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CHAPTER - I

INTRODUCTORY

1.1 INTRODUCTION

Credit co-operative societies have a distinct role in banking sector in India as it represents the earliest attempts at micro credit dispensing among small borrowers, in semi urban, urban and rural areas. The societies are useful to lower and middle income groups.

The co-operative sector ⁽¹⁾ in Indian economy strikes a golden mean in the private sector on the one hand and the governmental organization on the other. The co-operative sector combines the merits of freedom and flexibility of private organizations and purposive ness of social objectives of the government organization.

In Sangli district numbers of credit co-operative societies are increasing very fast in rural semi urban, urban area. These societies are very efficient to fulfill the local financial needs of the people and so people are very much attracted towards credit co-operative societies.

Western Maharashtra is well known for co-operative movement. This had led to establishment of credit co-operative societies. Many political leaders, local leaders, business men, trader, farmers, teachers and salaried people formed their credit co-operative societies.

The present study is micro level study. The study will highlight the present financial position and performance of Shikshan Sevak Sahakari Society Ltd., Sangli

This study also highlights the various tools and techniques of performance appraisal which is useful to the society i.e. financial planning, financial decision making, cost control, investment decision, ratio analysis comparative Balance-Sheet, profitability statement etc.

The study in general will be very unique because it covers various aspects of co-operative sector concern with the tools and techniques of performance appraisal, in the light of social and economic development.

In choosing salary earners credit co-operative society in Sangli district as the area of research interest I have been guided by both personal and academic consideration. The main objectives of selecting Shikshan Sevak Co-operative Credit Society Ltd., Sangli is that, the society is very old and contribute for the members who are engaged in teaching and non-teaching staff of the secondary, higher secondary and college of the Sangli district.

Moreover, the present study has its genesis in my professional participation as an accountancy teacher in Chintamanrao College of Commerce, Sangli in the last three years and nominal member of Shikshan Sevak Co-operative Credit Society Ltd., Sangli. We have selected the topic to study the technique of performance appraisal and its application to the salary earners societies in general and Shikshan Sevak Co-operative Credit Society in particular.

1.2 STATEMENT OF THE PROBLEM

In Sangli district, in the last decade the credit co-operative societies were very efficient to fulfill the financial needs of local people. The credit standing of the average people increased through the credit co-operative society. The social and economic contribution of these societies was quite significant. For all the family problems the members are

dependent on credit co-operative society. These societies are the suitable alternative for private money lenders. So, enormous credit co-operative societies were established in Sangli district.

There is tremendous increase in the establishment of salary earners credit co-operative societies in Sangli district. These societies are very efficient to fulfill various types of financial needs of their members. These societies developed different classes of loan portfolios i.e. housing loan, hypothecation loan, emergency loan, etc. At the same time these societies launched different deposits schemes under fund management i.e. recurring deposit, time deposit, etc. The members of the society gets higher rate of interest on their deposits in comparison with co-operative banks and other private and nationalized banks. The special feature of these credit co-operative societies is that, there is 100% recovery of loan because amount is recovered in monthly installment through salary of the members.

Salary earners credit co-operative societies ⁽²⁾ run the banking activities as per the byelaws, rules and regulation of the District Co-operative Department and guidelines and norms of RBI.

In the Sangli district, in context to salary earners credit co-operative societies, the working of these societies are not up to the mark. These societies were also various problems on administrative and financial level. The following are the main problem area regarding the changing environment in the overall working of credit co-operative societies in the district.

1. Traditional management in the societies
2. Lack of training facilities for the employees
3. Lack of professional attitude of a Directors
4. No internal audit system
5. Performance appraisal techniques are not followed in the society

6. No financial discipline is maintained
7. Customer service is neglected
8. Political interference
9. Delay in salary of the members, disturbs financial plan of the society
10. Human Resources management system is not implemented in the society

With this observation it is concluded that, the atmosphere in the management of these credit co-operative society is not satisfactory. It requires positive changes in the management and administration of the credit co-operative society at head office and branch level. Under such background to achieve socio-economic objectives and to provide satisfactory customer services the management of credit co-operative society have to adopt tools and techniques of performance appraisal in the working of credit co-operative society.

