan payments, transmit the loan applications received to the credit committee, and have a sympathetic and intelligent understanding of members' problems.

2. To prepare monthly financial reports to the Board and members, send such annual reports to the President and the Bureau, and carry out the Board's instructions with the President.

The Board may appoint one or more assistant treasurers, but neither the President nor Vice-President may be appointed.

Managers. A large credit union may employ a manager who is not the Treasurer to carry out daily business. This may be done through the provisions of bylaws for separate offices and prescribing the duties of each.

Membership Officer. Any member may be appointed as Membership Officer by the Board. He may be delegated the authority to

approve applications, but he cannot reject them. The list of applications both approved and not approved must be submitted to the Board's monthly meeting.

Executive Committee. The Board may appoint this committee of not less than three Directors. It may be delegated the authority to purchase and sell securities, make loans to other credit unions, and approve applications for membership.

Generally, a large credit union adopts this committee instead of a small one.

Supervisory Committee

Under the standard form of bylaws, the Supervisory Committee shall be appointed by the Board from among members, one of whom may be any Director other than the Treasurer or a member of the Credit Committee. This Committee consists of at least three persons with one-year terms. Its responsibilities may be summarized as follows:

1. To constructively examine the credit union affairs, audit the books, verify shares and loans balances, and maintain confidential relations with members.
2. To suspend officers, Directors, or members of the credit committee, if necessary, and call special meetings of members for cause.

3. To prepare quarterly audit reports for the Board and send a copy to the Bureau, and to prepare and present annual reports to members.

The Committee may request the Board to provide compensation for clerical and auditing assistance, but the committee itself may not be compensated.

Credit Committee

The Credit Committee is elected by and from the members with staggered two or three-year terms, which are fixed by the Board. It may be composed of three or five members who serve without compensation as the following prescribed responsibilities:

1. To meet at least once a month for investigating and granting loans to members including extensions or refinance of them, to approve borrowers' share withdrawals, and to counsel members in wise use of credit.

2. To prepare and present annual reports of loans to the members, and it may appoint, supervise, and delegate authority to the loan officers.

The Committee must keep minutes of its meetings.

Loan Officer. The Credit Committee may appoint one or more loan officers from among its members or Directors or the general membership of the union. The loan officer(s) may be

authorized to approve loans under the supervision of the Committee. The loans which are approved and not approved must be submitted to the Committee within seven days of the date of filing the application. He may not disburse funds for any loan approved by him.

Study has shown that the Credit Committee is required by law for Federal credit unions, while it is optional in Thailand. The Supervisory Committee, Educational Committee, Executive Committee, Membership Officer, Vice-Treasurer, and Manager are not employed at all for credit unions in Thailand.

Obligations

Under the Federal Credit Union Act (18, Sec. 6) and the Rules and Regulations, a Federal credit union is required to pay an investigation fee, charter fee, supervision fee, examination fee, and examination in liquidation fee.

1. Investigation Fee. The amount of this fee is \$20 and it shall be submitted with the proposed organization certificate. The object of this fee is for the expense of investigating the proposed organization certificate by the Bureau. "Under no circumstances shall the investigation fee of \$20 be returned" (19, Sec. 301 (b)).

2. Charter Fee. The charter fee of \$5 shall also be submitted with the proposed organization certificate. If such a certificate is disapproved, the incorporators shall be notified and the charter

fee will be returned.

3. Supervision Fee. This fee is set forth in the graduated scale based on the total assets of December 31 of the preceding year, but it shall not be less than \$10. The fee is required for supervisory expenses by the Bureau and shall be submitted to the Bureau not later than January 31 of each calendar year; no such fee shall be paid in the year in which the union's charter is issued, or the year in which final distribution is made in liquidation as the charter of such union is canceled.

The scale is as follows:

<u>Total Assets</u>	<u>Maximum Fee</u>
\$500,000 or less	30 cents per 1,000.
Over \$500,000 and not over \$1,000,000	\$150, plus 25 cents per 1,000 in excess of \$5,000,000.
Over \$1,000,000 and not over \$2,000,000.	\$275, plus 20 cents per 1,000 in excess of 1,000,000.
Over \$2,000,000 and not over \$5,000,000	\$475, plus 15 cents per 1,000 in excess of 2,000,000.
Over 5,000,000	\$925, plus 10 cents per 1,000 in excess of 5,000,000.

4. Examination Fee. This fee shall be established by the Director of the Bureau from time to time in harmony with the aggregate cost of examination. Some factors which affect the cost are salaries and travel expenses. For the Federal credit union with total assets less than \$25,000, the fee shall not exceed 50 cents per

\$100 of assets as of the effective date of the examination. The Director may establish a minimum fee which shall not exceed \$25, and he may waive such fee for an examination within 12 months after a charter is approved if the payment would cause a hardship.

5. Examination in Liquidation Fee. In case of examination before completion of liquidation of any Federal credit union, the examination fee as described under number 4 shall be adopted.

ACTIVITIES

Under the provisions of the Federal Credit Union Act (23, Sec. 8), a credit union as a corporate body is given specific powers and authority to enable it to work conveniently for its purposes. These powers, for example, are to make contracts, to sue and be sued, to use the common seal, and to purchase, hold, and dispose of property. Other authorities which are considered as inevitable activities are discussed hereafter.

Thrift Promotion

Systematic thrift promotion is the most vital policy of credit unions. Most operating funds which are offered for loans to members come from members' savings.

In the United States, Federal credit unions are not permitted to receive deposits from any person. The only way to promote thrift

is through the installment of share capital. This prohibition protects the credit union's liquidity. The Board of Directors is responsible for determining the maximum amount of shareholdings of each member so that large investments by a few individuals will not interfere with the prime objective of credit unions.

In order to encourage members' savings, the Federal standard form of bylaws permits members to make payments on shares in installments as small as 25 cents per month. Shares may be transferred among members only, by written instrument approved by the Board of Directors who may charge 25 cents for such transfer. The shares may be withdrawn any day when payment on shares can be made, but the Board has the right to require a notice of not more than 60 days for withdrawals.

Credit unions in Thailand, and those which are chartered under state laws in the United States, are allowed to receive deposits from members in addition to shareholdings. This policy is considered the second instrument for promoting thrift and savings among members. Moreover, credit unions in Thailand do not permit any member to withdraw or transfer his shares until he has left the field of membership.

Financial Planning and Budgeting

Financial planning is recognized as an essential function of

a credit union. Sound financial management will be achieved through planning.

The term "planning," in general administration, came from the French word "prevoyance" meaning looking ahead, and has the following definition: "Planning is clarifying one's objectives and then determining what action shall be taken by whom, when, by what methods, and what costs in order to achieve the desired goals" (5, p. 131). Financial planning includes a forward-looking appraisal of financial aspects, then using that as a guide for making decisions on the most effective cost of operation in the future. This planning is concerned with the operating policies and the trends on every item in the financial and statistical report of the credit union; then, it is logical to make plans based on such reports. The major influences, both internal and external, that should be included in a forecast for sound financial planning, are as follows (18, p. 23).

