

## A CRITICAL STUDY ON JOINT HINDU FAMILY BUSINESS

**Chheda Amit Satish<sup>1</sup> and Dr. Shraddha M. Bhome<sup>2</sup>**

Department of Commerce, Shri Jagdish Prasad Jhabarmal Tibrewala University,  
Vidyanagari, Jhunjhunu, Rajasthan

### ABSTRACT

*This research paper aims to conduct a critical study on Joint Hindu Family Business in the context of its challenges, opportunities, and future prospects. Joint Hindu Family businesses have been a significant part of India's economic landscape, rooted in cultural and traditional values. However, in the contemporary business environment, JHFBs face various challenges that require a thorough examination. This research paper employs a multidisciplinary approach, combining insights from business, law, sociology, and economics to provide a comprehensive analysis.*

**Keywords:** Critical, Joint, Hindu Family, Business.

### INTRODUCTION

The Joint Hindu Family Business is a unique and time-honored form of business organization deeply rooted in the cultural and traditional fabric of Hindu society. Originating from the ancient concept of 'Hindu Undivided Family' (HUF), this business structure has withstood the test of time, adapting to changing economic landscapes while retaining its distinct features.

The Joint Hindu Family Business is characterized by the coexistence of family and business under a common roof, with a shared ancestral property and joint decision-making. This distinctive form of business organization has played a crucial role in shaping the economic landscape of India, fostering a sense of kinship and continuity across generations.

In this critical study, we delve into the various facets of the Joint Hindu Family Business, exploring its historical evolution, legal framework, economic significance, and contemporary relevance. As we navigate through the intricate web of familial ties and business dynamics, we aim to unravel the strengths and challenges associated with this form of business, shedding light on its impact on wealth creation, succession planning, and the overall socio-economic landscape.

By critically examining the Joint Hindu Family Business, we seek to contribute to a deeper understanding of its intricacies, providing insights into its adaptability in the face of modern economic complexities and legal developments. This study serves as a platform for evaluating the effectiveness of this traditional business model in a rapidly changing global business environment and explores avenues for its sustainable growth and evolution.

### HINDU JOINT FAMILY

There is no other legal system, either ancient or contemporary, that can be compared to the Joint Hindu Family, which is a distinctive aspect of both Indian culture and Hindu jurisprudence. This is because there is no other similarity between the two. The Hindu way of life is characterized by this core facet as well as this unique quality. In addition to its duty as a provider of social security, it also plays a significant character in a variety of other social, political, and economic organizations. "A joint Hindu family is comprised of all individuals who are lineally descended from a common ancestor," as stated by Sir Dinshah Mulla. This includes the spouses of the individuals as well as their daughters who have not yet married. When a daughter gets married, she is no longer considered a part of her father's family; instead, she is considered a member of the family of her husband. Because of this, a joint Hindu family is one that is based on a common ancestor for its conception and that includes every male descendant, regardless of the generation, the spouses of such male descendants, and their widows or daughters who have not yet married. Although the existence of a common descendant is essential for the formation of a Joint Family, the continuation of this family structure is not needed.

### CURRENT AND FUTURE CHALLENGES OF FAMILY BUSINESSES

Family businesses have long been the backbone of economies worldwide, contributing significantly to employment, innovation, and economic growth. These enterprises, often rooted in strong familial ties and traditions, face a unique set of challenges

that evolve with changing societal, economic, and technological landscapes. Understanding the current and future challenges of family businesses is crucial for their sustained success and the continuation of their legacies.

#### **Current Challenges:**

#### **Succession Planning:**

One of the foremost challenges for family businesses is the seamless transition of leadership from one generation to the next. Striking a balance between family dynamics, competence, and meritocracy is often a complex process that requires careful planning and communication.

#### **Professionalization:**

As family businesses grow, there is a need for increased professionalism in management and operations. The challenge lies in finding the right blend of family values and professional management practices to enhance efficiency and competitiveness.

#### **Adaptation to Technology:**

The rapid pace of technological advancements presents both opportunities and challenges for family enterprises. Embracing digital transformation, incorporating new technologies, and staying competitive in the face of industry disruption can be particularly demanding.

#### **Globalization:**

With markets becoming increasingly global, family businesses need to expand their reach and navigate the complexities of international trade. Adapting to diverse cultural, legal, and economic environments poses significant challenges.

#### **Talent Management:**

Attracting and retaining top talent outside the family circle is essential for sustained growth. Developing a corporate culture that fosters inclusivity and professional development while maintaining family values is a delicate balancing act.

#### **Future Challenges:**

#### **Generational Shifts:**

As younger generations enter the workforce, family businesses must adapt to changing expectations, work styles, and values. Bridging the generation gap within the family and the organization is crucial for future success.

#### **Sustainability and Social Responsibility:**

Increasing societal awareness and demands for sustainable business practices require family enterprises to integrate environmental, social, and governance (ESG) considerations into their

strategies. Balancing profitability with ethical and sustainable practices is a growing challenge.

#### **Digital Transformation:**

The ongoing evolution of technology will continue to impact how businesses operate. Adapting to artificial intelligence, automation, and other emerging technologies is essential for maintaining competitiveness in the digital age.

#### **Market Disruptions:**

Family businesses need to be agile in the face of market disruptions, whether due to economic downturns, geopolitical changes, or unexpected events such as global pandemics. Resilience and adaptability will be critical for navigating uncertain times.

