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**2 INTRODUCTION**

The co-operation is older than the co-operative movement working together is as old as human society. Co-operation leads heavenly peace & prosperity in the society. All kinds of co-operations are noble. It is a special method of doing work jointly and suits the poor.

Co-operation is a movement of people. England is the homeland of co-operative store movement. The co-operative movement in England is the outcome of economic and social imbalance created by the industrial revolution. Consumer's co-operative movement is unique model example of co-operative movement in the world. Robert Owen was the first to propound and propagate the ideals of co-operation in England in 1825-27.

Germany was the first country in the world to apply principles of co-operation in the field of credit. The co-operative movement was started in Germany in the middle of 19<sup>th</sup> century. Herr. F.W. Raiffeisen and Herr. Schulze–Delitzsh is two pioneers in this field. Raiffeisen tried to relieve the sufferings of the people living in rural areas, while Schulze giving relief to the people living in urban areas.<sup>(1)</sup>

The co-operative movement is a world wide movement. The roots of co-operation have spread wide and deep both in the developed and developing nations. As the I.L.O.

yearbook for 1933 noted, “In some they are using it as an instrument for developing backward economic system in other more advanced countries”. It is considered as highly developed and advanced form of economic activity and is, therefore, with new responsibilities in being associated with task of public importance.<sup>(2)</sup> It means it is developed in almost all the countries of the world in one form or the other.

Following table shows the co-operative movement in various countries.

**TABLE NO. 2.1**  
**CO-OPERATIVE MOVEMENT IN VARIOUS COUNTRIES**

Sr. No.	Types of Co-operatives	Nation
1	Consumers Co-operatives	England, Russia, Sweden
2	Credit Co-operatives	Germany, Italy, Sweden, India
3	Marketing Co-operatives	Canada, U.S.A., Australia
4	Land Mortgage Credit	Germany, England, France
5	Dairy Co-operatives	Denmark & New Zealand
6	Farming Societies	Russia, Yugoslavia & Palestine
7	Housing Societies	U.S.A., Sweden & Israel
8	Producer’s Co-operatives	France & England
9	Labour Societies	Italy
10	Insurance Co-operatives	England
11	Co-operative Education	England

**Source:** Co-operative management: Practice problems & prospects, By Pawan K. Kamra, P-20.

## **2.1 INDIAN EXPERIENCE**

In India, the origin of Urban Credit Movement can be traced to the second half of the 19<sup>th</sup> century, when some middle class Maharshtrian families settled in the east. While Baroda state started a mutual aid society call 'Annyonya Sahakari Mandali' in Baroda on 5<sup>th</sup> February, 1989 under the guidance of Shri. Vithal Laxman alias Bhausahab Kavthekar.

The society was started with 23 members with a small amount of Rs. 90/- as compulsory savings of their founder members and no share capital. Initially most of the urban banks in India were organized as credit societies and later converted into urban banks. When the co-operative credit society Act of 1904 conferred legal status on credit societies, the first Urban Co-operative Credit Society was registered in October 1904 at Canjeevaram in Madras Province. Subsequently, the Betegiri co-operative credit society in Dharwar District was established in the undivided Bombay province and the Bangalore city co-operative credit society in the east. While Mysore states were registered in October 1905 and December 1905 respectively.

## **2.2 CO-OPERATIVE MOVEMENT IN MAHARASHTRA**

Maharashtra state came into existence on 1<sup>st</sup> May 1960. Maharashtra is one of the most industrially, economically, socially, culturally developed state in Indian union. This is equally true in co-operation. Co-operation in Maharashtra has been to the pioneering sector of co-operative movement in India.

Maharashtra state is divided in to six administrative divisions. There are 31 districts and 296 Panchayat Samities, 43722 villages and 378 cities in Maharashtra. The Maharashtra state acquired area of 307690 k.m. According to census of 2001 the total population of Maharashtra is 96752000.

Maharashtra is recognized as land of co-operation as there are various types of so many co-operative societies existed in the state. Around 50% of total UCB and UCCS in India are concentrated in two states only i.e. Maharashtra & Gujarat, while the share of Maharashtra is 30%.

The first urban credit co-operative society named Anyonya Sahakari Mandal was established in Baroda city, in Bombay presidency on 5<sup>th</sup> February 1889 by Mr.V.L. Kavethakar. After passing of Co-operative Societies Act 1904, this society has given a legal status. Co-operative Societies Act 1904, the co-operative movement in Maharashtra took speeds. In 1919 co-operative became a state subject under Montague Chemsford reforms and provinces were authorized to make their own laws. According to this recommendation Maharashtra government has appointed committee to frame Maharashtra Societies Act under the Chairmanship of G.M. Lad and finally recommendation of Lad Committee been incorporated as Maharashtra Societies Act, 1960.

This act gives legal status to co-operatives in Maharashtra. There are so many provisions in this act regarding registration, amalgamation & transfer and division of co-operative societies.

In 2006 there are aggregate 28000 credit societies in Maharashtra, in that 24000 are rural & urban credit co-operatives. From that 3 lakh depositors have deposited Rs. 32000 crore and loans of Rs. 26000 crore provided to needy persons. They had provided employment to 5 lakh workers.

**TABLE NO.2.2**  
**PROGRESS OF NON-AGRICULTURAL CREDIT CO-OPERATIVES IN**  
**MAHARASHTRA AT GLANCE**

Sr. No.	Year	No. of Societies
1	1961	1631
2	1671	2966
3	1981	5477
4	1991	11293
5	2001	22016
6	2004	25666
7	2005	26147

**Source:** Co-operative Movement at glance in Maharashtra 2005.

Table no. 2.2 indicates the progress of UCCS in Maharashtra from 1961 to 2005, they are increased from 1631 to 26147, by 24516 in 45 years. Registering the annual growth rate of 33.40%

There are 1 84 390 all types of co-operatives in Maharashtra in 2005 and members of that societies are 192 lakh. The hold share capital of Rs. 5325 lakh & working capital of these societies are 98044 lakh.

### **2.3 CO-OPERATIVE MOVEMENT IN RURAL BANKING**

The era of Co-operative Movement <sup>(3)</sup> in India started with the passing of the first co-operative societies Act in 1904 by the Government of India. The idea behind the co-operative movement at that stage was defensive and protective of the interests of peasants. It was meant to inculcate the spirit of thrift, self help and mutual co-operation among the peasants so that they were protected from the appalling conditions of heavily indebtedness. A vast number of peasants' private money-lenders. The private village

money lenders because of their monopolistic position in the sphere of agricultural finance then had held a large number of indebted peasants in a state of bandage which almost amounted to a sort of semi-slavery.

Under the Act of 1904 a number of co-operative credit societies came to be established. The co-operative credit movement recorded considerable progress after the passing of the Act of 1904.

