***JOINT HINDU FAMILY BUSINESS***

*Meaning of Joint Hindu Family Business*

* It refers to a form of business organization which is owned and carried on jointly by the members of the Hindu Undivided Family (HUF).
* It is also known as Hindu Undivided Family Business.
* Hindu Undivided Family business is a precise kind of business structure found only in India. This is one of the classical methods of business structure in the nation. It is administered by the Hindu Law. The source of membership in the company is birth in a family and 3 consecutive generations can be members.
* The business is managed by the head of the family (eldest member) and he is called Karta. However, all the members hold equal ownership over the property of an ancestor.

*Features of Joint Hindu Family Business*

1. Formation: In JHF there must be at least two members in the family having some ancestral property. It is not created by an agreement by an agreement but by operation of law.
2. Legal Status: the JHF business is jointly owned business. It is governed by the Hindu Succession Act 1956.
3. Membership: the business is managed by the senior most member of the family known as Karta. The rest family member automatically becomes part of the business.
4. Liability: the liability of the member is limited to the extent of their share in the business. But the Karta has an unlimited liability. His personality property can also be utilised to meet the business liability.
5. Continuity: Death of any member does not affect the continuity of business. Even on the death of the Karta it continues to exit as the elder of family takes position of Karta.

#### Disadvantages of Joint Hindu Family Business:

**1. Limited Membership:**

The membership of the business is limited to the members of family only. No outsider can become the member of Joint Hindu Family Business.

**2. Limited Sources of Capital:**

The capital is limited only upto the resources of one family. This is not sufficient to meet the business requirements for expansion. Thus the size of the business remains small. The Karta cannot take the advantage of economies of large size due to limited finance.

**3. Limited Managerial Skill:**

All the managerial functions which are essential for the successful operation of a business are performed by the Karta of the family. The Karta may not be able to perform all managerial functions because of limitation of time, energy and skills. Because of limited scale of operations and financial resources, it may not be feasible to secure the services of experts in different fields like purchasing, production and marketing.

**4. Unlimited Liability:**

The liability of the Karta is unlimited. The Karta is not only liable to the extent of his share in the business but his separate property is equally attachable and amount of debt can be recovered from his separate property. This factor puts a ceiling on the growth and expansion of the business.

**5. Misuse of Power:**

The management of a Joint Hindu Family Business is centralised in the hands of Karta of the family. No other member can interfere in his management. This may lead to the misuse of power and the Karta may use the power for his personal interest.

#### Advantages of Joint Hindu Family Business:

**1. Easy to Start:**

It is very easy to start the Joint Hindu Family Business. No legal formalities are required to be faced, such as registration. It requires no agreement.

**2. Efficient Management**:

The management of Joint Hindu Family Business is centralised in the hands of Karta of family. In this business, Karta takes all decisions and gets them implemented with the help of other member. No other member interferes in his management.

**3. Secrecy:**

In Joint Hindu Family Business, all the decisions are taken by the ‘Karta’ himself. He is in a position to keep all the affairs to himself and maintains perfect secrecy in all matters.

**4. Prompt Decision:**

The Karta is the only person who exercises control and direction over the business. He may not consult anyone in taking decisions. This ensures prompt or quick decisions. Being the sole master, he takes prompt decisions and makes advantage of the opportunity.

**5. Economy:**

For the success of any business, economy is a must. It is well- balanced and maintained in Joint Hindu Family Business. The Karta of family spends money with great caution and economy.

**6. Credit Facilities:**

In Joint Hindu Family Business the credit facilities are more. One reason for this is that liability of the ‘Karta’ is unlimited. Karta is having personal relations with others, which are also helpful in raising credit.

**7. Natural Love between Members:**

In Joint Hindu Family Business, it is the natural love and affection which the members are having for each other. It helps to run the business more efficiently and smoothly.

**8. Freedom regarding Selection of Business:**

The Karta is at freedom to select any business of his choice. He has not to depend on others.