

Business that can be set up under Co-operative as start-up venture”

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What is a Co-operative Enterprise ?

A **cooperative** commonly known as co-operative society

is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled **business**.

Values:

Co-operatives are based on the values of self help, self responsibility, democracy, equality, equity and solidarity

Objective

To explore opportunities to increase **employment**, business enterprise resulting to **uplift standard of living of economically weaker section**.

Evolution of Co-operative Movement in India

- ▶ The cooperative movement in India owes its origin to agriculture and allied sectors.
- ▶ Towards the end of 19th century Rural indebtedness and the consequent conditions of the farmers created an environment for chit funds and co-operatives.
- ▶ The farmers generally found the cooperative movement an attractive mechanism for pooling their meagre resources for solving common problems relating to :
 - i. credit,
 - ii. supplies of inputs and
 - iii. marketing of agricultural produce.

Co-operative Movement in India

- ▶ The experience gained in the working of cooperatives led to the enactment of Cooperative Credit Societies Act, 1904.
- ▶ Subsequently, a more comprehensive legislation called the Cooperative Societies Act 1912 was enacted wherein post of Registrar and registration of co-operatives for various purposes was provided.
- ▶ Under the Chemsford Reforms of 1919 , Co-operative societies became a provincial subject and provinces were authorized to make their own co-operative laws.

Co-operative Movement in India

- ▶ The Multi Unit Co-operative Societies Act , 1942 was enacted for co-operatives having membership in more than one unit or Province
- ▶ Multi State Co-operative Societies Act , 1984 was enacted to remove the plethora of different laws governing the same type of co-operatives and bring about uniformity of administration in different co-operatives.
- ▶ The Multi State Co-operative Societies Act , 1984 was replaced by the MSCS Act , 2002
- ▶ In Maharashtra , the MCS Act , 1960 is the Act which governs and regulates the Co-operative Societies in the State.

Co-operative Principles

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and Independence
5. Education, Training and Information
6. Co-operation among Co-operatives
7. Concern for Community

Stagnation in Co-operative Movement

- ▶ Dormant membership and lack of active participation of members in the management of cooperatives.
- ▶ Mounting overdues in cooperative credit institution, lack of mobilisation of internal resources.
- ▶ Over-dependence on Government assistance
- ▶ Lack of professional management.
- ▶ Bureaucratic control and interference in the management.
- ▶ Political interference and over-politisation have proved harmful to their growth.

97th Constitutional Amendment

- ▶ 97th Constitutional Amendment came into force w e f 15th February 2012.
- ▶ By insertion of the words “or Co-operative Societies” in Part III, Article 19(1)(c), has made formation of Co-operative Societies a Fundamental Right.
- ▶ By insertion of Article 43B in Part IV – Promotion of Co-operative Societies – Responsibility has been cast on the State Government to promote voluntary formation, autonomous functioning, democratic control and professional management of Cooperative Societies.

97th Constitutional Amendment

- ▶ Part IX B is inserted in the Constitution to include article 243ZH to 243 ZT which have the following provisions :
- ❖ Article 243ZH – **Definitions**
- ❖ **Article 243ZI - Incorporation of Cooperative Societies**
- ❖ **Article 243ZJ – Number and term of members in the board and its office bearers.**
- ❖ **Article 243ZK – Election of members of board**
- ❖ **Article 243ZL – Suppression and suspension of board and interim management.**
- ❖ **Article 243ZM – Audit of Accounts of Cooperative societies**

97th Constitutional Amendment

- ❖ **Article 243ZN – Convening of general body meetings**
- ❖ **Article 243ZO – Right of a member to get information.**
- ❖ **Article 243ZP – Returns**
- ❖ **Article 243ZQ – Offences & Penalties**
- ❖ **Article 243ZR – Application to Multi state cooperative societies**
- ❖ **Article 243ZS – Application to Union territories.**
- ❖ **Article 243ZT – Continuance of Existing Laws**

97th Constitutional Amendment

Thus the constitutional amendment brought about major reforms in the Co-operative sector :