This was followed by the co-operative societies Act of 1912. The Act of 1912 recognized along with co-operative credit societies, co-operative societies engaged in distribution etc.

According to Co-operative Independent Commission,<sup>(4)</sup> “A co-operative society, in its economic aspects, is a voluntary organization set up by consumers or producers to serve their own needs.”

In some countries a co-operative society is defined by law as an organization which has as its object “The promotion of the economic interest of its members” or “The promotion of thrift, self-help and mutual aid among agriculturists and other persons with common economic needs, so as to bring about better living, better business and better methods of production.” Sometimes a co-operative is defined as a body formed and working under the “Co-operative Act” of the country concerned.

The Indian Co-operative Societies Act of 1912 has not given any definition of co-operation. Section 4(c) considers a co-operative society as “A society which has its object the promotion of the economic interests of its members in accordance with co-operative principles.” The Act, has, however, not precisely defined what is “Co-operation”; nor has it attempted to define “Economic interests” or “Co-operative

principle.” An attempt to define these terms precisely was avoided deliberately in the interest of elasticity and simplicity.

## **2.4 NON-AGRICULTURAL CREDIT MOVEMENT**

The co-operative movement was started in India to ameliorate the condition of the rural masses. However, it was soon realised that co-operation offers a solution to the difficulties encountered not only by the agriculturists but also by the townsman in respect of credit as well as other aspects of his business and life. The Maclagan committee<sup>(6)</sup> co-operation pointed out as early as 1915 that : “Urban Credit Society might serve useful purpose in training the upper and middle classes to understand ordinary banking principles”. In 1931, the Central Banking enquiry committee recommended that limited liability co-operative societies, generally known as urban banks, should be established, wherever necessary facilities and conditions exist, for the benefit of these classes of the population. We do not see any objections to special societies for salary earners if these societies are looked upon as thrift societies for collecting and investing the savings of their members. The duty of these urban banks should be to try to do for small trader, the small merchant and middle class population. What the commercial banks are doing for the big trader and the big merchant.

## **2.5 NEED FOR URBAN BANKING**

The need for Urban Co-operative Banking arises from the fact that joint stock banks are not interested in providing credit to the urban middle class. This is because it is not advantageous for joint stock banks in developing the business of small loans on account of the high cost of advancing and recovering them. Further, as joint stock banks are not likely to have under ordinary circumstances full and intimate knowledge of the standing and resources of persons of moderate means, they will not advance loans on personal security. In these circumstances the man with limited means in urban areas



would be driven to money lenders or similar agencies to obtain loans at exorbitant rate of interest. In this connection the following observations of W.K.H. Campbell are significant. "A very little investigation of the conditions of the salary-earning class is frequently enough to reveal that, when sudden emergencies arise which make an unexpected demand on their fixed salaries, they have to borrow, that they do so on most unfavorable terms and that as a class they are heavily and in most cases, hopelessly indebted".

The Urban Co-operative Credit Movement started in India with the Chief object of catering to the banking and credit requirement of the urban middle class e.g. the small trader or businessman, the artisan or factory worker, the salaried people with a limited fixed income in urban or semi-urban areas. Besides protecting the middle classes and men of modest means from the clutches of the money lenders, the movement is also expected to inculcate the habit of thrift and savings amongst them. The movement provides the frugal section of the community an opportunity of investing their savings and thus helps the hard pressed people tide over the period of stress and strain.

## **2.6 ORIGIN AND DEVELOPMENT OF URBAN CO-OPERATIVE CREDIT SOCIETY**

The Urban Co-operative Credit Movement originated <sup>(5)</sup> in Germany when Herman Schultze started such societies for the benefit of artisans in the cities. In Italy the credit of starting such societies goes to Luigi Luzzatti. Encouraged by the success of the urban credit institutions in these countries social workers in the India began to think in terms of co-operation as means of bringing succors to the middle classes as early as the close of the 19<sup>th</sup> century. The first urban credit society was a light of the day in 1989 when a mutual aid society was registered at Baroda.

The progress of Urban Co-operative Credit societies and banks can be assessed from the following observation of the Reserve Bank of India made in purview of the co-operative movement in India, 1939-40.

Urban Co-operative Credit Societies and banks occupy a prominent place among the agencies supplying the credit needs of people residing in urban areas. They advance loans mostly to the small traders, artisans and salary earners on personal security as well as against gold, silver and produce.

## **2.7 TYPES OF SOCIETIES**

According to the classification <sup>(6)</sup> given by the Agricultural credit department of the Reserve Bank of India. The non-agricultural credit societies have been classified into three types.

### **1. URBAN BANK**

An Urban Co-operative Bank has been defined as which has been organized for accepting deposits from the public which are usually repayable by cheques and which carry on normal banking business.

### **2. SALARY EARNERS SOCIETY**

A salary earners society is an organization of salary earners working in a particular area or business house for mutual help and co-operation to meet their common economic requirements like depositing their surplus money:- receiving loans etc.

### **3. THRIFT & CREDIT SOCIETIES**

The third category of societies cover thrift and credit societies organized among the artisans, small traders, factory workers and other salaried persons with limited income in urban and suburban areas.

#### **TYPES OF NON -AGRICULTURAL CREDIT SOCIETIES**

There are three types of non-agricultural credit societies doing banking business:

