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6 INTRODUCTION

In Sangli district, most of the credit co-operative societies are small in size & have unitary organization structure. The Salary Earners Credit Co-operative Societies are very prompt to meet the financial needs of members in the area. The credit co-operative societies, management have also very particular to solve the local financial problems of their members. They contribute positively for the socio-economic development of the urban and rural area.

In banking field customers expectations are increasing day-by-day from CCSs. And to protect the interest of share holders in the credit co-operative societies is very important challenge before the credit co-operative societies. Credit co-operative societies have to accept the challenges of the new era. At the same time, rules & regulations of the RBI are becoming very strict regarding NPA limit norm for asset liability management and prudential norms etc. Under such circumstances the credit co-operative societies have to maintain stability, solvency, liquidity, profitability and growth & development. And it is possible only when the management of CCSs maintains financial discipline and implements financial appraisal techniques to control & minimize overheads and administrative cost and adopt principles and technique of performance appraisal to undertake banking activities. And they have to adopt professional management to fulfill performance norms and to remain in the competition.

Under this topic, a modest attempt has been made for testing of the hypothesis on the basis of personal observation, interview with experts, and views of the respondents on

different financial issues and other issues relating to the Salary Earners Credit Co-operative Society. These views are compared with own findings to test the hypothesis of the study.

Under this topic, we have made sincere effort to suggest feasible ways & means on the basis of findings. The valuable suggestions are given to overcome the existing deficiencies, irregularities as well as to improve overall efficiency and profitability of the Salary Earners Credit Co-operative Society relating to the topic of the study.

6.1 THE FINDINGS OF THE STUDY

In the Sangli district, Salary Earners Credit Co-operative Societies are facing number of problems to attain performance as per the norms set earlier. Under the changing circumstances they have to accept the challenges in the banking field. On the background of competition, increased customers expectations, the Salary Earners Credit Co-operative Society have to maintain goodwill, stability, customer's confidence, share holders confidence etc. At the same time, the Salary Earners Credit Co-operative Society has to work under the strict regulation and control of the State Government & RBI.

The Salary Earners Credit Co-operative Society can accept the challenges of new era and maintain overall efficiency and profitability, only when there is a professional attitude and capacity to apply the tools & techniques of financial management in the working of Salary Earners Credit Co-operative Society in the Sangli district.

The findings of the study is related to the following areas of the Salary Earners Credit Co-operative Society under study

1. GENERAL INFORMATION

Table on. 5.1 analyses the general information of the society. It includes profile of the society, number of branches, total employees of the society and classification of the staff. From the above information it is observed that the society is working in urban and semi-areas fog the district. It has 12 branches in the district. The total employees in the society are 35 divided into managers, officers, clerks and others. The society is working under the supervision of Board of Directors and guidance of District Deputy Registrar of the Co-operative Department.

2. PERFORMANCE APPRAISAL

The management of the society under study knows the concept & meaning of the term 'Performance Appraisal'. They also believe that the concept of performance appraisal is necessary to judge the management performance, business efficiency, financial strengths and credit worthiness of the business. The management of the society claims that, the profit and profitability increase in efficiency, fund management, value addition these attributes comes in the area of performance appraisal of the society.

3. FUND MANAGEMENT

The objectives of funds management in a society means to maximize profits by raising resources at minimum cost and lending/ investing then in a manner consistent with the principles of safety, liquidity and profitability.

- a) In fund appraisal of the society, under inflow of funds includes membership, share capital, reserve funds, deposits, borrowings and other liabilities. As regards the points of inflow of funds it is observed that, during the study period it shows increasing trend continuously as per average annual growth rate and actual annual growth rate.
- b) Under appraisal of outflow of funds, funds include cash in hands, balance with other banks, investment and loans & advances. As regards cash in hand the society is maintained sufficient cash balance in hand. It also shows fluctuations in the study period. The investments are also increased to a great extent. Regarding loan portfolio due to different classes of loans, it also shows increasing trend.