1. The general economic condition of the nation.
2. The economic condition of the area in which members work.
3. Employment and income in the group the credit union serves.
4. The extent of members' participation.
5. The cash position of the credit union.
6. Other factors which will affect its operations.

The Board of Directors is responsible for making plans for the credit union. Flexible plans, readily adjustable to changing needs, are usually better than rigid ones.

Budgeting. Planning and budgeting are two complementary operations. "Policy and program planning come first; the translation of annual or biennial segments of a plan into figures follows" (24, p. 261). A useful budget must be based on prior planning. A credit union should have two types of budgets: an operating budget and a cash budget.

1. Operating Budget. The operating budget is the estimate of the assets, liabilities, and capital accounts based on former statistics. The first group of estimations must be the income from various sources. The second estimation is expenses for several items. The third step is to compute net earnings from estimated incomes and expenses. The fourth step is to deduct 20 percent of the net earnings for the regular reserve, and the remainder for other reserves if they exist. Finally, the remainder is undivided earnings which may be paid for dividends and interest refunds.

2. Cash Budget. This budget shows the existing cash from the beginning to the end of the period. After cash receipts are estimated and added to the former cash balance, the total cash obtained during the period can be known. After the deduction of estimated cash disbursement, the rest will be the cash balance

at the end of the period.

Cash Control

Credit unions are one type of financial institution which uses cash in business. Cash is the most liquid of assets and the one most subject to the risk of loss. The Board of Directors is responsible for establishing safeguards for the cash if sound financial plans are to be achieved. Because having cash on hand is hazardous, the Account Manual requires that cash received be recorded, accounted for, and deposited promptly in the bank (21, p. 9). The standard form of bylaws also provides for change funds and petty cash funds for a credit union.

1. Change Funds. The Board may, by resolution, authorize a cash fund in an amount not exceeding \$500 (usually) for the purpose of making change. The Board shall obtain the written permission of the Bureau for the establishment of any cash fund in excess of \$500, except for temporary change funds which shall be adequately covered by insurance and surety bonds and shall not be retained by the credit union longer than three banking days (22, Article XV, Sec. 4).

2. Petty Cash Funds. The standard form of bylaws provide that the Board may, by resolution, provide for the establishment and replenishment, at least annually, of a petty cash fund not to

exceed \$25 for postage, and for defraying other expense items of the credit union in the amount of less than \$5.

Reserves

Sound management which includes sound financial procedures will take all the usual precautions against the risk of loss; even so, unforeseen and unpredictable events can still cause loss. For this reason, the Federal Credit Union Act (23, Sec. 17) and the Rules and Regulations and bylaws require all Federal credit unions to establish certain reserves, such as regular reserves, special reserves, or reserves for contingencies.

(1) Regular Reserves. Every Federal credit union must establish a regular reserve. The primary source of this reserve is from 20 percent of the net earnings of each dividend period (23, Sec. 17). Additionally, all entrance fees, transfer fees, late charges, and reserves on charged-off loans must be placed in the regular reserve. This reserve must be built up until it is equal to 10 percent of the total amount of the members' shareholdings.

(2) Special Reserve for Delinquent Loans. The Rules and Regulations specify

"The Regular Reserve of each Federal credit union shall be supplemented by a special reserve to be known as the Special Reserve for Delinquent Loans, which shall be equal to the excess of the sum of 10 percent of the unpaid balances of loans

delinquent more than two months and less than six months, plus 25 percent of unpaid balances of loans delinquent from six months to less than 12 months plus 80 percent of the unpaid balances of loans delinquent 12 months or more over the balance in the Regular Reserve..." (19, Sec. 302.3).

This reserve must be established before the credit union may pay any dividend.

The Director of the Bureau of Federal Credit Unions issues an order requiring the creation of a Special Reserve for Loans when he finds that the reserves of a Federal credit union are inadequate.

(3) Reserves for Contingencies. The Board may earmark a part of the undivided earnings as a Reserve for Contingencies when it is aware of a probable or unusual loss which would not be covered by the Regular Reserves or other reserves. The Board may transfer such reserves back to Undivided Earnings if such loss does not occur. Other recommendations are prescribed in the Accounting Manual.

Dividends

The Board of Directors is responsible for determining whether dividends for the current year shall be declared and paid annually or semiannually. Dividends may be declared by the Board after making provisions for the required reserves at the end of the fiscal year. The dividend rate may not exceed six percent per

annum for each fully paid share of \$5. The Board should determine the policy on dividends which may exert influence on the promotion of thrift.

Refund of Interest

After providing for reserves and dividends, if the excess of income over expenses is sufficient, refunds based on a portion of the interest paid to borrowers may be made at the end of each dividend period. It is a fair policy for the borrowers as well as savers. It also shows that the credit union charges only those rates which are necessary. Another advantage is that in the period when earnings are high, it is not necessary to lower the rates of interest, or vice versa.

Making Loans to Members

Federal credit unions make loans to their members under the limitations of the Act and the Rules and Regulations. They may not make loans to nonmembers, except to other credit unions as shall be indicated later. Loans made to members must be for provident or productive purposes and must be approved by the Credit Committee or a loan officer. The interest rates may not exceed one percent per month or 12 percent per annum on unpaid balances including all charges incidental to making the loan.

There are two types of loans in a credit union under the provision of the Act: unsecured and secured loans.

1. Secured Loans. The Board of Directors may fix a maximum limit for all loans granted to a member, but such limitation may not exceed 10 percent of the union's unimpaired capital and surplus, except that a credit union with less than \$2,000 of capital may only make loans up to \$200. Whenever the funds are not available to make loans for all applications, preference shall be given to applicants for small loans.

2. Unsecured Loans. The Board may also limit the maximum of unsecured loans not exceeding \$750 as required by the Act. In general practice, the borrowing member of unsecured loans is not required to have any guarantor. This practice is different from credit unions in Thailand, where unsecured loans require at least one member witness.

Amortization. Another prohibition in making loans is that the supervisory or credit committee member may not act as endorser or guarantor for any borrower.

The term of loan may not exceed five years. Amortization of loans must be pursuant to the following rules and regulations.

1. Loans with maturities of one year or less may be approved for retirement by a single payment of the principal at maturity.

2. Loans with maturities in excess of one year shall provide for amortization by periods of substantial equal payments at intervals of not greater than 12 months.

3. Loans with maturities in excess of one year but not in excess of 30 months may provide for retirement by a single or several payments of intervals greater than 12 months if such terms are justified by the needs, condition, plan, and proposals of the borrower.

Investments

The Board of Directors is responsible for an investment policy consistent with its overall financial plan. The Board may delegate the authority to make legal investments to the executive committee, but such delegation does not relieve the Board of its responsibility. Things which should be considered in investments are safety, liquidity, and the yield of that investment. The Federal Credit Union Act (23, Sec. 8 (7)) provides for the investments of the Federal credit unions as follows:

1. Loans to Members. Credit unions may make loans exclusively to its members under the conditions indicated formerly.
2. U. S. Securities. A credit union may invest in the obligations or securities fully guaranteed by the United States, such as U. S. Bonds. The market value of negotiable Government securities

fluctuates, but they are always good securities for temporary bank loans. Redeemable U. S. Savings Bonds do not fluctuate in market value, but are redeemable at an agreed value at any time, 60 days after issue. They cannot be assigned or pledged to secure a loan.

