



---

## AN OVERVIEW OF WORKING CAPITAL MANAGEMENT OF CO-OPERATIVE SOCIETY

<sup>1</sup>Prof. Dr, M. S. Nigam and <sup>2</sup>Mr. Madesh Prabhu

<sup>1</sup>Department of Commerce, Bundelkhand University, Jhansi, Uttar Pradesh

<sup>3</sup>Lecturer, Department of Commerce, Government First Grade College, Koppa

### Abstract

This paper aims at analysis the working capital management of co-operative society. Working capital is the capital required for maintenance of day to day business operation. This study provides a comprehensive evaluation of working capital management within the co-operative sector, specifically focusing on the financial period of 2011-12. Effective management of working capital is a main stone of financial health for co-operatives, as it balances the dual objectives of maintaining liquidity to meet short-term obligations and maximizing profitability through efficient resource allocation. My present paper is based on secondary data.

**Key words;**-Working Capital, Business Operation, Resource Allocation

### Introduction

Working capital management is an integral part of overall corporate management. Working capital sphere throws as about the how the day to day business carries in co-operatives. Working capital may be regarded as life blood and controlling nerve center of a business. Its effective provision can do much to ensure the success of a business. It is essentially the operating liquidity that ensures society to bear its all expenses without financial disress.

### History of Co-operative society

The history of the co-operative movement is a journey from grossroots survival to a global economic force. It emerged as a "third way" between capitalism and state controlled economies, rooted in the principles of mutual aid, democracy and self-reliance.



## 1.Global Origins

While various forms of cooperation existed for centuries, this movement is widely traced to the industrial era of the 19<sup>th</sup> century.

- Robert Owen (The Father of Co-operation); - A well known social reformer who believed that a worker's environment influenced their character. In the early 1800s, he implemented co-operative principles in his cotton mills in New Lanark, Scotland.
- The Rochdale Pioneers (1844); The most significant milestone. A group of 28 artisans in Rochdale, England, opened a store to sell high-quality, affordable food. They established the **Rochdale Principles** which still form the basis of cooperative law today.
- German credit unions; Friedrich Wilhelm Raiffeisen and Franz Hermann Schulze-Delitzsch developed the first credit co-operatives in Germany in the mid-1800s to help farmers and artisans escape debt traps.

## 2.Evolution in India

In India, the movement was born out of rural distress and the need to liberate farmers from the clutches of exploitative moneylenders.

- Late 19<sup>th</sup> Century; - Initial experiments inspired by German models (Raiffeisen). Sir Fredrick Nicholson recommended cooperative credit for Indian farmers.
- 1904; - Co-operative credit societies Act 1904; The first formal legislation in India, allowing only credit societies to be formed.
- 1912; - Co-operative societies Act, 1912; - This expanded the law to include non-credit societies (housing, marketing etc) and central federations.
- 1919; - Montagu-Chelmsford Reforms; - Cooperation became a provincial subject, allowing states to pass their own laws.
- Post 1947; - co-operative became an instrument of the five year plans. Leaders like Jawaharlal Nehru viewed them as vital for rural democracy.
- 1960s-70s; - The White Revolution; The success of Amul revolutionized the dairy sector through co-operative society.



---

### **3.Modern Context(2011 beyond)**

In 2011,the Indian government introduced the 97<sup>th</sup> constitutional Amendment,which gave the right to form cooperative societies the status of a Fundamental right.It also provided for autonomous functioning and professional management.

#### **Objectives of the Paper**

- Evaluate the efficiently the organization balances liquidity with profitability.
- To understand the working nature of Co-operative society

#### **Literature review**

MISHRA (1975);-Studied the efficiency of working capital management in six sample public sector units. The study identified that management of various components of working capital in sample units was highly unsatisfactory.

SEUNG AND ROWLAND(2000); -In their research conducted an in- depth survey to analyse the liquidity practices of ninety four sample Japanese companies operating in the united states.

MR S KUCHHALY(2011);-Studying triangle relationship among firm size,capital structure and financial performance of Turkey based companies,found out the impact of firm size on performance and sustainability would vary in line with the expansion finance.The study revealed the depth financing increases that the risk exposure of the firm

Nakamura Palombini Nathalle Vicente and Nakamura Wilson Toshiro(2012) focus on the key factors of working capital management by exploring the internal variables of a number of companies.2976 Brazilian Public Companies data from 2001 to 2008 were used for the study.And it was found that debt level,size in growth rate could affect the working capital management of the companies.

#### **Methodology,**

My present paper is descriptive in nature totally depend on secondary data.The secondary data includes research paper,journals and articles



---

## Principles of Co-operative Society

A co-operative society is a unique form of business organization where Individuals join voluntarily to meet their common economic, social, and cultural needs. These societies operate based on a set of six Internationally recognized guidelines known as the **Rochdale Principles**, adopted by the International co-operative Alliance (ICA).

### 1. Voluntary and Open membership

Co-operatives are voluntary organizations. They are open to all persons who are able to use their services and willing to accept the responsibilities of membership.

- Non-Discrimination; - Membership is granted without gender, social, racial, political or religious discrimination

### 2. Democratic Member Control

Co-operatives are democratic organizations controlled by their members. Unlike traditional corporations where voting power is based on the number of shares owned, cooperatives follow the rule of "One Member, One Vote."

- Accountability: Elected representatives (the Board) are accountable to the membership.

### 3. Member Economic Participation

Members contribute equitably to the capital of their cooperative.

Surplus Distribution: Profit (surpluses) are not just kept by the "owners"; they are used to develop the cooperative, set up reserves, or are distributed back to members in proportion to their transaction with the society.

### 4. Autonomy and Independence

Co-operatives are autonomous, self-help organization controlled by their members.

Self-Governance: - If they enter into agreement with other organization (including governments) or raise capital from external



sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

### **5. Education, Training and Information**

To ensure the co-operative remain effective, it provides education and training for its member, elected representatives, managers and employees.

Public awareness:-They also inform the general public- particularly young people and opinion leaders-about the nature and benefits of co-operation.

### **6. Cooperation among co-operatives**

Cooperatives serve their members most effectively and strengthen the movement by working together through local, national, regional and international structures. This creates unified network that can compete with large scale private enterprises.

### **Conclusion**

The study concludes that while the co-operative society remained operationally solvent. Its working capital management was defensive rather aggressive. It should be suggested that reduce the time between procuring goods/services and realizing cash from members. Shifting idle cash into short term, high yield investments or diversified loan products. Minimizing the interest paid on short term borrowings by incentivizing member deposits.

### **References**

1. A Study on working capital management in Salem co-operative sugar mills Ltd published by Sneha S.
2. International Journal of Co-operative Management (JCOM) launched in.
3. A Study on Working Capital Management with reference to co-operative urban bank limited by Dr. P Venkatesh, R Guna, Mr. Srivatsan R
4. A Study on Working Capital Management with reference to co-operative urban bank limited by Dr. P Venkatesh.