4. FINANCIAL ANALYSIS

a. FINANCIAL APPRAISAL

Under financial appraisal of the society, the management of the society knows the techniques of ratio analysis. The liquidity ratio, profitability ratio and leverage ratios are calculated in the working of the society. The society also adopted internal control system, external audit and budgeting as financial techniques to maintain financial discipline.

b. RATIO ANALYSIS

Under ratio analysis of the society some important ratios are calculated. The findings of some important ratios are as follows:

- i. **Current Ratio:** The standard ratio stated for the credit co-operative society is 1.5:1. During the study period it is observed that the society not achieved the standard during the study period.
- ii. **Debt-Equity Ratio:** The ratio of the society fluctuates between 1.85 to 3.42. It indicates that the society is more depending on outside funds than owned funds. It requires to increasing membership, share capital and reserves.
- iii. **Capital Adequacy Ratio:** The ratio indicates the relationship between owned funds to working capital. The standard ratio is 15%. Here the ratio for study period ranges from 21.05 to 31.83%. So the capital adequacy ratio of the society is very strong.
- iv. **Credit Deposit Ratio:** The ratios indicate the relationship between deposit collection capacities with loan disbursement ability. The standard ratio is 70%. It is observed that out of 10 years, only in the 1st two years the society has maintain the standard of C/D ratio.

5. MARGIN OF SAFETY FOR DEPOSITORS:

The ratio indicates the relationship between owned funds to deposits. The margin of safety stated is 5%. It is observed that the margin of safety ranges from 30.72 to 61.27% i.e. above standard.

6. NET MARGIN RATIO:

The ratio establishes relation between net margin with cost of management. Higher the ratio greater is the profitability and vice versa. It is observed that during the study period the risk cost is comparatively low than the net income. It is favourable to the society.

7. RETURN ON TOTAL FUNDS EMPLOYED:

The ratio indicates the relationship between total funds employed with net profit earned. It shows that the turnover of the society increased but no corresponding increase in the net income of the society.

C. COMPARATIVE STATEMENT OF BALANCE-SHEET

An appraisal of comparative balance sheet, under the fixed liabilities category, paid up share capital, reserve and surplus Long term deposits and borrowings are increasing continuously for the study period so it is concluded that financial strength of the society is very strong. The liquidity position of the society is also very strong. And finally the profit position of the society is also shows increasing trend for the ten years. As regards current assets of the society, all the assets shows increasing trend continuously for the ten years. The liquidity position of the society is up to the mark. Regarding fixed assets, society included land & building, furniture and computers. The figures of land and building and furniture show large investment continuously for the ten years. It increased in 9th & 10th year at 3.54 & 12.85 lakhs respectively. The other assets of the society also show increasing trend, in comparison the figures of it among the ten years. So it is concluded that the application of the funds of the society is on proper line.

D. COMPARATIVE INCOME STATEMENT

An appraisal of comparative income statement prepared it is found that expenditure side includes - interest paid on deposits and borrowings are the main item of expenditure. It shows increasing trend during the last 10 years with increase in deposits and borrowings. At the same time, during the year 2002-03, the society have done the capital investment in land & building for the society so the cost of capital interest stated is 80.67 lakhs. It is considered as 'contra item'. The administrative expenses are increasing continuously for the period of 10 years. This is due to branch expansion of the society. The society has made the sufficient provision for bad & doubtful debts, dividend equalization fund, building fund and other provision. The figures of the provision also show increasing trend for the comparison of the 10 years. It is concluded that during the 10 years the expenditure on every head of expenditure increased due to capital expenditure and revenue expenditure increased due to branch expansion and other reasons. As regards income side of the statement all the heads of income shows increasing trend due to increase in turnover of loan portfolio and investment of the society.

E. BREAK EVEN POINT

Under financial performance appraisal of the society break even point is calculated for the 10 years. It is concluded that variable cost of the society showed increasing trend. The cost of administration showed increasing trend. And contribution ratio showed decreasing trend. In BEP analysis cost, volume and profit occupies important place. These factors are interdependent. It is found that, during the 10 years cost of management, turnover of the society and profit of the society shows increasing trend. Here, BEP of the society is calculated by dividing cost of management with contribution ratio. The contribution ratio of the society shows continuously decreasing trend except the 6th year. Greater the BEP ratio lower is the profitability

and vice versa. So the management of the society has to control the administrative cost to increase the profitability.