1.3 IMPORTANCE OF THE STUDY

Credit co-operative societies are working in different areas ⁽³⁾ i.e. agriculture credit societies, farmer's service societies, industrials societies, housing societies, multipurpose societies, consumer societies, employee's credit societies among the above societies salary earner's credit co-operative society plays a very important role in rural and urban areas. Considering the role and development of salary earners credit co-operative society, it becomes necessary to judge the performance of the above societies and to analyze the financial state of affairs. These societies undertake the business activities not only to make the profit but to fulfill the needs of its members. Growth and stability is also occupies important place in working of salary earners credit co-operative societies. So it is essential for credit co-operative societies to measure their performance on the basis of financial parameters. Hence it is very necessary to find out to what extent these credit co-operative societies are working to achieve growth and development. The growth and development of the credit co-operative societies is measured with the help of

various financial tools and techniques of performance appraisal. The phrase performance appraisal is composed of two words ⁽⁴⁾ i.e. performance and appraisal. The word performance is used to mean the efforts extended to achieve the targets efficiently and effectively. The achievement of target involves the integrated use of human, financial and natural resources.

Appraisal refers to a critical review with a view to improving performance. It compares the actual performance with target fixed, identifies causes of significant variations and develops the devices to take corrective actions.

The term performance appraisal may be defined as a critical assessment of evaluation of various activities in different areas of operations of an organization.

Now a days credit co-operative societies are facing many problems e.g. recovery of loans, increasing administrative cost. Confidence among the members and so on of credit co-operative societies are struggling for existing under such circumstances it is very necessary to measure the performance on the basis of funds management of over dues and recovery loans, management of H.R.D., I.T. and customer services and overall financial analysis.

Considering the above it is very necessary to measure the performance of credit co-operative society is the most important and urgent in today's challenging circumstances.

1.4 JUSTIFICATION OF THE STUDY

The present study is concerned with the micro level research. And application of the concept, tools and techniques of performance appraisal in the management and administration of salary earners credit co-operative society. Especially, a research study is bases on a case study of Shikshan Sevak Co-Operative Credit Society Ltd., Sangli.

As regards to the Salary Earners Credit Co-operative Society in Sangli district, various studies are done on loans and advances, management and working of these societies. They are broad-based and macro level and general in nature.

This study is at micro level and related to the multi-dimensional problems of Shikshan Sevak Co-operative Credit Society Ltd., Sangli. It is a case study of Salary Earners Credit Co-operative Society.

On the other hand for every business organizations to achieve the basic objectives, it is necessary to apply the technique of performance appraisal on the basis of financial parameters.⁽⁵⁾ In management of credit co-operative society it is necessary to judge the performance of each and every activity within the society on the parameter of performance appraisal. In performance appraisal of Shikshan Sevak Co-operative Credit Society, fund management, loan portfolio, credit management, customer service, management information system and human resource development will be studied on the basis of performance appraisal.

1.5 OBJECTIVES OF THE STUDY

For conducting research study the following broad objectives are set

1. To study the financial management of society. Assessment of the status of the resource mobilization.
2. Assessment of a status of borrowing, lending and business operations.
3. To study the status of recovery management.
4. To introduce strategies to be followed to reduction of cost, management of funds.
5. Developing future strategies to improve management information system (M.I.S.) H.R.D. and customer service to face future challenges.
6. To suggest reasonable solutions to solve their problems.

1.6 HYPOTHESIS

The present study aims at testing the following hypothesis.

1. In credit co-operative societies, management of working capital has no scientific base so there is a problem of recovery of loans.
2. Low loan business activities affected on high level of deposits which ultimately affected on total profitability.
3. Performance of credit co-operative society has not assessed by financial parameter.
4. Human Resource development concept is totally neglected in credit co-operative society.
5. Resources are not effectively utilized.

1.7 METHODOLOGY

This is a case study for Performance Appraisal of Shikshan Sevak Sahakari Society Ltd., Sangli.