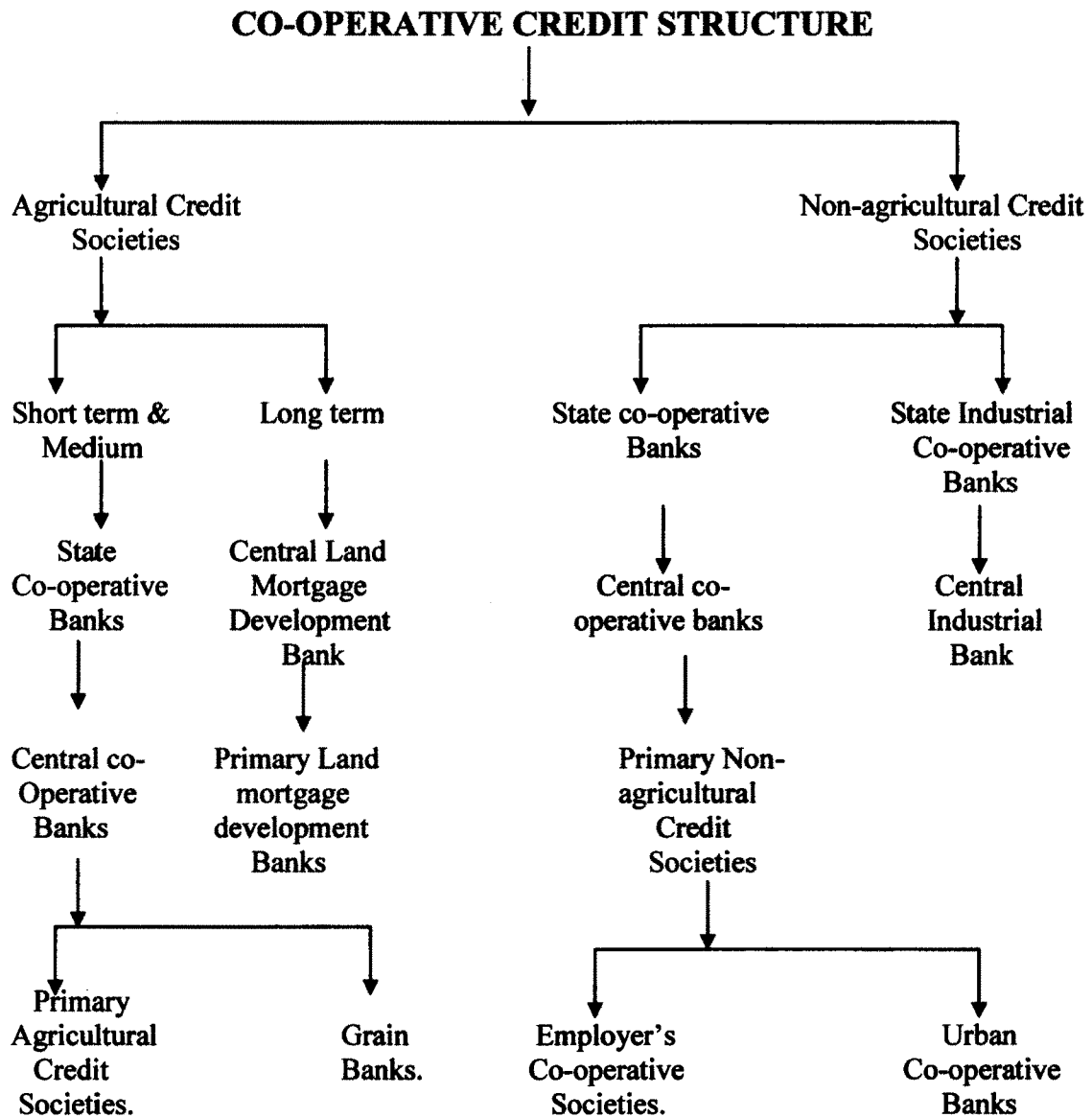
- i. Non-agricultural credit societies with paid-up share capital and reserves of less Rs.1.0lakh which are outside the purview of Banking Regulation Act 1949 but which can use the word 'bank', 'banker' or 'banking' as part of their names. These are defined as PRIMARY CREDIT SOCIETIES.
- ii. Non-agricultural credit societies with paid up share capital and reserves exceeding Rs.1.0 lakh. These are defined as PRIMARY CO-OPERATIVE BANKS popularly known as Urban Co-operative Banks and are under the statutory control of the Reserve Bank.
- iii. The third category consists of SALARY EARNERS' OR EMPLOYEES' CREDIT SOCIETIES. If these societies accept deposits from their members only how are usually salaried employees of an organization, they do not come under the purview of the Banking Regulation Act 1949. But if they accept deposits from non-member also and have a paid up share capital and reserves exceeding Rs.1. lakh, they come under the definition of 'Primary Co-operative Bank' and, therefore, within the purview of the Banking Regulation Act, 1949 and the statutory control of the Reserve bank of India.

## **2.8 CO-OPERATIVE BANKING STRUCTURE**

Since the credit sector is “The prince of Denmark” in the whole apparatus of the co-operative movement, it merits the pride of place in the present study of co-operation. The co-operation banking structure is pyramidal or federal in character. At the base that is at the village level there is primary credit society upon which the whole edifice of co-operative credit is based. These societies are federated at the district level into a central society called the Central Co-operative Bank.

A chart <sup>(7)</sup> shows the structure of the co-operative structure.

**FIGURE NO.2.1**  
**CO-OPERATIVE CREDIT STRUCTURE**



**2.9 SALARY EARNERS SOCIETIES**

The need for Co-operative Credit Societies <sup>(8)</sup> among salaried classes and particularly in the lower income groups can't be overemphasized. The pay commission 1957-59 and the

staff welfare review committee set up by the ministry of Home Affairs recognized the need as a real one. If the welfare of the employees is to be really effective, they must be saved from the clutches of unscrupulous creditors by providing alternative honest source of credit.

Separate employees' credit co-operative societies have been organized for different categories of worker. Even in the same undertaking there are credit societies for each department or section. Such societies have been organized by Railway workers, Posts & Telegraphs department, Government secretariats, etc. They have also been organized by workers in big factories.

The Committee <sup>(9)</sup> on Urban Co-operative Banks (1978) expressed the view that the operations of salary earners' societies have certain distinct characteristics.

1. They hardly undertake any banking function and yet they are classified as primary co-operative banks merely on account of the provision in their bye-laws for acceptance of deposits from non-members.
2. Their credit operations are restricted to members and are in the nature of surety loans issued mostly for consumption purposes. The regulatory or other credit control measures resorted to by the Reserve Bank with a view to enforcing monetary discipline and to ensure orderly economic activities have, therefore, no direct bearing on the operations of salary earners' societies.
3. The salary earners' societies do not enjoy any special advantages other than the acceptance of deposits from non-members. Unlike urban banks, which ordinarily utilize the resources raised from non-members by way of deposits in loans and advances to members for productive and to some extent, consumption purposes, the advances of salary earners' societies are mostly for consumption purposes.
4. Urban co-operative banks have an important role in the economic development of the area where they are functioning which is not the case with the salary earners'

societies as the membership of salary earners' societies are mostly for consumption purposes.

The Committee is, therefore, of the view that there is no valid reason for permitting salary earners' societies to accept deposits from non-members. Further, many of the salary earners' societies are found to be experiencing difficulties in complying with certain essential provisions of the B. R. Act 1949 (AACS), particularly sections 18 and 24.

For the Reserve Bank, the continuance of salary earners' societies within the purview of the B.R. Act 1949 (AACS ) only entails additional work to watch the compliance with statutory requirements, scrutiny of their returns as also to conduct periodical inspections of the societies, involving a great deal of expenditure with non particular purpose or need for controlling their operations from the angle of overall monetary and credit policy.

In view of the foregoing, the Committee recommended that salary earners' societies presently classified as primary co-operative banks should go out of the purview of the B.R. Act 1949 (AACS) by effecting suitable amendment to Section 7 and 49A of the Act *ibid* as also Section 2 of the Reserve Bank of India Act 1934.