8. HUMAN RESOURCE APPRAISAL

In appraisal of the Human Resource Development of the society it is observed that training facility is not available in the society. In the society on-job training and computer training is given by senior staff member in the traditional way. The recruitment policy of the society has no scientific base. The promotion policy of the society is also not as per the performance norms because decision of the promotion is taken by top management. HRM is necessary to sharpen the existing skills, to acquire new skills, to exploit the potential, to improve the personality, to provide job satisfaction and self-actualization. It is not observed in the personnel area of the society.

9. CUSTOMER SERVICE APPRAISAL

In the customer service area, appraisal of the services provided by the society is very necessary. It requires prompt and accurate service for the members. In the society it is observed that there is no enquiry counter in the branch. The employees are not properly trained to provide better services to the members. The information system with the members is also not as per the standard. The management of the society has to concentrate for member's satisfaction with the help of proper training. It is observed that the technical, efficiency, advisory, behavioral, after-sale service and customer amenities are not properly considered in the society.

10. SOCIAL RESPONSIBILITY

As regards social responsibility of the society it is found that the management of the society knows the concept of social responsibility. And they have contributed towards draught prone area, flood affected areas, financial assistance to the scholar students of the members and contributions towards social, educational, cultural, religious and sports activities.

11. SWOT ANALYSIS

As regards internal appraisal and assessment of the society some norms are established. The strength of the society includes prime location, prompt service, proper layout, dedicated staff, recovery through salary and convenient classes of loan. Under weaknesses of the society, it highlights on traditional management and employees dissatisfaction with the salary. In opportunities before the society it is observed that increase in pay skill of the members, increase in demand for loans and nearly 100% recoveries of loans, these funds are included. Under threat area the following points are observed i.e. growing the expectations of the members, strict control of co-operative department, new standard for NPA and lack of professionalism.

12. APPRAISAL OF MANAGEMENT INFORMATION SYSTEM

As regards appraisal of MIS in the society it is observed that the management of the society knows the concept of MIS. The decisions of top management are communicated to the branch by written circulars and telephones. Human resource information system and accounting information system is available in the society at a very primary level. The flow of information from top to bottom and bottom to top must be maintained effectively in the following area i.e. deposits and deposits mix,

classes of loan disbursement, average cost of profit, average earning on advances and investment, recovery rate, C/D ratio, CRR position etc. In the society MIS is on a very initial stage. It requires scientific outlook.

6.2 SUGGESTIONS / RECOMMENDATIONS

Credit co-operative societies are facing various problems caused, with the entry of liberalization, privatization and globalization. Under such changing environmental factors like competition, Govt. policies, performance appraisal norms, change in demands and expectations of the members are the major challenges before CCSs. The findings of the present study highlighted some of the discrepancies and lacuna in some areas in the working of the CCSs. The Shikshan Sevak Sahakari Society is aware of management and norms of performance appraisal. The society is started to implement the principles, functions and tools and techniques of performance appraisal gradually in various aspects of management. The success, efficiency, stability and profitability of the society depend upon, how these societies implement it very effectively?

Finally, we include the topic with the remark that, the norms of performance appraisal, tools and techniques of performance appraisal, performance budgeting should be applied sincerely and successfully. To achieve the overall performance, efficiency, productivity different areas like financial appraisal, appraisal of HRD, appraisal of customer service, appraisal of MIS it is very necessary. The stability, liquidity, solvency profitability and overall efficiency of the society depend upon the successful implementation of tools and techniques of performance appraisal. On this background, we recommend the certain following suggestions.

The following are the suggestions for further improvement of efficiency in the working of society under study, and to overcome related problems and deficiencies.