3. Savings and Loan Associations. The credit union should invest in shares or accounts of savings and loan associations whose accounts are insured by the Federal Savings and Loan Insurance Corporation. Such shares are insured up to \$10,000. Dividends and shares in excess of \$10,000 are not insured. Notice may be required for withdrawal of shares.

4. Loans to Other Credit Unions. The Federal credit union may make loans to other credit unions, except unincorporated credit unions or incorporated credit unions under the laws of a foreign country or its political subdivisions. Such loans may not exceed 25 percent of the Federal credit union's paid-in and unimpaired capital and surplus, with the term not exceeding one year and the interest rate not to exceed 6 percent per annum.

Prior to making such loans, the borrowing credit union shall be required to furnish the following documents (19, Sec. 301.9).

- (1) A copy of the current financial and statistical report.
- (2) The latest supervisory committee audit report.
- (3) A certified copy of the resolutions of the Board of

Directors or the executive committee authorizing such borrowing.

(4) A certificate from the Secretary of that credit union that the persons negotiating the loan and executing the notes are officers of the credit union and are authorized to act in its behalf, and that such borrowing does not exceed the maximum borrowing power of the borrowing credit union.

These loans are not readily marketable, and their safety, and assurance that they can and will be repaid when due, depends on the borrowing credit union.

5. Other Institutions Approved for Investment. A Federal credit union can also invest in obligations issued by the Banks for Cooperatives, Federal Land Banks, Federal Intermediate Credit Banks, Federal Home Loan Banks, Federal Home Loan Bank Board, or any corporation wholly owned by the Government.

Deposits in Banks

Under the Act, the Federal credit union may deposit its funds in national banks, state banks, trust companies, and mutual savings banks operating in accordance with the laws of the state. The Act does not authorize investment in time certificates of deposits purchased for negotiating through third parties.

The Board of Directors is responsible for choosing the depository bank and bases its decision on the bank's size, ratio of capital and surplus deposits, the quality of management, and the

quality and convenience of its service to customers. National banks are insured by the Federal Deposit Insurance Corporation, but such insured deposits are up to a limit of \$10,000 (6, p. 10 and 35).

Borrowings

The provisions of the Federal Credit Union Act of rules and regulations allow the Federal credit union to borrow money from any source, but such borrowing may not exceed 50 percent of its paid-in and unimpaired capital and surplus.

The two principal sources of credit used by credit unions are banks and other credit unions. Borrowing power is intended for short-term purposes rather than long-term. A Federal credit union which makes agricultural loans that are eligible for rediscounting with the Federal Intermediate Credit Bank has the power to discount or sell such loans to the F. I. C. B. up to the full amount of its paid-in and unimpaired capital.

Levying Late Charges

A Federal credit union has the power to collect charges for the failure of members to meet their obligations to the credit union, under the provisions of its bylaws. A member who fails to complete payment for one share within two years of his admission to membership may be absorbed by a late charge upon the

authorization of the Board. The late charge for delinquent loans for a period of one week or more may not exceed one cent per month on each \$5 or fraction thereof. The Board may resolve that the late charge be assessed at a rate of 20 percent of the interest due, but such charges in any case must not be less than 5 cents, however. These late charges shall be placed in the Regular Reserve of the union and are not to be considered as income.

Impress and Enforce a Lien on Shares

A Federal credit union has a power to impress and enforce a lien on the shares of any member for any obligation which he owes to the credit union. This means that it may apply the shares of any members against his unpaid obligation, whether or not he has signed a pledge of shares. This power also extends to the shares owned by comakers and endorsers.

Selling and Cashing Checks

The Act also provides for the Federal credit union to sell to its members only negotiable checks, travelers' checks, and money orders, and to cash such checks and money orders for its members only. Pay checks are cashed for members free of charge if in payment on shares or loans. The Board of Directors must determine what effect on the financial plan such policies will have--

whether they help or hinder the promotion of thrift. The costs and safeguards of such policies must also be considered.

Accounting System

The accounting system of the Federal credit unions is similar to that which is practiced in Thailand. Two major types of accounts are assets accounts and liabilities accounts. The bookkeeping process consists of five steps.

1. Original Transaction. For the first step, the Cash Receivable Voucher (21, p. 10) is provided as a record for items of cash received, similar to the debit slips of credit unions in Thailand. These vouchers should be summarized and the total cash received balanced each day. For the payments by a credit union, the Journal Voucher is provided as a record of each check issued or other journal entry needed, similar to credit slips in Thailand.

2. Entry in Record of Original Entry. This step is to make the original entry in a journal and Cash Record (21, p. 40), the same as General Journal and Cash Books of credit unions in Thailand. Additionally, after the first step, each transaction made with a member shall be recorded in the member's passbook. The passbook shall be his official receipt and record of all his future business with the credit union. It also serves as a current statement of his account (21, p. 13 and p. 28).

3. Entry in the Members' Accounts. The Individual Share and Loan Ledger (Form FCU 103 or its equivalent) is provided for this purpose. It is a subsidiary record for the details of transactions of each member. For credit unions in Thailand, the individual share ledger is separate from the individual loan account.

The fourth and fifth steps are posting and balancing for the preparation of the statement, respectively. The process practices is the same as that applied in Thailand. The Bureau of Federal Credit Unions designs the form of General Ledger (FCU 102) and the form of other statements printed in the Accounting Manual (21, p. 29-51), which are convenient for a Federal credit union to adopt.

Incidental Powers

The Board of Directors, from time to time, may adopt new technical methods or any policy which helps to promote thrift and to provide credit to members, as for instance, leasing property for office space; providing retirement or other fringe benefits to employees; or purchasing group or other insurance which covers borrowers and savers, properties, employees, and officials who work during field trips.

Federal credit unions are subject to State Workmen's Compensation Laws, which require insurance for the employee's compensation against loss of earnings when he is injured while in the

service of the credit union.

Under the rules and regulations, a Federal credit union must purchase a blanket bond which includes insurance against direct loss of property as well as burglary and robbery. The Credit Union Blanket Bond BFCU Optional Form No. 576 includes protection against loss of property through forgery and mysterious unexplainable disappearances which the Blanket Bond Form No. 23 does not include (19, Sec. 301.20). Providing these urges credit unions to protect themselves against direct loss of properties caused by dishonest, fraudulent acts of employees or the failure of any person having custody of funds to faithfully perform his duties.

A suretyship contract has three parties, the first party or the principal being the employee. When he causes a loss in a credit union, he is obliged to make such loss good. But, if he does not have the money to make it good, the third party, the surety, agrees to take care of such a loss. The surety receives a premium for assuming the risk, paid by the credit union.