### **2.9.1 OBJECTIVES AND FUNCTIONS**

The main object <sup>(10)</sup> of an employee credit society is to encourage thrift as well as to meet the genuine needs of their members for loans at reasonable rates of interest. The work these societies is comparatively simple as they generally have adequate resources to meet the demands for loans and recovery is more or less assured as it can be effected by deductions from the pay –slips of the loanees by the management . This has in certain cases, resulted in unnecessarily large borrowings and indebtedness which could, perhaps

have been avoided. In certain cases malpractices have arisen and loans obtained at low rates were re-lent at exorbitant rates.”

Following are the other objectives.

1. To attract deposits from members and non-members.
2. To lend money to members at reasonable rate of interest.
3. To invest money or funds of the society not required for lending.
4. To carry on non-credit functions, such as running a consumer etc.

### **2.9.2 MEMBERSHIP**

The size of an employees' co-operative credit society shows considerable variation. The average membership ranged between 100 to 1000. The membership of a society is naturally dependent on the size of the institution or the department or branch of the serves. In some of the societies membership is open to confirmed employees.

### **2.9.3 MANAGEMENT**

The supreme control of the societies vests in the general body of the shareholders. For day to day management there is a managing committee or Board of Directors whose strength varies from 5 to 12 depending upon the total membership. In some of the institutional societies the head of the institution is ex officio president of the managing committee. The association of these senior officials has contributed in no small measure to the success of many societies. Their presence definitely acts as a deterring influence on excessive borrowing and they can also help the societies in bringing pressure to bear on recalcitrant members. It has, however, been noticed that where the head or a senior officer presides over a meeting there is hardly any free or frank discussion and resolutions are passed in a routine way, though his presence attracts a larger attendance at the meeting. Such a system of management where ordinary members do not take any



active interest or part can hardly be called truly co-operative and does not inculcate in the members. The sense of responsibility and self reliance is the bed-rock of co-operative philosophy. It is highly imperative, therefore, that an ordinary employee and in case of factory workers an ordinary workers should be associated with management as a society should be managed by the employees themselves and not be figure heads. It has been rightly said that the best school for self-government is self-government.

#### **2.9.4 RESOURCES**

Like the Urban Banks, the working capital of employees' Co-operative Credit Societies also consists of owned funds and borrowings. The building up of a strong capital base through owned funds is essential for the security of the society to enable it to raise outside borrowings. The value of a share in employees' societies is normally Rs.10 Deposits important source of the working capital. There is a compulsory deposit fund.

#### **2.9.5 LOAN OPERATIONS**

The main objects of employees' Co-operative Credit Societies are to encourage thrift as well as to meet the genuine needs of its members for loans at reasonable rates of interest. The work of these societies is comparatively simple as they generally have adequate resources to meet the demands for loans and recovery is more by deductions from pay slips of the loans by the management.

The amount of loan available to members varies considerably in the different employees Co-operative Credit Societies even in the same state. Normally, it is related to a certain multiple of the pay of member and to the share capital contributed by him subject to a calling. The installments, in which repayment is to be made, also vary to considerable extent. The rate of interest charged on these loans varied from 5 % in Bihar to 12% in Karnataka. The loans are given a personal security.

The employees' Credit Societies were envisaged to encourage savings and thrift amongst the members but in practice some of them have simple degenerated into institutions providing a facile credit. The ease with which members can borrow from these societies has encouraged extravagant habits in the members and members are found to be borrowing beyond their means the recent inflationary tendencies have come as a bolt from the blue for these societies as members have started borrowing even for their daily requirements and for balancing their monthly budgets. This tendency is fraught with danger and unless it is curbed the future of non-agricultural credit societies can not be said to be promising. It is therefore very necessary that opinion should be created against extravagance. The members should be impressed that these societies are primarily intended to promote thrift and loans are advanced by them only in periods of emergency.

#### **2.9.6 NON CREDIT ACTIVITIES**

Besides providing credit facilities some of the non-agricultural credit societies also provided other essential commodities. It was largely during the period of control and rationing that these societies ventured to undertake non-credit activities. Some of the societies are running consumer stores while others undertake joint purchases of consumer goods on behalf of the members on an agency basis. The Study Group has stated that it could be advisable for employees to set up separate co-operative consumer stores which could be assisted under the various schemes of the government. Employees' co-operative credit societies can, however, effectively help their members in obtaining essential supplies and at the same time give support to the consumer co-operative stores in several ways. E.g. 1) By granting loans to members for placing the same as trade deposits in the consumer co-operative store. 2) By making an arrangement with the consumer co-operative store under which an authorization may be given to a member to purchase consumer goods on credit. The amount being debited, against him as a loan by the credit society was to be repaid in convenient installments.

### **2.9.7 WELFARE ACTIVITIES**

The bye-laws of some employees Co-operative Credit Societies also provide for the undertaking of welfare work for their members and the families of the members. The study Group found that a large number of such societies were particularly affluent. The group came across several societies which were declaring maximum dividends and had funds which they could use advantageously for the benefit of their members. The study group has strongly recommended that a part of the profits of employees' co-operative credit societies should be set aside for specified welfare activities.

### **2.9.8 ASSISTANCE AND FACILITIES**

The employees' co-operative credit societies are generally well run and to a large extent depend upon their own resources. However, in the initial stages, particularly, they may run into difficulties. It would, therefore, be desirable for the employers to extend certain assistance and facilities to the societies which are organized for the welfare of their employees. The study group on credit co-operatives in the non-agricultural sector has suggested that the following facilities be made available to them by the employers.

1. Employees' co-operative credit societies should be recognized as an essential part of the welfare activities of the undertaking and a sympathetic and helpful attitude towards its formation and running should be employees' co-operative credit societies.
2. For an initial period of three years some clerical assistance may be made available or managerial subsidy may be provided.

3. A working capital loan of up to Rs.15000 free of interest may be given to new societies if necessary. This may be recovered in a period of 10 years.
4. Assistance should be given in making deductions from the pay sheets of members for share capital, thrift deposits and installments of loans etc. No commission should be charged for such assistance. Recoveries may be handed over by cheque rather than as liquid cash to the societies where they so desire.
5. The managing committee members, members of sub committees, etc. should be allowed necessary facilities to absent themselves for attending society meeting, etc, or to undertake tours on behalf of the societies. The facility of using departmental transport where available on normal or concessional rates may be provided.

### **2.9.9 ROLE OF EMPLOYEES CREDIT SOCIETIES**

The employees' credit societies can also play a similar role though in a more restricted context for instance:

- a. Members are taught the habits of thrift and self-help.
- b. Surplus funds can go to the development of agricultural and other sectors of the co-operative movement.
- c. They provide credit on reasonable terms, the lack of which would have driven salaried men to paying exorbitant rates to non-co-operative agencies.
- d. They can provide for the welfare of their member.
- e. They can also provide to the active leadership of the co-operative movement.

