

COOPERATIVE SOCIETY

INTRODUCTION

We already know that business organisations engage in business to earn profit. However, there are certain organisations that undertake business activities with the prime objective of providing service to the members. Although they also earn some amount of profit, but their main intention is to look after some common interest of its members. They pool available resources from the members, utilise the same in the best possible manner and share the benefits. These organisations are known as Cooperative Societies.

WHAT IS COOPERATIVE SOCIETY

It is a voluntary association of persons who work together to promote their economic interest. It works on the principle of self-help and mutual help. The primary objective is to provide support to the members. People come forward as a group, pool their individual resources, utilise them in the best possible manner and derive some common benefits out of it. In cooperative society, people join hands to get the consumer products, to build residential houses, for marketing the products, to provide loans and advances etc. This form of business organisation is generally suitable for small and medium size business operation.

CHARACTERISTICS OF COOPERATIVE SOCIETY

Based on the above definition we can identify the following characteristics of cooperative society form of business organisation:

(a) **Voluntary Association:** Members join the cooperative society voluntarily i.e., by their own choice. Persons having common economic objective can join the society as and when they like, continue as long as they like and leave the society and when they want.

(b) **Open Membership:** The membership is open to all those having a common economic interest. Any person can become a member irrespective of his/her tribe, religion, colour, gender etc.

(c) **Number of Members:** A minimum of 10 members are required to form a cooperative society. After the formation of the society, the members may specify the maximum number of members.

(d) **Capital:** The capital of the cooperative society is contributed by its members. Since, the members' contribution is very limited, it often depends on the loan from government and apex cooperative institutions or by way of grants from Government.

(e) **Democratic Set Up:** The cooperative societies are managed in a democratic manner. Every member has a right to take part in the management of the society. However, the society elects a managing committee for its effective management. The members of the managing committee are elected on the basis of

one-man one-vote irrespective of the number of shares held by any member. It is the general body of the society which lays down the broad framework within which the managing committee functions.

(f) **Service Motive:** The primary objective of all cooperative societies is to provide services to its members.

TYPES OF COOPERATIVE SOCIETIES

Cooperative organisations are set up in different fields to promote the economic well-being of different sections of the society. So, according to the needs of the people, we find different types of cooperative societies. Some of the types are given below:

(a) **Consumers' Cooperative Societies:** These societies are formed to protect the interest of consumers by making available consumer goods of high quality at reasonable price.

(b) **Producers' Cooperative Societies:** These societies are formed to protect the interest of small producers and artisans by making available items they need for production, like raw materials, tools and equipments etc.

(c) **Marketing Cooperative Societies:** To solve the problem of marketing a product, small producers join hand to form marketing cooperative societies.

(d) **Housing Cooperative Societies:** To provide residential houses to the members, housing cooperative societies are formed generally in urban areas.

(e) **Farming Cooperative Societies:** These societies are formed by the small farmers to get the benefit of large-scale farming.

(f) **Credit Cooperative Societies:** These societies are started by persons who are in need of credit. They accept deposits from the members and grant them loans at reasonable rate of interest.

MERITS OF COOPERATIVE SOCIETY

The cooperative society is the only form of business organisation which gives utmost importance to its members rather than maximising its own profits. After studying its characteristics and different types, we may now study the merits of this form of business organisation.

(a) **Easy to Form:** Any ten adult members can voluntarily form an association and get it registered with the Registrar of Cooperative Societies. The registration is very simple and it does not require much legal formalities.

(b) **Limited Liability:** The liability of the members of the cooperative societies is limited up to their capital contribution. They are not personally liable for the debt of the society.

(c) **Open Membership:** Any competent like-minded person can join the cooperative society any time he likes. There is no restriction on the grounds of tribe, creed, gender, colour etc. The time of entry and exit is also generally kept open.

(d) **State Assistance:** The need for country's growth has necessitated the growth of the economic status of the weaker sections. Therefore, cooperative societies always get assistance in the forms of loans, grants, subsidies etc. from Government.

(e) **Stable Life:** The cooperative society enjoys the benefit of perpetual succession. The death, resignation, insolvency of any member does not affect the existence of the society because of its separate legal entity.

(f) **Tax Concession:** To encourage people to form co-operative societies the government generally provides tax concessions and exemptions.

LIMITATIONS OF COOPERATIVE SOCIETY

Cooperative societies usually suffer from the following limitations:

(a) **Limited Capital:** Most of the cooperative societies suffer from lack of capital. Since the members of the society come from a limited area or class and usually have limited means, it is not possible to collect huge capital from them. Again, government's assistance is often inadequate for them.

(b) **Lack of Managerial Expertise:** The Managing Committee of a cooperative society is not always able to manage the society in an effective and efficient way due to lack of managerial expertise. Again due to lack of funds they are also not able to derive the benefits of professional management.

(c) **Less Motivation:** Since the rate of return on capital investment is less, the members do not always feel involved in the affairs of the society.

(d) **Lack of Interest:** Once the first wave of enthusiasm to start and run the business is exhausted, intrigue and factionalism arise among members. This makes the cooperative lifeless and inactive.

(e) **Corruption:** In spite of government's regulation and periodic audit of the accounts of the cooperative society, corrupt practices in the management cannot be completely avoided.