Beyond this, a credit union may join and pay dues to the State and National Association of Credit Unions. It may discount or sell notes of members to effect collections but may not engage in the business of buying and selling notes of members.

CREDIT UNION MOVEMENT

Because of limited space, this part presents only a summary of credit union growth, leagues, and CUNA and examines the valuable activities which the associations provide for credit unions in the United States as well as worldwide (Chart 5).

Credit Union Growth

From the International Credit Union Yearbook, 1965, prepared by CUNA International Incorporation (4, p. 6-13), the growth of the credit unions can be visualized as follows:

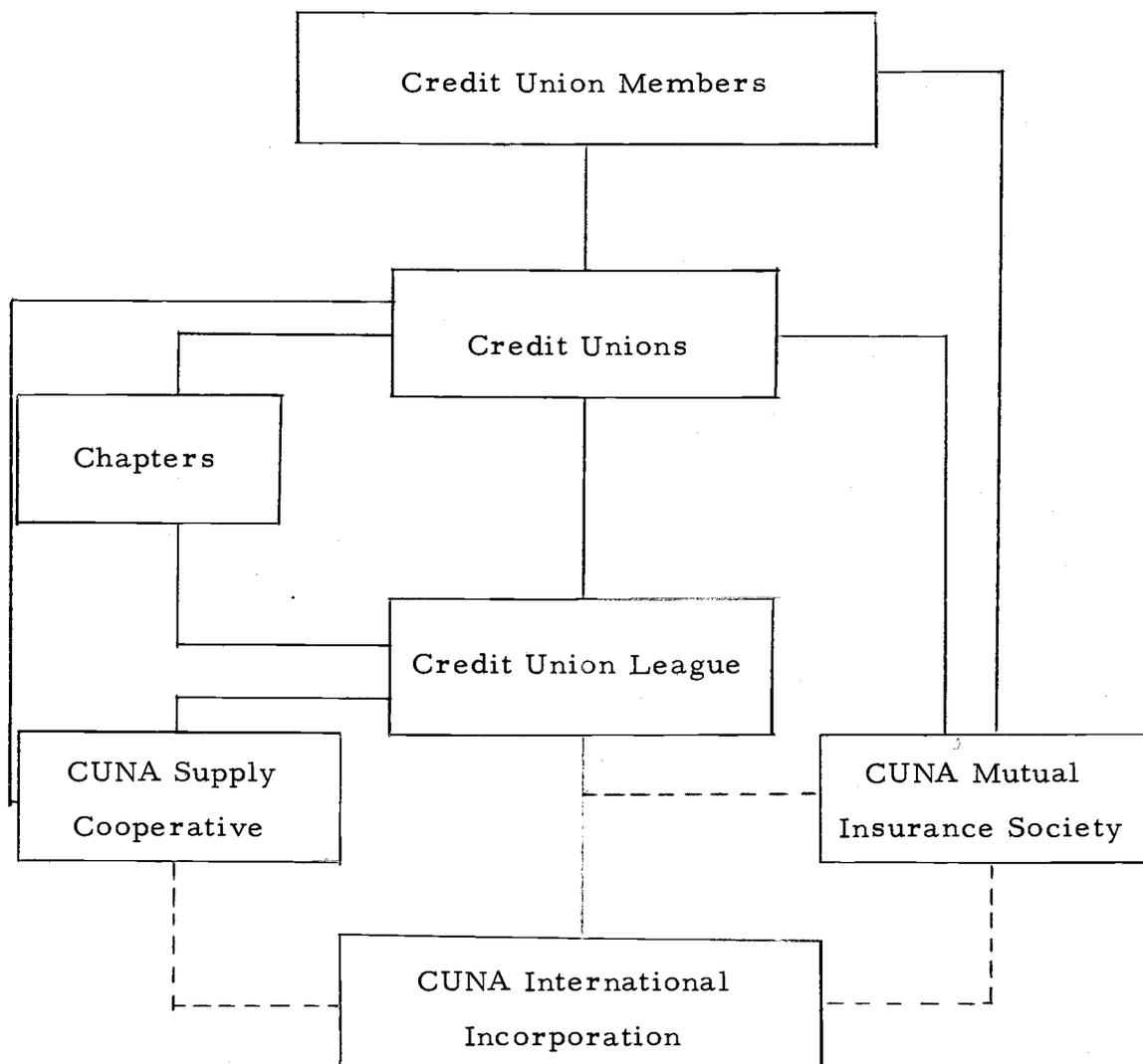
1. Number of Credit Unions. There were 47,097 credit unions in the world at the end of 1964, as compared with 32,084 unions in 1963. For the United States, the credit unions have increased continuously since the postwar years, from 8,200 unions in 1944 to 21,876 unions at the end of 1964 or 2.25 percent from 1963.

Distribution by classification of groups of members is as follows:

<u>Groups</u>	<u>Percentage</u>
Manufacturing	35.74
Associational: labor unions, coops., churches, etc.	17.06
Federal, state, and local government	14.90
Wholesale, retail, finance, insurance, and real estate	10.74
Communication, electricity, gas, and sanitary services	9.53
Educational services	7.05
Residential	4.04
Other occupations: agriculture, mining, and construction	0.94
Total	<u>100.00</u>

Chart 5

Structure of the Credit Union Movement



Source: CUNA International Credit Union Yearbook 1965.

2. Number of Members. Members of worldwide credit unions totaled 25.70 million at the end of 1964. In the United States only, the number of members were 15.60 million in the same year, indicating an increase of 6.88 percent from 1963. As a percentage of the total population, the U. S. credit union membership also gained every year. It represented 8.0 percent of the total population at the end of 1964, as compared with 7.15 percent in 1963.

3. Savings in Credit Unions. Savings of the credit unions throughout the world showed \$11.1 billion at the end of 1964, while U. S. credit unions held an estimated \$8.2 billion, or an increase of 14.57 percent from 1963.

The following personal savings accounts in financial institutions in the U. S. by the end of 1964 may show the participation of the credit unions.

<u>Personal Savings Accounts</u>	<u>Percentage</u>
Postal savings	0.2
Credit unions	3.2
Mutual savings banks	17.6
Savings and loan	35.9
Commercial banks	<u>43.1</u>
Total	100.0

4. Loans by Credit Unions. The loans outstanding of worldwide credit unions was estimated at \$8.9 billion at the end of 1964, while in the U. S. they were 7.0 billion, an increase of about 13.9

percent from 1963. The role of U. S. credit unions in providing loans in the nation is roughly equivalent to that in savings.

5. Reserves and Total Assets. Credit unions throughout the world accumulated reserves of \$636.2 million and total assets of about \$12.6 billion at the end of 1964. In the United States alone, reserves were estimated at \$515.5 million and total assets at \$9.3 billion in the same period. The percentages of increase from 1963 were 16.76 percent for reserves and 14.88 percent for total assets. The percentage of credit unions distributed by asset size is shown in Table 10.

Credit Union League

A credit union league is a secondary nonprofit association of credit unions in its boundaries such as in each state. It is governed by a Board of Directors elected from and by the member credit unions. Currently, there are 50 credit union leagues in the United States and its territories. A league has been established to serve its members in each of the 50 states, except Alaska and Nevada; there is one in Washington, D. C. ; and the other is in Puerto Rico, the United States' territory.