## **2.9.10 SUGGESTIONS WITH REGARD TO EMPLOYEES CO-OPERATIVE CREDIT**

The study group has made a number of suggestions for improving the working of urban credit societies.

1. By the end of the fourth plan, every organization with more than 50 employees and every mill or factory should have an employee Co-operative Credit Societies.
2. The societies should be open to all classes & employees and no distinction be made on the basis of category or grade.
3. Elections to the Board of Directors may be held once in three years or each year by rotation for 1/3 of the Board.
4. The registrar of co-operative societies of the state Govt. should not nominate Directors.
5. Societies should introduce a compulsory thrift deposit fund which may be constituted by deductions from pay at special rates.
6. Societies should encourage savings and augment their capital by introducing different types of saving and deposit schemes.
7. The control co-operative banks should provide financial facilities to these societies. These societies should be affiliated to the central co-operative bank.
8. Societies should reorient their loan policies and should provide loan at reasonable rate of interest. All steps should be taken to see that loans are sanctioned without delay.
9. Wherever necessary, the employer or government should make a working capital loan up to Rs.15000 available to the society payable in 10 years.
10. Employers should make minimum staff available to the societies in the initial stages for about three years or provide managerial subsidy.

**TABLE NO.2.3**

**SALARY EARNERS CO-OPERATIVE SOCIETIES IN MAHARASHTRA AS ON 31-3-2002**

(Rs. In Thousand)

Sr. No	Name	Br.	Mem-ber	Capital	Reserve	Deposit	Loans	O.H.	Working	Income	N.P.	Salary	Empl.
1	Ahamadnagar Zilla Pari Shik Sah Bank Ltd.	14	10582	89138	45349	896852	858122	0.10	1145112	139149	15531	15128	149
2	Ameravati Zilla Parishad Shikshak	13	8140	44644	25383	428643	360989	4.22	151048	81736	4944	10553	105
3	Defence Co. Op., Bank Ltd.	3	3967	12048	12265	166103	102225	0.48	204253	25900	2417	3808	25
4	Dhule & Nan. Zilla Sar. Nok. S. Bank Ltd.	17	23882	118505	51321	1474991	1418737	3053	1892602	278756	20210	40621	561
5	Income Tax Dept Co. Op. Bank Ltd.	1	6826	12235	10688	246652	156984	0.68	284682	30412	2112	3140	23
6	M.M.S.V. Sah. Bank. Ltd.	4	11993	23469	32173	443722	359560	0.70	653999	72204	4563	16769	78
7	Mantralaya Co. Op. Bank Ltd.	3	11244	76594	32271	503803	405237	0.54	643965	76809	13743	11381	73
8	Nagpur Mah. Karm. Sah. Bank Ltd.	3	7377	41264	35620	490518	467296	1.26	622718	81387	6091	17339	138
9	Nasik Zilla Sar. & Pari. Karm. Bank Ltd.	1	13693	96064	25241	115706	198874	14.00	275209	30413	14	1748	20
10	Neval Dockyard Co. Op. Bank Ltd.	5	17755	77818	59198	763152	603859	0.85	965538	106629	20394	10989	67
11	Prath Shik Sah bank Ltd. Satara	11	8024	65962	92104	731552	745094	0.25	961100	136007	10227	25096	196
12	Premier Auto Co. Op. Bank Ltd.	1	3861	20616	31794	34925	57575	36.27	121278	9124	0	2231	19
13	Pune Muni.	0	7426	17348	10665	183273	156153	0.27	208442	30107	3552	6060	50

	Servant Co. Op. Bank. Ltd.																							
14	Rayat Sevak Sah. Bank Ltd.	21	15229	102152	97457	1631624	1493501	0.33	2086509	3491720	21885	26260		171										
15	S.T. Co-operative Bank Ltd.	49	102599	330643	276148	4370984	3327620	2.52	5383994	656786	72544	110815		717										
16	Sangli Zilla Par. Shik Sah Bank Ltd.	17	7742	72340	38308	764510	552363	0.98	905972	126189	6252	15374		115										
17	Shriram Kapus Sah. Bank Ltd. Mumbai	0	6684	8624	10291	77875	61342	9.10	81529	10881	1234	1681		14										
18	The Air Corpn. Empys. Co. Op. Bank. Ltd.	6	14906	37065	34309	1108403	728537	0.58	1315648	154235	21473	20542		100										
19	The KLP. Zilla Govt. Sert. Co. Op. Bank	7	17606	36282	29995	446512	401066	4.66	598298	79204	6310	7782		65										
20	The Nuncial Co. Op. Bank Ltd.	16	99621	408157	1188832	3965396	3942572	3.69	6240956	737428	123436	107948		688										
21	The Prath Shik Sah Bank Ltd. KLP	10	8213	35026	34372	468606	593709	0.67	766263	137179	5964	13010		125										
22	Vima Kamgar Co. Op. Bank Ltd.	3	12624	30838	41383	509989	391362	0.00	656624	80831	8867	9171		54										
23	Walchandnagar Co. Op. Sah. Bank Ltd.	0	1860	12646	31520	182549	148319	12.73	275944	32957	2898	2796		20										
24	Wardha Zilla Par. Empl Co. Op. Bank Ltd.	8	5236	6933	1817	90471	70098	3.43	104383	-	704	-		58										
	Total		427100			20096811			26946070					3631										

Source: Sahakar Sugandh Souvenir-Maharashtra Employee's Co-operative Banks Association Ltd. Mumbai, March 2003, P-27

Table no.2.3 represents the Salary Earners Credit Co-operative Societies in state of Maharashtra with different financial attributes like- Branch, membership, share capital, Reserve, Deposit, Loans, Overheads working Capital, Income Salary Net Profit and Employment provided by these societies. As regards these societies it is observed that all the societies are very efficient to meet the financial requirements of the members. And they contribute for the socio-economic development of the state.

## **2.10 SALARY EARNERS SOCIETY IN SANGLI DISTRICT**

In Sangli district Salary Earners Credit Co-operative Societies are established in different departments of government and semi-government offices. e.g. Engineers Credit Co-operative Society, Primary Teachers Credit Co-operative Society, Credit Co-operative Society of Revenue Department, Employees in Irrigation Department, Employees in Health Department, Employees in PWD Department, Education Department, Employees in Zilla Parishad and Municipal Corporation etc. Following table gives the credit co-operative societies in Sangli district.



