

## **Co-operative Society**

A business organization can take many forms. One such form is that of a cooperative society. Such societies have unique features of joint ownership and democratic leadership.

### **Features of a Cooperative Society**

- 1) As it is a voluntary association, the membership is also voluntary. A person is free to join a cooperative society, and can also leave anytime as per his desire. Irrespective of their religion, gender & caste, membership is open to all.
- 2) It is compulsory for the co-operative society to get registration. The co-operative society is a separate legal identity to the society.
- 3) It does not get affected by the entry or exit of its members.
- 4) There is limited liability of the members of co-operative society. Liability is limited to the extent of the amount contributed by members as capital.
- 5) An elected managing committee has the powers to take decisions. Members have the right to vote, by which they elect the members who will constitute the managing committee.
- 6) The cooperative society works on the principle of mutual help & welfare. Hence, the principle of service dominates its working. If any surplus is generated, it is distributed amongst the members as a dividend in conformity with the bye-laws of the society.

### **Types of Cooperative Society**

#### **1] Producer Cooperative**

To protect the interest of small producers, these societies are set up. The co-operative society members may be farmers, landowners, owners of the fishing operations. To increase the marketing possibilities and production efficiency, producers decide to work together or as separate entities.

They perform several activities like processing, marketing & distributing their own products. This helps in lower costs and strains in each area with a mutual benefit to each producer.

## **2] Consumer Cooperative**

These businesses are owned and governed by consumers of the particular area for their mutual benefit. Their view is to provide daily necessary commodities at an optimum price. Rather than earning a pecuniary profit, their aim is towards providing service to the consumers.

## **3] Credit Unions**

Credit unions are generally member-owned financial cooperatives. Their principle is of people helping people. They provide credit and financial services to the members at competitive prices. Each and every depositor has right to become a member. Members attend the annual meeting and are given rights to elect a board of directors.

## **4] Marketing Cooperative Society**

With an aim of helping small producers in selling their products, these societies are established. The producers who wish to obtain reasonable prices for their output are the members of this society.

For securing a favourable market for the products they eliminate the middlemen and improve the competitive position of its members. It collects the output of individual members. Various marketing functions like transportation, packaging, warehousing, etc are performed by the cooperative societies to sell the product at the best possible price.

## **5] Housing Cooperative Society**

To help people with limited income to construct houses at reasonable costs, these societies are established. Their aim is to solve the housing problems of the members. A

member of this society aims to procure the residential house at low

## **Advantages:**

### **1. Easy Formation:**

Compared to the formation of a company, formation of a cooperative society is easy. Any ten adult persons can voluntarily form themselves into an association and get it registered with the Registrar of Co-operatives. Formation of a cooperative society also does not involve long and complicated legal formalities.

### **2. Limited Liability:**

Like company form of ownership, the liability of members is limited to the extent of their capital in the cooperative societies.

### **3. Perpetual Existence:**

A cooperative society has a separate legal entity. Hence, the death, insolvency, retirement, lunacy, etc., of the members do not affect the perpetual existence of a cooperative society.

### **4. Social Service:**

The basic philosophy of cooperatives is self-help and mutual help. Thus, cooperatives foster fellow feeling among their members and inculcate moral values in them for a better living.

### **5. Open Membership:**

The membership of cooperative societies is open to all irrespective of caste, colour, creed and economic status. There is no limit on maximum members.

### **6. Tax Advantage:**

Unlike other three forms of business ownership, a co-operative society is exempted from income-tax and surcharge on its earnings up to a certain limit. Besides, it is also exempted from stamp duty and registration fee.

## **7. State Assistance:**

Government has adopted cooperatives as an effective instrument of socio-economic change. Hence, the Government offers a number of grants, loans and financial assistance to the cooperative societies – to make their working more effective.

## **8. Democratic Management:**

The management of cooperative society is entrusted to the managing committee duly elected by the members on the basis of 'one-member one -vote' irrespective of the number of shares held by them. The proxy is not allowed in cooperative societies. Thus, the management in cooperatives is democratic.

## **Disadvantages:**

In spite of its numerous advantages, the cooperative also has some disadvantages which must be seriously considered before opting for this form of business ownership.

The important among the disadvantages are:

### **1. Lack of Secrecy:**

A cooperative society has to submit its annual reports and accounts with the Registrar of Cooperative Societies. Hence, it becomes quite difficult for it to maintain secrecy of its business affairs.

### **2. Lack of Business Acumen:**

The member of cooperative societies generally lack business acumen. When such members become the members of the Board of Directors, the affairs of the society are expectedly not conducted efficiently. These also cannot employ the professional managers because it is neither compatible with their avowed ends nor the limited resources allow for the same.

### **3. Lack of Interest:**

The paid office-bearers of cooperative societies do not take interest in the functioning of societies due to the absence of profit motive. Business success requires sustained efforts over a period of time which, however, does not exist in many cooperatives. As a result, the cooperatives become inactive and come to a grinding halt.

### **4. Corruption:**

In a way, lack of profit motive breeds fraud and corruption in management. This is reflected in misappropriations of funds by the officials for their personal gains.

### **5. Lack of Mutual Interest:**

The success of a cooperative society depends upon its members' utmost trust to each other. However, all members are not found imbued with a spirit of co-operation. Absence of such spirit breeds mutual rivalries among the members. Influential members tend to dominate in the society's affairs.er cost.

They construct the houses and give the option to members to pay in installments to purchase the house. They construct flats or provide plots to members on which the members themselves can construct the houses as per their choice.