- 1. Management of the Shikshan Sevak Sahakari Society knows the concept and technique of performance appraisal, on this background it is suggested that the society have to consider the every activity of the society under technique of performance appraisal, where fund management, loan disbursement, recovery policy, capital investment, MIS, customer service and HR policy etc. should be consider under the concept of performance appraisal.**
- 2. The fund management of the society includes proper management of inflow of funds and application of funds under appraisal of inflow of funds includes membership, share capital, reserve funds, deposits, borrowings and other liabilities. To increase the funds, the society has to increase the membership and share capital with the help of staff. To create the internal source of finance proper provision should be made for reserves. Deposits should be increased by launching attractive deposits schemes. To meet the urgent need of finance the funds are raised from borrowings from outsiders.**
- 3. In the loans & advances portfolio it is suggested that the gap between the optimum level of advances and actual advances should be fixed by the society. To avoid overdue and NPA the proper scrutiny of the loan proposal should be made properly. The demand for loan is increasing in the society hence it is suggested that society should actively explore possibilities of increasing the advances.**
- 4. It is suggested that the performance budgeting should be implemented the working of the society and its branches. Because if performance budgeting is effectively implemented in every areas of the society, it can excel all round performance of the society.**

5. As ratio analysis is the important technique of performance appraisal, here some important ratios are calculated.
- i. The current ratio is not as per the standard. So it is suggested to increase the current assets of the society to maintain the liquidity.
 - ii. Regarding debt-equity ratio it is suggested that own funds of the society should be increased by the constant and regular efforts of the management in the area of membership, share capital and monthly contribution.
 - iii. Regarding C/D ratio of the society, the ratio is not fully maintained by the society. On this background it is suggested the society should maintain optimum balance in credit and deposit with proper appraisal of loan portfolio.
 - iv. Return on funds employed ratio indicates the successful employment of the fund. It includes loans & advances and investment of the society. The ratio calculated shows fluctuations. For steady and regular income risk factor is also properly studied under appraisal of investment proposals.
 - v. Regarding cost of management to total funds employed ratio, the ratio calculated shows unfavourable position. On this background it is suggested that the management should apply performance appraisal technique in various areas of society.
 - vi. Net margin ratio of the society, regarding the ratio it is observed that risk cost of the society has increased heavily in 2002-03. This adversely affect on net margin ratio of the society. Hence the profitability of the society adversely affected due to the heavy risk cost. So it is suggested that the society has to control the administrative cost and other Misc. expenses.

6. Regarding the comparative income statement prepared it indicates that the expenditure on every head of expenditure increased due to capital expenditure and revenue expenditure due to branch expansion and other reasons. On this background it is suggested that the society should adopt control measures of performance appraisal to control capital and revenue expenditure.
7. The break even point calculated with the help of total revenue, output (loans & investment), average revenue, variable cost (interest cost), contribution ratio and cost of management. The BEP calculated for the society is higher due to increase in variable cost and fixed cost. So it is suggested that management of the society strictly followed the control measures to control the total cost of the society.
8. In appraisal of the Human Resource Development of the society it is suggested that the management have to frame the HR policies considering the needs and requirements of the staff. Salary of the employees should be increased to motivate the staff towards efficiency of the work. The recruitment and promotion policy should be redesigned. The management has to make arrangement of on-job training and off-job training from special outside agency. It is necessary to sharpen the existing skills, to acquire new skills, to exploit the potential, to improve the personality, to provide job satisfaction and self-actualization.
9. Under performance appraisal of customer services, to maintain the customers and to achieve customer satisfaction. It is suggested that the staff of the society should give technical guidance, efficient service, advice regarding new policies & schemes of the society to the customers. Again it is suggested that the behaviour of the staff, customer amenities should be properly provided by the society.

- 10. Under SWOT analysis of the society, it is suggested that the society should maintained the strength continuously. The weaknesses should be minimized or converted into strength. The opportunities before the society should be promptly tapped. And the management has to prepare them to take the challenges of threats before the society. For this techniques of performance appraisal should be used for strategy formulation.**

- 11. Management information system establishes proper communication within the organization. The success of the business depends upon the flow of information. It is suggested that in the society should adopt an implement the concept of MIS in the following area i.e. deposits, classes of loan disbursement, average cost of profit, earnings on advances etc.**