

CO-OPERATIVE ACCOUNTING

B.COM-Part-I

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1. INTRODUCTION

Co-operation is the basis of domestic social life. It imbues the spirit of self help and man to man assistance to generate economic wealth and advancement of social transformation.

The Co-operative organisation is a form of organisation for the economic upliftment of weaker section of society. Under this form of organisation, a large number of people set up and run any economic activity for their own benefit and for the benefit of other people like them.

The Co-operative movement in India started in 1904 to protect weaker section of society from exploitation of rich people (capitalist). The primary objective of this movement is “how to protect economically weaker section of society from oppression of economically strong segment of society?” The objective of Co-operative organisation is totally different from other form of business organisations. These forms are not set up for profit but for protecting and upliftment of its members and also other weaker people of the society.

Co-operative societies are voluntary associations started with the aim of service to its members. In simple words “The Co-operative societies are the voluntary associations of a large number of economically weak people for the protection of their interest with their combined efforts and combined resources. The India Co-operative Societies Act. 1912 defines Co-operative in Section 4 as “a society which has its objectives of promotion of economic interest of its members in accordance with Co-operative principle”.

2. FEATURES OF CO-OPERATIVE SOCIETY

A Co-operative society will have the following broad features :-

1. Voluntary membership

The members in any co-operative can enter or leave the society any time on their choice. No member can force any individual to enter or leave the society. There are a few rules and regulation in the co-operative which have to be abides by the its member. Voluntary membership is a most important principle of any co-operative and this is the main principle behind the success of co-operative movement.

2. Democratic Management

The democratic procedure is followed by co-operatives for their management. The management or body to control the day to day activity of co-operative is elected by its member. The members are owner of the co-operative and from time to time they give instructions to the management for better control of operation of society.

3. One man, One Vote

The another important principle of these societies is equity of its member. All members have right to cast one vote in the matters of co-operative irrespective of their investment size.

In joint stock company, the member has voting right according to share held by him, But here votes are just given upon membership and one member has one vote only.

4. Service Motive

The main motive of co-operative is service. The society is always set up for betterment of society and its member. All other forms of business organisation like Partnership, Joint stock company, Sole proprietor etc. are set up for making profit for their owner. But societies are for providing services. Even if the co-operatives earn profit that is just for the betterment of its member, the main motive always remains service.

5. Equity in distribution of surplus

Like the voting right the members of Co-operative also enjoy equity in participation of profit. The surplus of co-operative is not distributed like Joint stock company on the basis of investment. In co-operative the profit or surplus is distributed either on their service basis or sometimes equally to all members. The Indian Co-operative Society Act has given guidelines for the distribution of the surplus. Under the act a certain percent of profit is paid in form of interest or dividend on capital and certain percent is kept as Reserves and rest spent on welfare to members.

6. Compulsory Resignation

The registration of the Co-operative society is must. After making a voluntary association of a minimum person required, the registration has to be taken before starting the functions of co-operative. In India minimum ten members are required for getting registration of any co-operative under the India Co-operative Act 1912. The registration are made by State level offices which functions under State Government.

7. Control of State Government

The Co-operative societies are to follow certain rules and regulations formed by state government. In India, as said earlier the co-operatives are registered in state level office under Indian Co-operative Act-1912.

8. Cash Trading

All the transactions of the co-operative society will be on cash basis. Co-operative Society can only flourish on cash trading principle basis. The chances of bad debts and losses due to delayed payment are eliminated with cash trading in co-operative societies. The society can provide for exemptions with approval of all its members.

3. TYPES OF CO-OPERATIVE SOCIETIES

Different types of Co-operatives are working with a single motive of protection and betterment of weaker section. But the ways and areas of operation are different. Some important types of co-operative are :

1. Consumer co-operatives

These co-operative societies are started to help lower and middle class people by providing them necessary goods at reasonable rates. The member of these Co-operatives contribute capital and elect some executive and management members to look after the day to day working of the society. The societies purchase the goods in bulk quantity directly from the producers and sell it to its members and common people after charging a very reasonable small profit. So the people get the goods at lower price. In India, all co-operative store selling basic commodities are running under this type of co-operative forms.

2. Producers Co-operatives

The Co-operatives are set up to protect the small and cottage producers from big and multinational industrialist. These co-operatives are divided into following two types :

a) **Producers Co-operatives :** The various small producers or handicraft producers are the members of such societies. The society is set up at a common place where all members can come. The members can work as an employees in the society and are paid wages for there services. All the raw material required by the member is supplied by the society. The society collects the output of its member, sell it in the market and earn profit. This profit is distributed in members again after keeping some reserves.

b) **Industrial Service Co-operatives :** These Co-operatives are for small and cottage industries. The members are again small producers. The co-operative society purchase raw material in bulk quantity and supply it to members. The society also supply the required machines. Members makes the products which are collected by the society and sold in market to earn profit. Profit is distributed in the members.

3. Marketing Co-operative

This type of Co-operative provide market to the cottage producers. This type of society protect its members from the exploitation of the middleman. The society take the production of various members and pool it together. The society than arrange the various services like grading, warehousing, transportation, insurance and financing etc. The goods are sold directly by the society in the market without any middleman. So members get better price for their products. Society also provide market information to its members.

4. Housing Co-operatives

These Co-operative are set up for providing houses to low and middle income group people. These societies purchase land and construct houses for these members. Societies also arrange loans for its members from financial institution and government agencies. Sometimes societies purchase land in bulk and distribute plots to the members. In conclusion the purpose of all these societies is to help their member in purchasing land and constructing houses.

5. Credit Co-operatives

These Co-operatives societies are set up for providing financial assistance to the farmers and other weaker section. The main motive of these co-operatives are to protect the weaker section people and farmers from the exploitation of money lender, who charge exorbitant interest rate on the loan. The Rural co-operatives get loans from State Co-operative Bank or Regional Rural Bank where as in urban areas it is provided by Urban banks.

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