DegreeLive Logo

B.Com Honours | Semester VI | Calicut University

CO-OPERATIVE MANAGEMENT AND ADMINISTRATION

Course Code: COM6EJ3065 • Module 3 Notes

Module III: Financial Management in Cooperatives

Covers overview of cooperative financial management, financing sources (Owned vs Borrowed capital, State Aid), capital structure, long-term growth planning, and ethical considerations in cooperative finance.

Unit 7: Overview of Cooperative Financial Management

Scope & Objectives: Dual objective of maximizing member service benefits while maintaining liquidity, financial solvency, & capital adequacy.

Unit 8: Financing Sources & Capital Management (Owned vs Borrowed)

Capital Sources:
- **Owned Capital:** Member share capital, statutory reserve fund, building fund, & retained surplus.
- **Borrowed Capital:** Member deposits, non-member deposits, NABARD refinance, & District Cooperative Bank (DCCB) borrowings.
- **State Aid:** State partnership equity contribution & developmental grants.

Unit 9: Long-Term Financial Planning & Growth Strategies

Growth Strategies: Capital budgeting for cold storages, fertilizer godowns, & processing plants. Internal reserve building to reduce dependency on external borrowing.

Unit 10: Ethical Considerations in Cooperative Finance

Ethics: Equitable credit distribution, transparent member interest rates, fair dividend payout, & preventing insider lending abuse.

Practical Case Framework 1 (Cooperative Capital Structure Owned vs Borrowed Capital Matrix): Compare capital component, risk exposure, cost of servicing, and voting influence.

Cooperative Capital Structure Comparison Table:

Capital Component	Risk & Financial Exposure	Servicing / Return Requirement
Member Share Capital	Risk capital (Loss absorption)	Capped dividend (Max 15% per KCS Rules)
Statutory Reserves	Indivisible internal equity	Zero interest cost; retained permanently
Member Deposits	Fixed financial liability	Fixed contractual interest rate

Practical Case Framework 2 (Cooperative Growth & Capital Budgeting Evaluation Matrix): Detail capital project, investment evaluation metric, social benefit score, and member impact.

Cooperative Capital Investment Decision Table:

Cooperative Capital Project	Financial Evaluation Metric	Member Social Benefit Focus
Fertilizer Storage Godown	Net Present Value (NPV) >0	Ensures timely agricultural input supply
Computerized Branch Banking	Cost-Benefit Efficiency Ratio	Provides digital banking services to rural members