#### **Family Governance:**

Establishing effective family governance structures to manage conflicts, make decisions, and set strategic directions is a growing challenge. Defining roles, responsibilities, and communication channels is essential for the long-term success of family businesses.

## **RESEARCH METHODOLOGY**

A critical study on joint Hindu family business requires a well-structured research methodology to ensure the collection of relevant and reliable data. Below is a suggested research methodology outline for such a study. Conducting research is a procedure that involves searching or investigating in a logical and methodical manner to discover more and helpful information that is unknown about a certain subject in order to further increase one's expertise. The term "methodology" refers to a methodical strategy that is used to direct research. There are many different guiding items included in it, such as a description of the issue, aims, hypothesis, and constraints of the research, among other things. The research methodology offers a framework to produce the research report, which is supported by the gathering of data and the use of statistical methods. During this research, the researcher has conducted an investigation of the business system and customs that are prevalent in family-owned businesses in the city of Mumbai. The researcher intends to draw conclusions based on the data and give recommendations that will assist family company owners in overcoming problems in a more effective manner and surviving more effectively in a world that is becoming more globalized and digitalized from a technological standpoint. During this research, the most

successful business families will share their best practices and success stories with future generations, as well as with students and academics.

## RESULT AND DISCUSSION

To begin the process of researching the dynamics of family companies and all of the characteristics that set them apart from other kinds of organizations, it is necessary to establish a definition that is both explicit and unambiguous. However, there is no agreement among academics about this matter. According to the initial definitions, a family business (FB) is a company in which the entire risk capital is held by a particular family, while its members contribute with their work. Alternatively, a family business can be a business in which at least two generations of the same family are involved, and the family bonds must influence business policies as well as the interests and objectives of the family. These definitions, which were once accepted by the business administration doctrine, are now regarded as being extremely restrictive and out of date. This is since they do not consider the possibility of having multiple families that share control, nor do they consider the presence of non-family members, such as professional managers, who aid family members who are involved in the business. More comprehensive definitions have been formulated and established in the body of literature. The viewpoint that regards a family business to be a corporation that is controlled by members of a single family or a company in which an individual or numerous member of a single family have a controlling stake is one that is held by a significant number of academics. The term "family business" (FB) may also be defined as a business that is focused on making a profit and can be structured as either a sole proprietorship or a corporation. In the latter case, the family must be active in the administration of the firm, even if the organization is owned by third parties.

If members of a family have legal authority over the ownership of a firm, then such company is said to be a family business. The ownership aspect is the characteristic that is shared by all of these definitions, regardless of whether or not family members are involved in the management operations. This is something that can be witnessed. Different criticisms of this approach have been raised by some scholars who define a family business as the one in which the number of

participating subjects is limited and the ownership and decision-making process are dominated by a group of subjects tied by emotional and parental relationships, thus highlighting the empathic involvement of the family in the business or the close relation between the two institutions, i.e., the family and the business. These works offer three required requirements that must be met to consider a company to be a family business. These conditions are as follows: the ownership of the company must be held by one or more families; the company must be considered a part of the family itself; and family members other than the company's founder must be involved in management. Several other definitions center their attention on the preponderant influence of the family, which not only pertains to control but also to the governance of the company.

In addition, the desire of the family to continue to exercise control and ownership over the business during the process of generational renewal is included in the description presented by other academics. According to Schillaci (1990), an FB is defined as "an entrepreneurial activity that can be intimately identified with a family or a group of families, for one or more generations." This definition is a proposal to combine the two requirements under consideration. The legitimacy of the family's influence is established by the fact that some or all of the risk capital is owned by the family, and it is also exercised by the fact that some of the family members are involved in the administration of the business. The function of a family may also encompass total control, which refers to ownership, governance, and management; nevertheless, the majority of the time, it is a dominating role that has an impact on the organization and management of the firm. In this regard, Corbetta and Dematté (1993) define family businesses as those businesses in which "one or more family units tied by close bonds of kinship or affinity make financial capital, personal guarantees, or collaterals available to the company at full risk or limited risk." In other words, family businesses are businesses in which family members make assets available to the company. We use the term "family business" to refer to situations in which one or a few families that are connected via ties of blood, affinity, or strong alliances possess shares of risk capital in sufficient quantities to guarantee that they have control over a profitable enterprise. Corporate governance is primarily exercised by one

or more family members with a total and direct control on entrepreneurship, which can also be associated with the total or partial control of management functions. Family businesses are defined as businesses in which the control is held by one or more families because of the total (closed family ownership) or prevailing (open family ownership) ownership of the risk capital. Family businesses are characterized by the fact that the control is held by the family.

### CONCLUSION

Within the context of India, and more specifically within the context of the Hindu society, the Joint Hindu Family is the default norm of the culture. A Joint Hindu Family is a distinctive characteristic of

Hindu law; its equivalent has not been discovered in any other system of jurisprudence. Even though several efforts have been made to create a parallel between the Hindu Joint Family and a Corporation, Joint Tenancy, and Composite Family, the Joint Hindu Family remains a unique element of Hindu justice. The term "Hindu Joint Family" may be described in a straightforward manner as a family structure that includes all of the lineal male descendants from a common ancestor, as well as the wives and daughters who have not yet married among these descendants. The concept of the Hindu Joint Family, which may be traced back to the Vedic period, is recognized as an essential component of the Hindu culture.

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