A credit union league, in the State of Oregon for example, is affiliated with CUNA. The Directors are elected by member units in their respective District Meetings (see Chart 6) to serve two-year

Chart 6

The Channel to Credit Union League

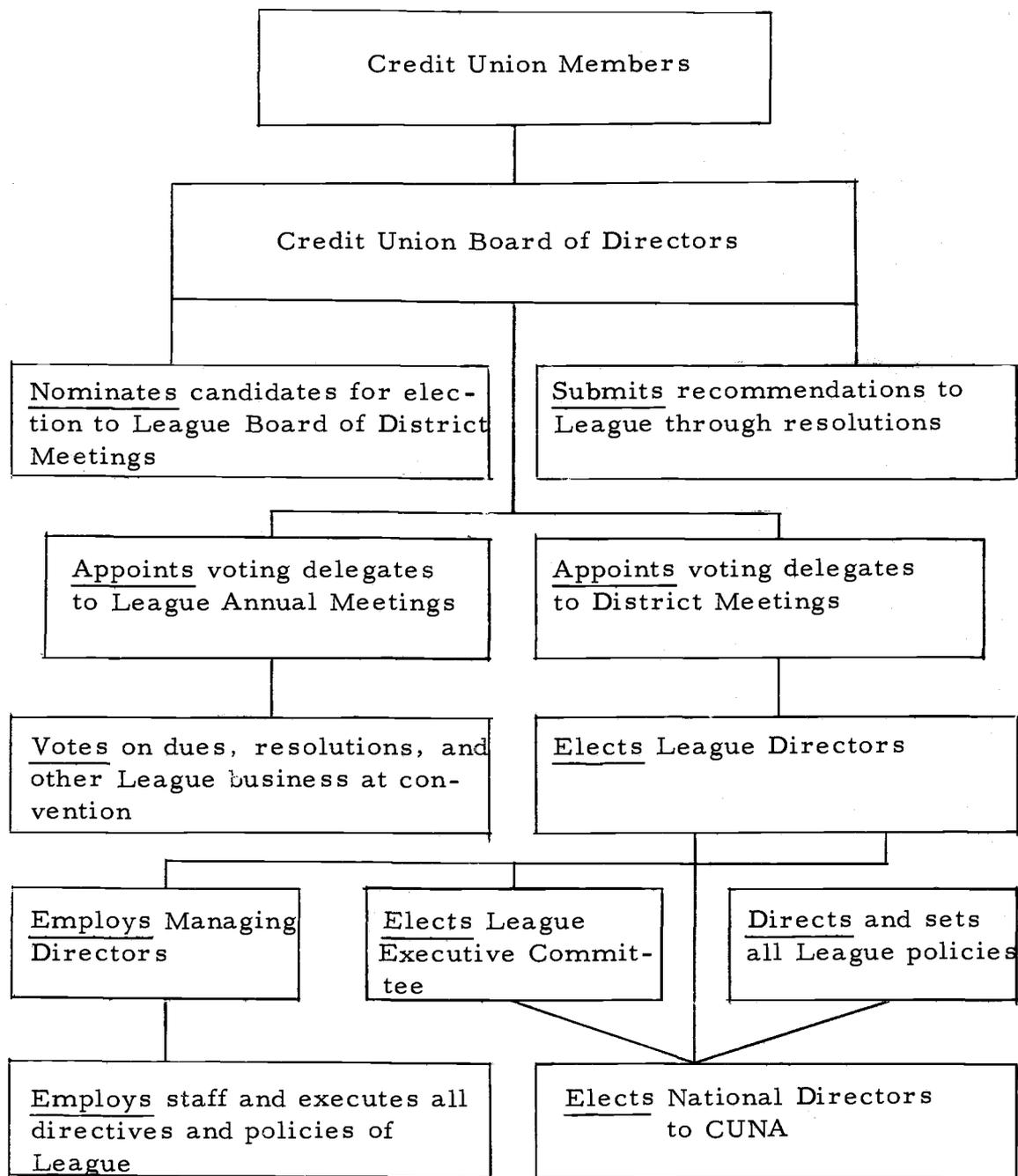


Table 10. Distribution of credit unions by asset size in the United States at the end of 1964.

Assets	Percentage
\$ 50,000 and lower	32.92
50,000 to 100,000	15.91
100,000 to 200,000	16.35
200,000 to 300,000	8.66
300,000 to 500,000	9.13
500,000 to 700,000	5.00
700,000 to 1,000,000	4.37
1,000,000 to 2,000,000	5.23
2,000,000 to 5,000,000	3.22
5,000,000 and over	1.21
Total	100.00

Source: International Credit Union Yearbook, 1965.

terms without compensation. The Board of Directors elects an Executive Committee from its own Directors to carry on the Board's duties between meetings.

The Board also employs a Managing Director as an administrative officer; he in turn employs a staff to help in managing the league policies. The Managing Director and his staff are career workers in the credit union movement.

The league is financed by its member credit unions which pay dues for their membership based on the credit union income determined by the member credit unions themselves.

District and Chapter Organization. The key units of organized credit unions in Oregon, as well as other states, are its Districts. The credit unions nominate candidates for an election to the League Board of District Meetings; these candidates also discuss the proposed issues and policies they wish to present at the League Annual Meetings. There are nine chapters in the Oregon Credit Union League; each operates as an educational mission for the employees and volunteers of credit unions within the chapter boundary. Member credit unions elect their own chapter officers as shown in Chart 7.

The Oregon Credit Union League works closely with each chapter as a resource agency providing both personnel and programs for their meetings. Partial financial support is provided through dues from league members. Guidance is given to the chapter

Chart 7

District and Chapter Organization

District (A)

League Directors:	President Treasurer
District Officials:	Chairman Secretary
Chapter Officials:	President Vice-President Secretary Treasurer
Board:	Two to six persons

officials through a yearly chapter league workshop.

The purposes of a credit union league are four-fold: (1) to promote credit union organization, (2) to improve credit union operations, (3) to care for common legislative interests, and (4) to maintain credit union philosophy.

Services: The credit union league may serve its member credit unions as follows:

1. Organizing and training staffs of new credit unions.
2. Periodic field assistance in techniques and so forth.
3. Acting as a central agency for insurance guidance.
4. Arranging educational programs with the cooperation of each chapter through credit unions' officials training, seminars, workshops, films, publications, and so forth.

The league staff and CUNA specialists are usually working together to instruct both credit union officials and the league staff in several policies. The league also stocks office supplies from CUNA Supply Cooperative for credit unions.

CUNA International Incorporation

Formerly, CUNA was the Credit Union National Association governed by a Board of Directors who were the elected representatives of the credit unions in each league, and it was supported by the dues from the leagues and from credit unions in non-league areas

in the United States and the territories.

