

CHAPTER-2

FORMS OF BUSINESS ORGANISATION





Co-operative Societies



Co-operative Societies

The cooperative society is a voluntary association of persons, who join together with the motive of welfare of the members with the need to protect their economic and social interest.



- The cooperative society is compulsorily required to be registered under the Cooperative Societies Act 1912.
- The process of setting up a cooperative society requires consent of at least ten adult persons to form a society.
- The capital of a society is raised from its members through issue of shares.
- The society acquires a distinct legal identity after its registration.





Features of Co-operative Organisations

Features of Co-operative Organisations

1

Voluntary Membership



- Anybody can become a member in a co-operative society at his own wish and there is not compulsion at all.
- Procedurally a member is required to serve a notice before leaving the society, there is no compulsion to remain a member. Membership is open to all, irrespective of their religion, caste, and gender.

Features of Co-operative Organisations

2

Legal Status



As the registration of a cooperative society is compulsory, it gets separate legal entity and continuous existence.

The society can enter into contracts and hold property in its name, sue and be sued by others.

Features of Co-operative Organisations

3

Limited Liability



- The liability of members is limited to the extent of the amount contributed by them as capital.
- This defines the maximum risk that a member can be asked to bear.

Features of Co-operative Organisations

4

Control



Control is vested in the hands of board of directors who are elected by the members under the principle of one man one vote

Features of Co-operative Organisations

5

Service Motive



The main objective is to render services to its members rather than profit.

If any surplus is generated as a result of its operations, it is distributed amongst the members as dividend in conformity with the byelaws of the society.



Merits of Co-operative Societies

Merits of Co-operative Societies

1

Equal Voting Rights



Each member is having equal voting rights irrespective of their capital contribution, as it follows the principle of 'one man one vote'

Merits of Co-operative Societies

2

Limited Liability



Liability of members is limited to the extent of their capital contribution

The personal assets of the members are, therefore, safe from being used to repay business debts

Merits of Co-operative Societies

3

Stable Existence



The existence of a society is not affected by the death, insanity, insolvency etc. of members
A society, therefore, operates unaffected by any change in the membership.

Merits of Co-operative Societies

4

Economy in Operations



To eliminate middlemen, the members offer honorary services to the society, which will in turn reduces cost of operation

The focus is on elimination of middlemen, this helps in reducing costs.

Merits of Co-operative Societies

5

Support from Government



As it is a democratic organization, government provides various supports such as low taxes, subsidies, grants, low interest rates for loans etc.

Merits of Co-operative Societies

6

Easy Formation

No complex legal formalities are required to form a co-operative society

The registration procedure is simple involving a few legal formalities.

Its formation is governed by the provisions of Cooperative Societies Act 1912.

Limitations of Co-operative Societies



Limitations of Co-operative Societies

1

Limited Resources



Low rate of dividend and one man one vote principle reverts the members to invest more capital

Limitations of Co-operative Societies

2

Inefficient Management



Cooperative societies are unable to attract and employ expert managers because of their inability to pay them high salaries.

Office bearers are elected from members and they may not be competent

Limitations of Co-operative Societies

3

Lack of Business Secrecy



The general body openly discusses all facts and figures of the society

It is difficult to maintain secrecy about the operations of a cooperative society

Limitations of Co-operative Societies

4

Government Control

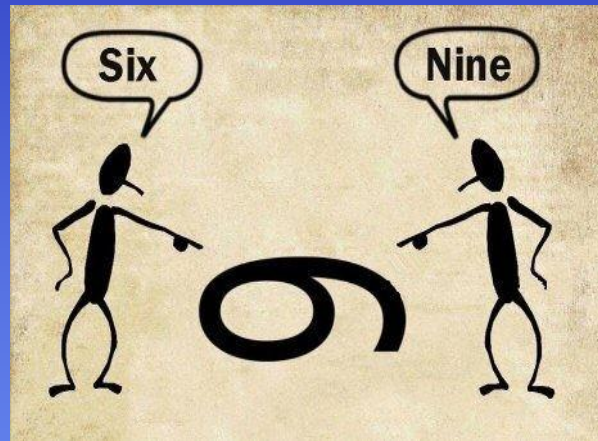


Cooperative societies have to comply with several rules and regulations related to auditing of accounts, submission of accounts, etc. Interference in the functioning of the cooperative organisation negatively affects its freedom of operation.

Limitations of Co-operative Societies

5

Difference of Opinion



Conflict among the members adversely affect the organization

Internal quarrels arising as a result of contrary viewpoints may lead to difficulties in decision making.

Types of Co-operative Societies



Types of Co-operative Societies

1 Consumers' Co-operative Societies

- Formed by consumers
- To ensure supply of consumer goods in a fair price
- Purchases directly from wholesalers
- Distributes to members and outsiders
- Takes only a little margin of profit



Types of Co-operative Societies

2

Producers Co-operative Societies

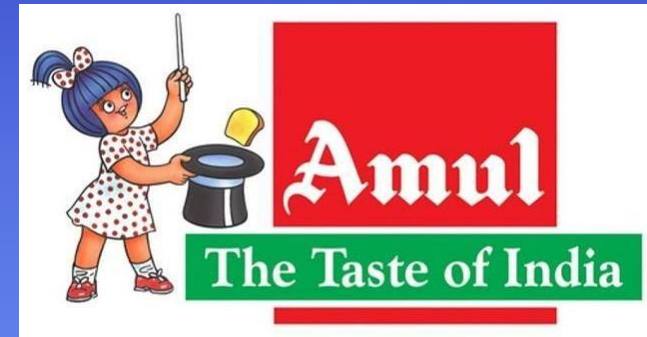
- Also called industrial co-operative societies
- Promoted by small producers and craftsmen
- Help them to start small scale and cottage industries
- Supplies raw-materials, tools and equipments
- Sells their products in market



Types of Co-operative Societies

3 Marketing Co-operative Societies

- Formed by farmers, artisans and small producers
- Collect the products from members
- Grade and process the products
- Provide storage facilities
- Sell in the market only on favourable conditions
- Provide finance and raw-materials
- Help to promote bargaining capacity of members



Types of Co-operative Societies

4

Farmers' Co-operative Societies

- An association of small farmers in a village
- Large scale production through joint cultivation
- Increase in yield per acre of land
- To introduce modern method of cultivation
- To inculcate the spirit of co-operation among farmers



Types of Co-operative Societies

5

Credit Co-operative Societies



- To provide short term finance
- Charging only a reasonable rate of interest
- To protect the members from money lenders

Types of Co-operative Societies

6

Co-operative Housing Societies

- To provide housing facilities to the members
- Either ownership or rental basis
- Help to purchase houses at a less cost
- Help to purchase houses on easy instalments



Now you can revise the topic using
the link given below

<https://youtu.be/XKBb4Hh1NKs>