**TABLE NO. 2.4**  
**SALARY EARNERS SOCIETY IN SANGLI DISTRICT**

Name of Taluka	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1. Miraj	107	N.A.	N.A.	106	104	104
2. K. Mahankal	6	N.A.	N.A.	6	6	6
3. Jath	7	N.A.	N.A.	7	7	7
4. Atpadi	3	N.A.	N.A.	3	3	3
5. Khanapur	11	N.A.	N.A.	10	10	10
6. Kadegaon	Nil	N.A.	N.A.	2	3	4
7. Tasgaon	4	N.A.	N.A.	6	6	7
8. Walawa	19	N.A.	N.A.	27	27	27
9. Shirala	9	N.A.	N.A.	9	10	10
10. Palus	12	N.A.	N.A.	12	13	13
<b>Total</b>	<b>178</b>	<b>N.A.</b>	<b>N.A.</b>	<b>191</b>	<b>189</b>	<b>191</b>

**Source:** Annual reports of Sangli Zilla Sahakari Board Ltd., Sangli.

Table No. 2.4 represents the number of salary earners credit co-operative societies established in the district from 2001-02 to 2006 07. Where Miraj taluka is leading with the number i.e.107,106,104, and 104 in the year 2002, 2005, 2005 and 2007 respectively. Walava taluka ranks 2<sup>nd</sup> position (27) followed by Palus (13),Khanapur and Shirala ranks 4<sup>th</sup> rank (10). Jath and Tasgaon ranks 5<sup>th</sup> position, K.Mahankal ranks 6<sup>th</sup> position and finally Kadegaon taluka ranks 7<sup>th</sup>, position. It indicates that in sangli district number of salary earners credit co-operative societies are established very fast to meet the banking needs of their member.

## **2.11 PERFORMANCE APPRAISAL**

### **2.11.1 CONCEPT OF PERFORMANCE APPRAISAL**

The concept of performance appraisal has undergone radical changes where as the importance of performance appraisal is increasing day by day as all the active participants do become interested in varying degree in the performance of the Bank.

In recent times several approaches have been developed for proper performance appraisal. Some of these approaches are related to accounting and quantitative. For proper performance appraisal and in order to make it more objective, such approached are very significant.

### **2.11.2 MEANING OF PERFORMANCE APPRAISAL**

The phrase <sup>(11)</sup> 'Performance Appraisal' is composed of two words i.e. 'Performance' and 'Appraisal'. The word 'Performance' is used to mean the efforts extended to achieve the targets efficiently and effectively. The dictionary meaning of performance refers to 'achievement'. "The achievement of target involves the integrated use of human, financial and natural resources." Performance directly reflects the disposition and utilization of the resources.

Erich L. Kohler referred to performance as "a general term applied t a part or to all of the conduct of activities of an organization over a period of time, often with reference to some standard such as past or projected costs, an efficiency base, management responsibility or accountability, or the like."

Appraisal refers to a critical review with a view to improving performance. It compares the actual performance with targets fixed, identifies causes of significant variations, and devises corrective actions. This is naturally turned to assessing whether the business

operations would be safe, profitable, and appropriate in a given economic situation. Each bank is assessed on its own merits.

The term 'performance appraisal' may be defined as a critical assessment or evaluation of various activities in different areas of operations of an organization. It includes planning as to what should be achieved by an organization, comparing actual performance against what was expected and making a judgment on the quality of that performance, having regard to the actual circumstances under which it was achieved.

This procedure takes advantage of the management principle 'control by exception'. This means the direction of management effort should be concentrated to matters requiring their attention such as operations seriously below expected performance. Without the application of this principle, effort may be diffused over all operations showing good and bad performance. "The application of the principle of exception depends on the ability to identify what is significant as compared with what is insignificant. This is a normal feature of accounting practice and is usually a matter of judgement but statistical techniques are being used to an increasing extent in business problem of this type."

It is known that in the interest of good health medical authorities generally advise every individual to have a periodical check up and examination of his body. Similarly, in the interest of good operating result every concern should have a periodical appraisal – both diagnostic as well as preventive in nature. In case of an already bad or deteriorating situation it locates the areas and indicates where to make an improvement, whereas in case of good condition, it shows the way to further improve the performance.

In the appraisal of performance a broader view is necessary. Performance might be improved by concentrating attention on why a unit has improved on an accepted standard so that the lessons learned may be applied with advantage to other units rather than

directing the efforts to eliminate deviations from the plan. “Checking performance is the third major management activity which the financial planning and control function aims to assist in particular. It implies the existence of a benchmark against which actual results can be compared.”

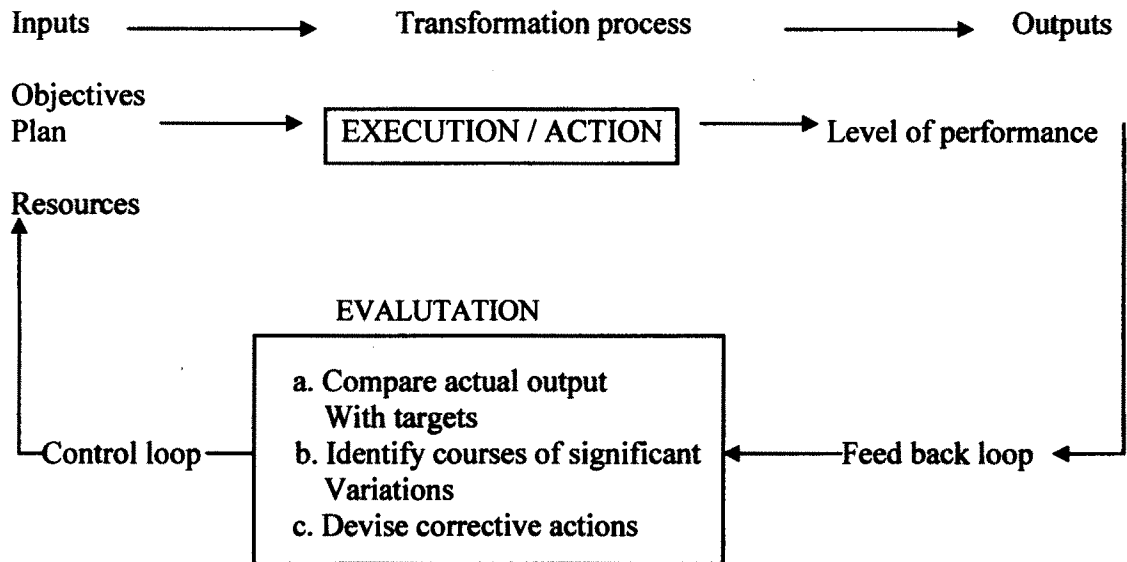
Performance of a business enterprise is affected by so many factors which are inter – related and cannot be satisfactorily examined in isolation. Control systems and the motivation of personnel are key elements in this process.