Beginning in 1958, CUNA became a worldwide association, open to credit union leagues anywhere in the world. In 1962, CUNA and the U. S. Agency for International Development signed a contract to establish credit union movements in underdeveloped areas. It has changed the corporate name to CUNA International Incorporation and has instituted truly international forums since 1964.

CUNA is a nonprofit institution. Each Director serves without compensation. The number of Directors which represents each league is in proportion to the number of credit union members in that league, with a maximum of five (4, p. 23) from each league. The Directors meet annually, usually in May.

The Directors elect an Executive Committee from their own members. This Committee consists of a President, seven Vice-Presidents, a Secretary, and a Treasurer who meet quarterly.

The Executive Committee appoints a Managing Director who in turn heads the staff which carries out the international credit union programs. CUNA's Headquarters are at Feline House, Madison, Wisconsin.

Purposes of CUNA. The specific objectives of CUNA are summarized here:

1. To promote the organization of credit unions.
2. To perfect credit union laws.

3. To improve methods and techniques of credit union operations.

4. To coordinate and direct the efforts of all credit unions in their prime objective, which is the elimination of usury in the field of personal finance.

Services of CUNA. The majority of CUNA's services are directed toward credit union leagues. The leagues, in turn, use these services to help their member credit unions. These services may be visualized as follows:

1. Starting New Credit Unions. CUNA encourages the formation of credit unions, such as conducting an annual Volunteer Organizer's Contest. Any credit union member who helps in organizing a new credit union is eligible for membership in the Founders Club, for instance.

2. Education of Credit Union Officers. CUNA produces information and education programs for officials and members of credit unions, such as educational conferences and training sessions for the league employees.

3. Insurance Services. CUNA gives advice in insurance policies as required by law and the needs of credit unions and members, for example, developing the blanket bond which insures up to 100 percent of the true assets of credit unions through a reliable insurance company, and assists credit unions in providing proper

auto-insurance for members.

4. Retirement Savings Funds. CUNA helps credit unions and leagues to offer their employees the benefits of a sound retirement savings plan.

5. Research and Statistics. CUNA conducts research which involves the credit union movement in the world, and it provides much information and statistics, such as appears in the yearbooks. The information includes displays, films, newsletters, and magazines.

6. International Services. CUNA in collaboration with U. S. / AID helps the establishment of credit unions in Latin America, Africa, and some other parts of the world, such as a pilot project in Ecuador where credit union techniques are being utilized in providing production credit facilities. In late 1965, CUNA and U. S. / AID sponsored the Second Latin American Conference of Credit Unions, with 70 delegates from 18 countries in Latin America attending this conference. At about the same time, CUNA sponsored the Second Asian Regional Credit Union Training Conference at Kasetsart University, Bangkok, Thailand, which was attended by about 42 delegates representing a number of Asian countries.

CUNA Supply Cooperative. This cooperative is an affiliate of CUNA, owned by CUNA, CUNA Mutual, and the leagues. It is governed by a Board of Directors elected by member leagues, and

it is a self-supporting as well as a cooperative business. The Supply Cooperative provides credit unions and leagues with necessary printed materials.

CUNA Mutual Insurance Society. This Mutual is also an affiliate of CUNA, owned by its policyowners. It is governed by a Board of Directors elected by policyowners. Those are credit unions and members of affiliated credit unions. It is a self-supporting as well as a mutual business which provides its members with insurance protection.

From general observation, the credit union movement in the United States has gone far, especially after the Second World War when CUNA became an international agency for the credit unions. Supporting self-organized, operated, and controlled cooperative societies or credit unions through the democratic method, a one-man-one-vote basis, can help people of small means to improve their attitudes and social and economic status, especially in developing countries. The international conferences which have been sponsored by CUNA and U. S. /AID are an essential policy for helping understanding and to maintain democracy throughout the free world.

CHAPTER VI

SUMMARY AND CONCLUSION

The text of this chapter involves a summary of the previous discussion, including related problems, and some recommendations which might be applied to improve the credit unions' efficiency.

SUMMARY

As we have seen from the outset, the cooperative movement in Thailand was initiated by the government, following Frederick William Raiffeisen's theory. Credit unions (as a consumers' cooperative type) are (also) included in the government's cooperative programs.

The philosophy of the cooperative society evolved from the struggle of humans to improve their own economic and social status. It is believed that by the elimination of the property pressure and exploitation, then the creation of mutual or "cooperative" working, can solve the economic problems of the individuals. Four basic principles of cooperatives are (1) open membership to whatever the race, religion and politics; (2) democratic control based on one man, one vote; (3) limitation of dividends on share capital; and (4) patronage refunds to members.

Theoretically, the cooperative society is initiated, operated,

and controlled by people who desire it themselves. Such theory can be practiced in Europe and North America where people are better educated. For Thailand, as well as other developing countries, where levels of education and standards of living are low, the government must offer cooperative service to people. The cooperative method becomes an essential element in the infrastructure of those countries.

The credit union is a cooperative society organized, operated, and controlled by a group of people with the same common bonds to serve its members with two basic purposes: (1) to promote thrift and savings, and (2) to provide provident or productive loans to members. The membership of credit unions in Thailand is based on the occupational group or salary-earners only. A person who is eligible for membership must be the age of 20 years and not always immersed in debt. The credit union as a society registered under the Cooperative Law and the individual members of the society are protected by limited liability.

The compulsory monthly subscription based on five percent of the member's salary is adopted to inculcate saving habits among members. These subscriptions are converted into share capital on the first day of the next month. The member cannot withdraw or transfer his share capital, except if he has retired from membership. Credit unions also receive two kinds of deposits: time

deposits from both members and nonmembers and demand deposits from members only. These deposits are regarded as the second method to promote savings.

The credit unions provide three types of loans: (1) an ordinary loan, usually on a 24-month term for an amount which the Board of Directors shall limit under the provision of the bylaws; (2) an emergency loan, usually on a two-month term with the amount not to exceed 800 bahts; and (3) special loans which the Board shall fix the maximum amount and terms under provision of the bylaws, usually not to exceed 20,000 bahts and for terms of 60 months. The repayments of all loans are made at the payroll office by equivalent monthly installments including the interest of 12 percent per annum. The loan which exceeds the member's share capital must be secured by two-member guarantors or other properties, except emergency loans.

Each credit union is governed by a Board of Directors elected by the members, except the ex-officio President and the ex-officio Treasurer which are reserved for the supervisors of that institution. The Board is also responsible to carry out the credit union's affairs. Some credit unions appoint a loan committee from among the Directors to determine and grant loans to members.

The distribution of net surplus is made for the common good fund, dividends stabilization fund, bonuses, reserves, dividends, and

patronage refunds, respectively.

The government has supported credit unions in several ways. The first was the issuing of the Cooperative Societies Act B. E. 2471, including the regulations and bylaws covering credit union activities. The law provides for the creation of the Cooperative Registrar, who shall be appointed by the Ministry, from the highest civil official of the Ministry where the cooperative works are housed. The present Registrar is the Deputy Under-Secretary of the Ministry of National Development, who in turn, delegates parts of his power to many departments and divisions for carrying out the cooperative task. The responsibility to organize and supervise credit unions' affairs is vested in the Department of Credit and Marketing Cooperatives and the Provincial Cooperative Officers.