- ▶ **Election Commission-like authority mandated**
- ▶ Fixed term of **five years** to elected board.
- ▶ **Active members-** Economic Participation & attending meetings
- ▶ **Professional Management** by Expert & Functional Directors
- ▶ Equality by providing reservations for **women & SC/ST**
- ▶ Provides for **independent professional audit**
- ▶ Gives **Right to Information** to Members of Co-op Societies
- ▶ Empowers Govt to obtain periodic reports & A/cs.
- ▶ Provides for **offences** relating to Coop Societies & **penalties** for such offences

Types of Business Enterprises

A decorative header banner with a dark grey background. On the right side, there are two white circles of different sizes and a green vertical rectangle. The text "Types of Business Enterprises" is written in white on the left side of the banner.

Types of Co-operatives in India

Types of Cooperative Societies predominantly existing in India can be categorized as:

- ▶ Consumers' Co-operative Societies.
- ▶ Producers' Co-operative Societies.
- ▶ Marketing Co-operatives.
- ▶ Housing Co-operatives.
- ▶ Co-operative Credit Societies.
- ▶ Co-operative Farming Societies.



How can start up co-op be used by
Entrepreneurs in useful ways

Co-operative Enterprise – a business model

- ▶ Thus Co-operative Enterprise (in addition to Private or public sector enterprise) is **An alternative business model which is:**
 - ❖ An extension of community development principles into the business sector
 - ❖ A tool that can deliver community identified service requirements
 - ❖ A model that facilitates community ownership of business enterprises
 - ❖ A mechanism for generating community investment

Co-operative Enterprise – a business model

- Agriculture
- Wholesale
- Community development
- Food
- Housing
- Financial services
- Retail
- Child Care
- Community Economic Development
- Media & Communication

- Art & Culture
- Transportation
- Energy
- Travel
- Education & Research
- Environment
- Recreation
- Health
- Services
- Federation & Associations

Comparison between Company and Co-operative society

NATURE	COMPANY	CO-OPERATIVE SOCIETY
LEGISLATION	Controlled by the Companies Act , 1956/ 2013	Controlled by the Co-operative Laws of the State
Formation and winding	Process is difficult and time consuming	Far easier as compared to Co.
Number of Members	Minimum number of members to form a Pvt Ltd co - 2 Max - 200 and Public company – Min - 7 ,Max – no limit	Atleast 10 members
Objective	Maximise Profit	Improve economic conditions of the members

Comparison between Company and Co-operative society

NATURE	COMPANY	CO-OPERATIVE SOCIETY
Right of transfer	Shares can be trfd freely	Shares cannot be transferred to non members
Management	By Board of Directors	By Managing committee (Every member has equal right in the management)
Distribution of Wealth	Company becomes the cause for unequal distribution of wealth	Helps in removing unequal distribution of wealth
Role of Middleman	Middleman plays an effective role	No role by middleman
Distribution of surplus / Profit	Profit is distribution in proportion to the shares held in the paid up capital	the surplus is disposed differently: limited dividend is paid on share capital; much of the benefit goes to the users based on the business done by them.



Co-operative Enterprises Build a better world

- ▶ **Stable, quality employment**
- ▶ **Economic growth**
- ▶ **Sustainable businesses**
- ▶ **Food security**
- ▶ **Giving people a voice**

Advantages of Co-operative

- ▶ **Lower Entry Cost**
- ▶ **Decreased business risks**
- ▶ **Limited liability**
- ▶ **Flat and flexible organization**
- ▶ **Performance-oriented**
- ▶ **Combine knowledge , information and resources.**

Examples of Co-operative as Start up Business

- ▶ accounting firm structured as a cooperative society
- ▶ driver's group structured as a cooperative society.



Opportunities for Chartered Accountants in Co-operative Sector

Conclusion

- ▶ With new reforms and policies , Co-operative sector is always changing and challenging
- ▶ But the real challenge is how we use these reforms and processes to create opportunities , take control and surge ahead
- ▶ Man has to evolve to be eligible for it.
- ▶ Together WE CAN

- ▶ THANK YOU