With a view to achieve the specified objectives and also to test the hypothesis the entire investigation will be carried out. Sources used for collecting data may be divided into –

1. PRIMARY DATA

- i) A well designed questionnaire is prepared for top level management who are engaged in planning, controlling, decision making and overall management of the society.
- ii) Interview and personal discussion with top level as well as branch level offices on important administrative and financial issues.
- iii) Discussion with the auditor of the society regarding the financial matters of the society.

2. SECONDARY DATA: The secondary data is obtained from –

- i) District Co-operative Department
- ii) Sangli District Co-operative Board Ltd., Sangli
- iii) Official Records of District Deputy Registrar (Co-op. Dept.), Sangli
- iv) Annual Reports of Shikshan Sevak Co-operative Credit Society
- v) Relevant information published in various Journals, Magazines, News Papers and Books of various authors relating to the subject from different libraries.

1.8 PERIOD OF THE STUDY

The present study covers the time space of 10 years from the co-operative year 1997-98 to 2006-2007. For the above period the working of Shikshan Sevak Co-operative Credit Society Ltd., Sangli has been examined in general and particularly on the basis of performance appraisal parameters. These parameters are related to the funds management, credit management, MIS, HRM, social contribution and customer service, etc.

1.9 TOOLS OF RESEARCH

For the present research study, for the purpose of performance appraisal following techniques is adopted.

- i) Accounting techniques under this research study ratio analysis, trend analysis, funds- flow statement these techniques are used.
- ii) For analysis and interpretation of the collected data average percentage, ratios, trend analysis and other statistical techniques are used

1.10 LIMITATIONS OF THE STUDY

During the course of study we have faced various problems which in effect constitute limitations which are as follows -

1. The secondary data have been collected from more than one sources, there may be slight differences between one source to another for the same variable

2. While collecting secondary data management were not ready to provide detail information relating to the topic
3. Pessimistic attitude of top management and branch management personnel, when they responded to the questionnaire

1.11 CHAPTER SCHEME OF THE STUDY

CHAPTER-I

INTRODUCTION

Describe the research problem, importance of the study, objectives, hypothesis of the study, time span, sources of data collection, limitations and presentation of the study.

CHAPTER – II

THEORETICAL REVIEW OF CREDIT CO-OPERATIVE SOCIETY AND THE CONCEPT OF PERFORMANCE APPRAISAL

Deal with the theoretical aspect of Co-operative movement, History of credit co-operative society, types of Credit Co-operative Society, objectives and management of Salary Earners Credit Co-operative Society. It also includes meaning and concept of performance appraisal, performance appraisal through financial statement analysis, process of performance appraisal, importance and usefulness of performance appraisal, areas of performance appraisal, and techniques of performance appraisal.

CHAPTER – III

PROFILE OF SHIKSHAN SEVAK SAHAKARI SOCIETY LTD., SANGLI, AND THEORETICAL REVIEW

This includes historical development, branches, organization chart, management, Role of Board of Directors, co-ordination between Head Office and branches and functions of Branch Manager. Theoretical review of appraisal of human resource development, appraisal customer services, SWOT analysis and MIS.

CHAPTER-IV

FINANCIAL APPRAISAL OF SHIKSHAN SEVAK SAHAKARI SOCIETY LTD., SANGLI

The topic deals with the practical aspect relating to the problem. It includes an appraisal of funds management, financial analysis, and appraisal of HRM, appraisal of customer services, appraisal of social responsibility of society and SWOT analysis. It also includes the different tools and techniques like: Ratio Analysis, comparative statement, Break-even Analysis and Profitability statement.

CHAPTER -V

DATA COLLECTION AND DATA ANALYSIS

Deals with the analysis and interpretation of primary data collected from primary sources relating to the funds management. Financial analysis, appraisal of HRM, appraisal of customer services, appraisal of social responsibility of society, management information system and SWOT analysis.

CHAPTER -VI

FINDING, CONCLUSION AND RECOMMENDATIONS

Deal with the summary of findings of the study, followed by implications and suggestions for the further improvement of working of the Shikshan Sevak Co-operative Credit Society Ltd., Sangli.

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