After the examinations or audits have been made, the examiners or the auditors are required to prepare and submit reports to the Registrar through their departments. All credit unions are also required to submit registration reports, financial statements (quarterly), and annual reports to the Registrar by the same process.

The promotion of credit unions is delegated to the Cooperative Techniques and Promotion Division. This division plans to extend cooperative principles and methods by providing technical assistance and training both government officials and credit union officials as well as the cooperative members.

The first credit union in Thailand was organized in 1949 with an initial membership of 138. The second one was organized in 1955; the credit union development has progressed since then. By the end of 1964, there were 75 credit unions with a total membership of 108,033 and a working capital of 177 million bahts. After only ten years of development, it indicates considerable growth. The obvious effects can be observed from the amount of members' shareholdings with an average of nearly 1,500 bahts per member, and also the loans outstanding with an average of about 1,400 bahts, at the same period.

In the United States, credit unions are chartered under federal law and state laws, by an approximately equal proportion. The Federal Credit Union Act of 1934 provides for the creation of the Bureau of Federal Credit Unions headed by a Director who is appointed by the Secretary of Health, Education, and Welfare. The Director of the Bureau is empowered to promote and supervise the Federal credit unions and is similar to the Cooperative Registrar in Thailand. The Bureau's works are decentralized to several Regional Representatives, each with its own staff and examiners located close to the credit unions.

The Federal credit unions shall be examined periodically without notice; then, reports of such examinations are submitted by the examiners to the Bureau. Quarterly supervisory committee

audit reports, including the annual reports, are also required.

Federal credit unions are exempted from intangible personal property taxes, federal income taxes, and sales and use taxes, but they are subject to social security taxes, unemployment insurance taxes, and excise taxes.

The eligible membership for a Federal credit union falls within three main groups: associational, occupational, and residential. The organizers of a credit union must consist of at least seven natural persons, each holding at least one share capital. To be chartered as a corporate body, the organization certificate as provided by law must be submitted to the Bureau.

The same as in credit unions in Thailand, the Board of Directors is the custodian of the credit union. The Treasurer acts as the general manager of the credit union, while in Thailand such function is vested to the Secretary under the supervision of the President, the Treasurer, and the Board. The Credit Committee is required for the Federal credit unions, while in Thailand it is optional. The Supervisory Committee, the Educational Committee, the Executive Committee, and other officers are not employed by credit unions in Thailand.

The Federal credit unions are obliged to pay the investigation fee, charter fee, supervision fee, examination fee, and examination in liquidation fee to the Bureau of Federal Credit Unions in

accordance with the rates designed by the Bureau.

The Federal credit unions promote thrift and savings through share capital only. Loans granted are for provident or productive purposes. The two kinds of loans are secured loans, where the Board shall fix the maximum amount for each member of not exceeding 10 percent of the union's unimpaired capital and surplus, and unsecured loans, each with an amount of not exceeding \$750. The amortization of loans may be provided by periodic, substantial equal payments in accordance with the Board and the borrower's plan.

Investments which Federal credit unions are eligible to make with various sources, under the provisions of the Federal Credit Union Act, are U. S. Securities; savings and loan associations; institutions, such as, the Banks for Cooperatives, Federal Land Banks, Federal Intermediate Credit Banks; and other credit unions. Two major sources of borrowing are commercial banks and other credit unions. All borrowing funds may not exceed 50 percent of unimpaired capital and surplus.

The Rules and Regulations for Federal Credit Unions provide for credit unions to fix an amount for change funds which may not exceed \$500, and the petty cash funds with the amount under \$25. Federal credit unions may also sell or cash checks for their members' convenience. The rules also provide for the Federal credit

unions to set aside regular reserves from 20 percent of the annual net earnings, and other reserves which the Board of Directors see fit. Dividends may be declared at the rate of six percent per annum. Also, refunds of interest may be declared as the Board determines.

The International Credit Union Yearbook 1965 prepared by CUNA shows that there were 21,879 credit unions with a membership of about 15.6 million in the United States at the end of 1964. The majority of the credit unions classified by groups of membership falls into the manufacturing class with represents about 36 percent of all. All credit unions participated about three percent in the national economy as the sources of savings and lending. They have accumulated total assets of \$9.3 billion at the same time.

The secondary associations of credit unions in the United States are credit union leagues which are organized as nonprofit institutions in each state and territory, except Alaska and Nevada. The purposes of the league are four-fold: (1) to promote credit union organization, (2) to improve credit union operations, (3) to care for common legislative interests, and (4) to maintain credit union philosophy. The league is financed through the dues paid by member credit unions based on their incomes. The Districts are the key units of the league; through them the candidates are nominated for the League Annual Meetings. Each district carries on educational programs for credit unions within its chapter.

The top level of the credit union movement is CUNA International Incorporated which is organized and supported by credit union leagues and credit unions in non-league areas. Other affiliated institutions are CUNA Supply Cooperative and CUNA Insurance Society. The purposes of CUNA are the same as of the leagues, and its services are emphasized through the leagues' instruments. CUNA also works together with the international credit unions, such as promoting credit unions in Latin America, Africa and sponsoring the international credit union conferences.

PROBLEMS AND RECOMMENDATIONS

Although the credit union movement in Thailand has developed satisfactorily, some problems still exist. Such problems and some ways to solve them which may be useful are discussed here.

Internal Problems

The internal problems of credit unions may be observed from the relationships between members and their own unions, the Board of Directors, their fellow members, and with management policies.

1. Members and Credit Union. Most credit unions in Thailand, especially teachers' credit unions, are operated over a wide territory, each one covering a whole province (Changwad). Each province is subdivided into many districts (Amphur). The

communications between districts and the province headquarters where the credit union is located are not, in many cases, convenient. This causes the credit union members to be far away from their own society. They do business with the union through their representatives, who are, generally, the Directors elected from the Chief Supervisors of the districts. At the annual meeting, only a few members from such districts participate in the meeting. Moreover, many members rarely receive information about the credit union movement. Thus, the environment itself is influential to members not being interested in the credit union's affairs. Democratic control and other goals are hardly achieved.

If this problem is to be removed, the credit union should be organized within a narrower territory, such as in each district. However, this method is difficult to meet in spite of the fact that teachers in every province have already organized credit unions to serve the members within the whole province. The other way to solve this problem is to improve the communications, highway, radio, telephone, and others.

2. Members and the Board of Directors. Theoretically, Directors shall be elected by members from among the competent and honorable members. In practice, the ex-officio President and ex-officio Treasurer are reserved for chief supervisors of that institution. The rest of the Directors shall be elected from the

membership, but usually they are from the chief supervisors of the credit union's members in subdivisions, such as in each district, who also act as the liaison officers between members and the credit union. This practice is recognized as the best policy that can obtain the qualified personnel to work for the group. But, as a matter of fact, such personnel, in many cases, tend to be corrupt rather than noble. Furthermore, the members are not courageous enough to express their opinions, or to "beard the lion in his den," because the Directors are their direct official supervisors. This is the real situation.

