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शक्ति उत्थान आश्रम लखीसराय बिहार

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FORMS OF BUSINESS ORGANISATION

JOINT HINDU FAMILY BUSINESS Joint Hindu family business is a specific form of business organisation found only in India. It is one of the oldest forms of business organization in the country. It refers to a form of organization wherein the business is owned and carried on by the members of the Hindu Undivided Family (HUF). It is governed by the Hindu Law. The basis of membership in the business is birth in a particular family and three successive generations can be members in the business. The business is controlled by the head of the family who is the eldest member and is called karta. All members have equal ownership right over the property of an ancestor and they are known as co-parceners.

Features The following points highlight the essential characteristics of the joint Hindu family business.

- (i) **Formation:** For a joint Hindu family business, there should be at least two members in the family and ancestral property to be inherited by them. The business does not require any agreement as membership is by birth. It is governed by the Hindu Succession Act, 1956.
- (ii) **Liability:** The liability of all members except the karta is limited to their share of co-parcenary property of the business. The karta, however, has unlimited liability.
- (iii) **Control:** The control of the family business lies with the karta. He takes all the decisions and is authorized to manage the business. His decisions are binding on the other members.
- (iv) **Continuity:** The business continues even after the death of the karta as the next eldest member takes up the position of karta, leaving the business stable. The business can however, be terminated with the mutual consent of the members.
- (v) **Minor Members:** The inclusion of an individual into the business occurs due to birth in a Hindu Undivided Family. Hence, minors can also be members of the business.

Merits The advantages of the joint Hindu family business are as follows:

- (i) **Effective control:** The karta has absolute decision making power. This avoids conflicts among members as no one can interfere with his right to decide. This also leads to prompt and flexible decision making.
- (ii) **Continued business existence:** The death of the karta will not affect the business as the next eldest member will then take up the position. Hence, operations are not terminated and continuity of business is not threatened.

- (iii) Limited liability of members: The liability of all the co-parceners except the karta is limited to their share in the business, and consequently their risk is well-defined and precise
- (iv) Increased loyalty and cooperation: Since the business is run by the members of a family, there is a greater sense of loyalty towards one other. Pride in the growth of business is linked to the achievements of the family. This helps in securing better cooperation from all the members.

Limitation The following are some of the limitations of a joint Hindu family business.

- (i) **Limited resources:** The joint Hindu family business faces the problem of limited capital as it depends mainly on ancestral property. This limits the scope for expansion of business.
- (ii) **Unlimited liability of karta:** The karta is burdened not only with the responsibility of decision making and management of business, but also suffers from the disadvantage of having unlimited liability. His personal property can be used to repay business debts.
- (iii) **Dominance of karta:** The karta individually manages the business which may at times not be acceptable to other members. This may cause conflict amongst them and may even lead to break down of the family unit.
- (iv) **Limited managerial skills:** Since the karta cannot be an expert in all areas of management, the business may suffer as a result of his unwise decisions. His inability to decide effectively may result into poor profits or even losses for the organisation. The joint Hindu family business is on the decline because of the diminishing number of joint Hindu families in the country.