“More formally, a management control system can be defined as a set of policies, procedures and associated information processing designed to help managers influence organizational activities in the following ways

- i. By clearly defining objectives and other inputs**
- ii. By measuring progress in achieving those objectives**
- iii. By evaluating the enterprise’s performance**
- iv. By indicating the means of corrective action”.**

The control process is represented in following figure which helps to illustrate the idea of control as a process incorporating the above four stages.<sup>(12)</sup>

**FIGURE NO.2.2**  
**THE CONTROL PROCESS**



The feedback loop is the flow information about the level of performance. This information is evaluated by reference to targets and plants, variations are investigated and appropriate corrective action is initiated via the control loop.

We often say the words 'efficient' and 'effective' when referring to performance. Having been allocated to particular purposes the utilization of resources needs to be monitored to ensure that some satisfactory balance is maintained between the actual inputs and the achieved versus the desired outputs. In other words, the efficiency and effectiveness of resource utilization need to be considered.

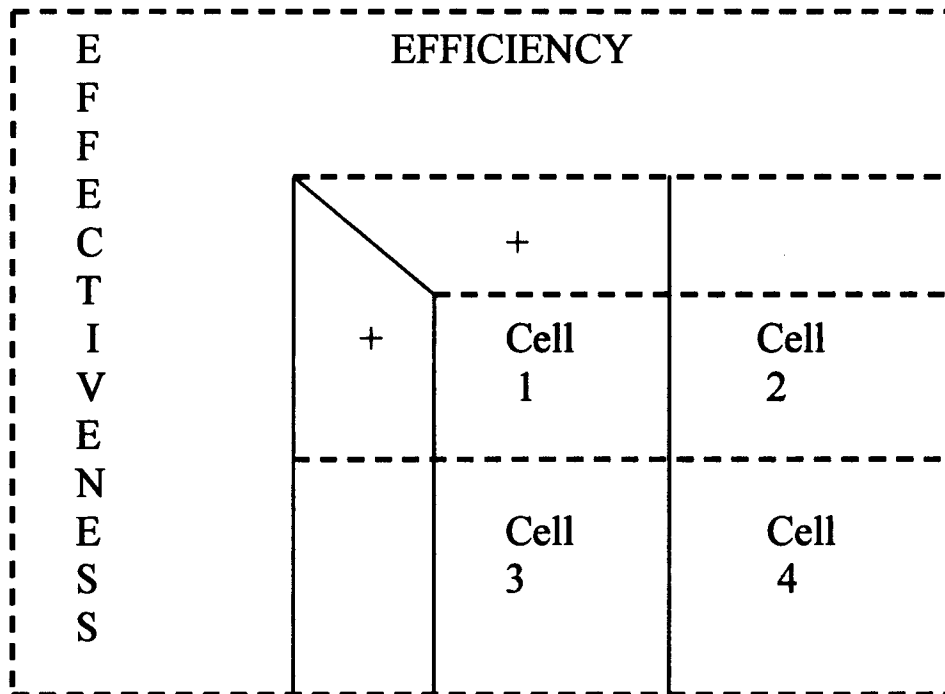
Efficiency is defined as the ability to perform a neat operation with balanced action and controlled supervision. It commonly refers to a ratio of output to input. This it can be said that an efficient system is one in which this ratio is optimal. For example, managers are said to be efficient if they produce more and better output with less labour, fewer materials and in a relatively shorter period of time. Thus efficiency implies something

“more, better, faster and cheaper.” It means looking after and caring for more emergency-room patients in a hospital at lower cost. It means doubling the number of students taught by a professor. Efficiency denotes the idea of doing well and without waste whatever is being done - whether it is worth doing or not. We are all familiar with people who are extremely efficient in doing something that should not be done in the first place. Someone once said, “There is no point in doing well something that should not be done at all.”

Effectiveness has a different connotation from efficiency. It relates to the achievement of that which one sets out to achieve. It means the accomplishment of a desired objective or outcome. In other words, do the actual results (or outputs) for a given period of time correspond with the desired results. “Effectiveness is concerned with the effect of work on people with the appropriateness of goals, with long-term results and with humanist and idealistic values.” There is always a more effective way of performing work from the viewpoint of recognizing the desire of people to use their intelligence and imagination and to develop their skill and talent fully and fruitfully. Jobs can always be improved so that they may meet human needs in a better way. Organization can be designed to be more congruent with human personality and with the goals, norms and values of society.

There are four logical outcomes (as shown in figure) that take into account rather polarized levels of efficiency and effectiveness. Each ‘cell’ contains a combination of either positive or negative levels of efficiency and effectiveness. In cell ‘1’ both are positive, which is a happy situation since resources are being used efficiently in producing a desired (i.e. effective) outcome. In sharp contrast, cell 4 contains an extremely unhappy situation which has connotations of failure. Between these extremes are the greyer pictures of cells 2 and 3: in cell 3 the level of efficiency is good but the degree of effectiveness is poor, and vice-versa in cell 2. Interpretation of these logical possibilities depends upon the relative importance attached to efficiency and effectiveness.

**FIGURE NO. 2.3**  
**EFFICIENCY VERSUS EFFECTIVENESS** <sup>(13)</sup>



“Put simply”, as observed by Richard M.S.Wilson and Gerard McHugh, “effectiveness refers to doing the right thing, whereas efficiency refers to doing the thing right.”

There should be no doubt that effectiveness is much more important than efficiency, even though both qualities are desirable. If this is accepted, it can be seen that cell 2 (efficient but ineffective).

An enterprise needs to meet the expectations of its constituent interest groups if it is to be effective. Its survival depends upon this. The more efficiently the enterprise can use its available resources in striving to be effective, the more profitable it is likely to be.

The Advanced Learner's Dictionary of Current English defines effectiveness as "the ability to bring about the result intended" or "making a striking impression." Therefore, efficiency refers to performing the job at a least cost while effectiveness refer to performing the right job.

Thus as Erich A. Helfert has rightly pointed out, "The assessment of business performance is more complex and difficult, since it must deal with the effectiveness with which capital is employed, the efficiency and profitability of operations and the value and safety of various claims against the business."

Appraisal of performance of a company can be done through a careful and critical analysis of financial statements. Financial analysis helps managers in controlling their enterprise's performance. It does this by providing them with a system and set of procedures for analyzing and understanding financial indicators of performance. The two important financial statements are the 'balance sheet' and the 'profit and loss account'. "Although any formal statement expressed in money value might be thought of as financial statement, the term has come to be limited by most accounting and business writers to mean the 'balance sheet' and 'profit and loss account'.