So, again, morality of personnel becomes the problem. This problem stems from several environments, such as their low income, behavior, and tradition. The elimination of this hindrance depends upon the governmental policies, to increase the officials' salaries appropriately; to train them to be sympathetic of subordinates; to improve recruitment, placement, and promotion programs in public personnel administration.

3. Members versus Members. The members' financial status in a credit union also creates questions. Some members are people of great means, while some of them are of small means. The former group often borrows money from the credit union to lend to the latter with a high rate of interest. This is obviously against the cooperative principles. This problem may be related

to the first one, a wide territory of the credit union which brings about members' lacking knowledge. Thus, the campaign to communicate to members, including training, must be encouraged. When every member understands self-help and mutual-help, this problem may be removed.

4. Employees of the Credit Unions. Credit unions are recognized as welfare programs attached to the institutions. From their inception, the employees of such institutions were authorized to perform the credit union's work temporarily. When some of them become well-trained, they may be removed to do the other jobs, and new employees will be replaced. This is an uneconomical policy. It creates more costs and wastes time. Moreover, some institutions authorize nonqualified employees who know nothing about accounting to work in credit unions. It causes inefficiency in the credit union's business. So, placement of the credit union employees should be improved. In cases of advanced credit unions, the hiring employers should offer higher compensation to compete with other organizations.

This policy should also be emphasized in training of credit unions' Directors, committee, or other officials in order to have them recognize cooperative principles and truly become the members' representatives.

5. Promotion of Savings. The monthly compulsory

subscriptions work successfully in encouraging saving habits among members, but deposits from members work slowly. This problem is also related to the first one, a wide territory which is not convenient for members to contact with the union. Hoardings are accumulated by people in rural areas. If credit unions are desired to be potential sources of capital formation, the management should be improved in order to induce deposits from both members and non-members and to guarantee the security of those deposits, comparable to other financial institutions.

6. Lending and Investment. As we have seen, lending by credit unions is to members only. To avoid exploitation among members, loans should be granted after deliberate investigation rather than granting easy term loans. This lending policy should be well understood by all members.

There is only one credit union that deposits its idle funds with the Bank for Cooperatives. Although all of them have been recommended to hold the Bank's shares, they have bought only a few shares. This problem stems from external institutions which shall be discussed later. There is no borrowing and lending between credit unions, because there is no central agency, like a credit union federation, or league, or association, to advise or operate for them. When a national credit union league has been established, it should carry out financial functions in addition to

other services.

7. Distribution of Net Surplus. An interesting question is bonuses awarded to Directors, committee members, and the credit unions' employees. Bonus awarding is good policy to encourage human efficiency, but it must be controlled appropriate to the credit unions' financial condition. The majority of the surplus comes from the interest paid by members. In the cooperative principle, if patronage refunds exist, refunds to members should have a greater portion than that provided for bonuses.

The other question is the safeguardings of assets and the accumulation of working capital. Reserves and other funds are important tools for this purpose. A high reserve to assets ratio indicates the security of the credit union. So, each credit union should build up reserves with a higher rate than at present.

8. Cash Control. The Federal credit unions, as have been studied, fix the amount of change funds and petty cash funds in the bylaws, in order to control cash retention. No such provision is fixed for credit unions in Thailand. This is a loophole in the bylaws which should be amended. Practically, the Board of Directors limits the maximum amount of cash which the credit union can keep in the minutes under the advice of the cooperative supervisor. But it is still liable to fraud, because such limits may be changed any time. The cooperative examiners as well as supervisors have to be

careful in the supervision of cash control.

9. Supervisory Committee. Credit unions in Thailand do not establish the supervisory committee for the reason that they lack qualified personnel who know about or have had some experience in the accounting, auditing, and banking system. However, it may be possible to formulate such a committee, then to train them at the opening weeks for functions by the collaboration of cooperative supervisors. The advantages of this policy are, at least, to educate or train the credit union's members in the "know how," and, simultaneously, they may help in the supervisory task of the cooperative supervisors, and to promote the self-help and mutual-help principle.

10. Blanket Bonds. The Rules and Regulations for Federal Credit provide for credit unions to purchase a blanket bond which includes an insurance against direct loss of property, burglary, and robbery. Such a provision does not appear in any regulation of credit unions in Thailand. The question is that the insurance system is not popularized in that country, compared with the United States where insurance companies, especially life insurance, are the second most important financial subsector of the economy (6, p. 105). Even so, it is possible for credit unions in Thailand to choose the best insurance company to insure the loss.

In addition, the activities of the credit union, in the

economist's view, have many obstacles, compared with those of private enterprises. The credit union's rate of growth is rather slow because of "its dual function, its ethical values, its basic economic structure, and its financial operation" (3, p. 159).

External Problems

The external problems may be determined from the government agencies and the sources for their investment which can be transmitted to agricultural credit, as will be discussed hereunder.

1. Government Agencies. It has been stated that there are many governmental departments and divisions involved in the credit union movement, and at least three of them duplicate the supervisory examining and auditing. The examiners from the Department of Credit and Marketing Cooperatives, and Provincial Cooperative Officers are empowered to make the examinations while the auditors from the Department of Auditing Cooperatives are responsible for the auditing.

This practice is considered an uneconomical method. It has, sometimes, caused the credit union's employees, and the officials as well, to hesitate to make decisions following the recommendations. Such responsibility should be integrated into one agency, maybe the Department of Credit and Marketing Cooperatives through the Provincial Cooperative Officers as the regional representatives.

2. Investment of Funds. One purpose of this thesis is to consider the possibility of transmitting the credit unions' funds to make them available for agricultural credit. But, as has been observed, there is only one credit union that deposits their idle funds with the Bank for Cooperatives. The rest deposit them in commercial banks and government savings banks. The prime reason is that the governmental agricultural financing system in Thailand is not consolidated but is scattered among many agencies. This results in uneconomical and inefficient practices, including conflicts or duplicated work, and jealousy. If such governmental agencies are integrated into one, or work cooperatively, the way to promote agricultural credit through the banks or cooperatives or production credit associations is possible. Such banks or associations may be extended to every province throughout the country; then, it would be convenient for credit unions to deposit or invest their available funds for agricultural finance.

CONCLUSION

From overall observations, it may be concluded that the essential elements of credit unions in Thailand depend on human efforts, especially the government officials who engage in credit unions' affairs when they become the credit unions' Directors or the examiners.

The Board of Directors is the most vital part of a credit union. If the Board's policies are noble or based on the merit system rather than the spoils system, the credit union will be directed to the final goals. Thus, strong recommendation is emphasized, here, that training of personnel is convincingly essential.

In industrial countries like the United States, the credit union, by its character, may be considered a weak financial institution on the ground that it is not profit seeking. But for developing countries where the majority of people are farmers, credit unions, as well as cooperative societies, are very important. If the whole society becomes entirely cooperative with everyone getting a fair share, then the goals of increased social strength and improved public administration could be achieved.

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