QTN 2

e**) what is a co-operative society**

A co-operative society is a voluntary association of individuals who come together with the intention to work together and promote their economic interests

This society work on the principle of self help as well as mutual help, the primary goal is to provide support to the members and promotion of economic interests

The co-operative society has the following features;

It is an open and voluntary association

It has a democratic structure, with each member having one vote

It has an equitable and fair distribution of economic results based on the volume of operations made through them.

**The following are the pros of a co-operative society**

**Easy to Form**- A cooperative society is a voluntary association and may be formed with a minimum often adult member. Its registration is very simple and can be done without much legal formalities.

**Open Membership**- Membership in a cooperative organisation is open to all people having a common interest. A person can become a member at any time he likes and can leave the society at any time by returning his shares, without affecting its continuity.

**Democratic Management**- A cooperative society is managed in a democratic manner. It is based on the principle of ‘one man one vote’. All members have equal rights and can have a voice in its management.

**Limited Liability**- The liability of the members of a co-operative society is limited to the extent of capital contributed by them. They do not have to bear personal liability for the debts of the society.

**Stability**- A co-operative society has a separate legal existence. It is not affected by the death, insolvency, lunacy or permanent incapacity of any of its members. It has a fairly stable life and continues to exist for a long period.

**Economical Operations**- The operation of a cooperative society is quite economical due to elimination of middlemen and the voluntary services provided by its members.

**Government Patronage**- Government gives all kinds of help to co-operatives, such as loans at lower rates of interest and relief in taxation.

**Low Management Cost**- Some of the expenses of the management are saved by the voluntary services rendered by the members. They take active interest in the working of the society. So, the society is not required to spend large amount on managerial personnel.

**Mutual Co-Operation**- Cooperative societies promote the spirit of mutual understanding, self-help and self-government. They save weaker sections of the society from exploitation by the rich. The underlying principle of co-operation is “self-help through mutual help.”

**No Speculation**- The share is always open to new members. The shares of co­operative society are not sold at the rates higher than their par values. Hence, it is free from evils of speculation in share values.

**Economic Advantages**- Cooperative societies provide loans for productive purposes and financial assistance to farmers and other lower income earning people.

**Then the cons of a co-operative society are as follows;**

As against the pros of a co-operative society, the following cons of this form of organization must also be noted:

1**. Limited Capital**- Cooperatives are usually at a disadvantage in raising capital because of the low rate of return on capital invested by the members.

2**. Inefficient Management**- The management of a co-operative society is generally inefficient because the managing committee consists of part-time and inexperienced people. Qualified managers are not attracted towards a cooperative on account of its limited capacity to pay adequate remunerate

3. **Absence of Motivation**- A cooperative society is formed for mutual benefit and the interest of individual members is not fully satisfied. There is no direct link between effort and reward. Hence, members are not inclined to put their best efforts in a co­operative society.

4. **Differences and Factionalism among Members**- Once the initial enthusiasm about the co-operative ideal is exhausted, differences and group conflicts arise among members. Then, it becomes difficult to get full co-operation from the members. The selfish motives of members begin to dominate and service motive is sometimes forgotten.

5**. Rigid Rules and Regulations**- Excessive Government regulation and control over co-operatives affect their functioning. For example, a co-operative society is required to get its accounts audited by the auditors of the co-operative department and to submit its accounts regularly to the Registrar. These regulations and control may adversely affect the flexibility of operations and the efficiency of management in a co-operative society.

6. **Lack of Competition**- Cooperatives, generally, do not face any stiff competition. Markets for their goods and services are more or less ready and assured. Hence, there is possibility of slackening of efforts.

7**. Cash Trading**- The members of the societies are generally from poor sections of the society. These persons need credit facilities. On the other hand, private traders extend credit facilities to the consumers. Though the societies sell goods at lower prices but absence of credit facilities compel them to go to private traders for meeting their requirements.

8**. Lack of Secrecy**- The affairs of a co-operative society are openly discussed in the meetings of the members. Every member is free to inspect the books and records of the society. Therefore, it becomes difficult to keep the secrets of business.

9. **Weightage to Personal Gains**- Mutual co-operation erodes away over a period of time and the members start giving weightage to their personal gains.

10. **Lack of Incentive and Initiative**- In a cooperative society form of organisation everybody is the owner of the society and over a period of time it becomes lifeless due to a lack of incentive and initiative as everybody is the owner, but business does not belong to any one of them.

11**. Corruption**- It is the worst demerit from which co-operative societies suffer, it is the biggest hindrance in the development and growth of business.

**Reference:**

EconomicsDiscussion.net