### **2.11.3 PERFORMANCE APPRAISAL THROUGH FINANCIAL STATEMENT ANALYSIS**

Financial Statements indicate <sup>(14)</sup> the operating results and financial position of a concern, therefore, by analyzing and interpreting these statements performance can be appraised. For this purpose analysis of financial statements is made. Financial statement analysis is a preliminary step towards the final evaluation of the results drawn by the analyst or management accountant. Appraisal or evaluation of such results is made thereafter by management. Financial statement analysis is the process of scientifically making a proper, critical and comparative evaluation of the profitability and financial position of



the concern. “The appraisal or analysis of financial statements spotlights the significant facts and relationship concerning management performance, corporate efficiency, financial strength and weakness and creditworthiness that would have otherwise been buried in a maze of detail.” According to Metoalf and Titard, “Analysis of financial statements is a process of evaluating relationship between component parts of financial statement to obtain a better understanding of a firm’s position and performance.”

Evidently, performance appraisal is the end of a continuous accounting cycle which starts with the classification, recording, summarizing, presentation and analysis of data and ends with the interpretation of results obtained from critical analysis thereof.

#### **2.11.4 PROCESS OF PERFORMANCE APPRAISAL**

The financial statements <sup>(15)</sup> contain all the data relating to operating results and financial position of the business. Besides this, other documents such as reports, schedules and explanatory notes are also appended. Overall performance of the business is appraised by analyzing these statements; hence, the process of financial statement analysis is the key process of performance appraisal. The process of performance appraisal through financial statement analysis is summarized below:

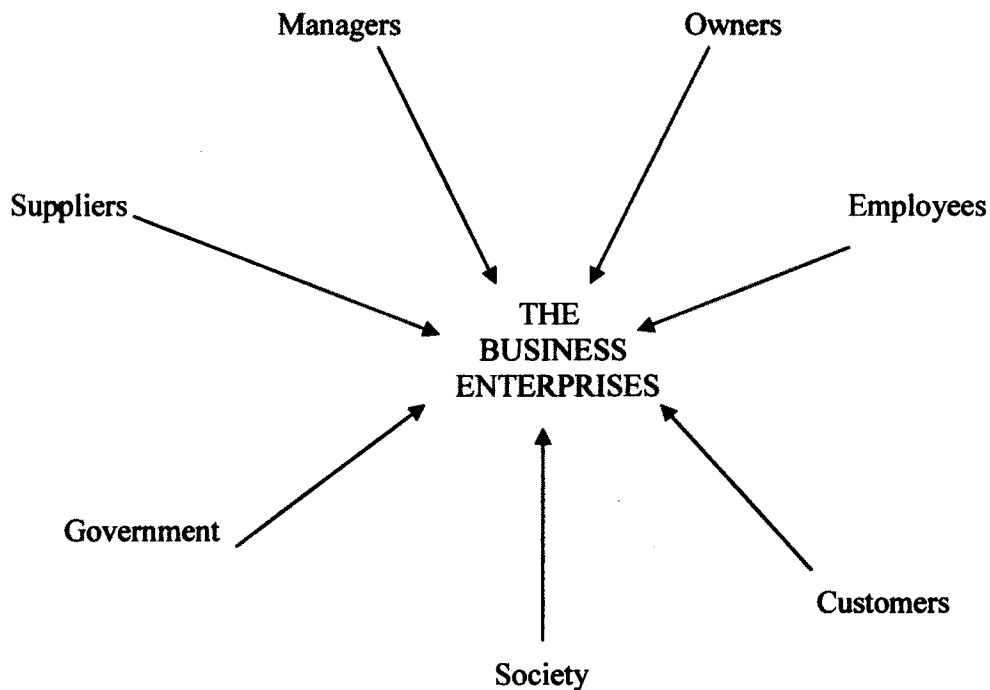
1. Some logical arrangement of financial data in an orderly sequence in a condensed form is made. The balance sheet and profit and loss account figures are rearranged to facilitate performance appraisal.
2. Figures are approximated to the nearest thousand or lakh to simplify the process of appraisal.

3. The appraisal of performance is designed to make a careful study of past financial records in the light of economics already experienced so as to make an orderly attempt to make an informed guess as to future probabilities.
4. The analyst should utilize his knowledge of financial statements to draw up performance appraisal programme which must be tailored to fit in specific needs.
5. Performance appraisal may be conducted either internally or externally. Internal appraisal is accomplished by those who are within the enterprise and have access to detailed records and all other information related to business. Such appraisal is generally conducted by management for their purposes. External appraisal on the other hand, is conducted by those or for those who are outside a business enterprise such as shareholders, creditors, bankers, trade unions, government agencies and research scholars.

#### **2.11.5 IMPORTANCE AND USEFULNESS OF PERFORMANCE APPRAISAL**

In any economic society all active participants do become interested in varying degrees in the performance of the business enterprise. “Within every commercial enterprise, of whatever size, there are inevitable many different interests to be served.” Some of these interest groups have been identified in following figure.

**FIGURE NO. 2.4**  
**INTEREST GROUPS** <sup>(16)</sup>



**1. TO THE MANAGEMENT**

By appraising the performance through financial statement analysis management may review a company's progress to date and decide upon the course of action to be taken in future. Performance appraisal helps management in the task of planning of operations. The performance appraisal programme enables the management to operate the control system of the business organization more effectively. It helps to spot weaknesses in the company's operations and to take corrective action. Furthermore, it tends to restrain management as they under pressure to maintain a favourable financial position. "Management can measure the effectiveness of its own policies and decisions, determine the advisability of adopting new policies and procedures and documents to owners the result of their management efforts."

## **2. TO THE INVESTORS**

Investors comprising shareholders and debenture holders, have a vital interest in the appraisal of performance of an enterprise. Investors are interested in two things: firstly, they want the safety of their investment; secondly, the ability of a company to earn profit. They are also interested in a concern whose future is bright. Through performance appraisal they get the information which they need.

## **3. TO THE CREDITORS**

Creditors are interested in ascertaining whether the company can employ the funds loaned to it in such a way that it will be able to meet current interest obligations and repay loan when it falls due. They act as a magic eye highlighting the creditworthiness of a company. Creditors often appraise the performance of a company before lending the money and supplying the goods.

## **4. TO THE GOVERNMENT**

Government regulates economic activities in various spheres. Central and State Government and local authorities are also interested in knowing the performance of a business in order to assess their revenues through various taxes, to regulate capital issue and public utility regulation.

## **5. TO THE EMPLOYEES**

Employees have an interest in the operating results and the financial strength of a company. The remuneration of workers must be generated from the company's revenues. Thus worker's wages, to a great extent, depend upon the success of the firm. Labour unions often use the performance data as a basis for their demand for

increase in wages. The past operating often studied to measure the ability of the enterprise to meet new wage commitments.

## **6. TO THE SOCIETY**

Every business enterprise has its social responsibility. Although managers, owners, creditors and employees are members of the society and have their respective interest in the business, individuals or groups of individual apart, the society as a whole has some expectations from the business. So they all are interested in knowing the social performance such as environmental obligations, labors and social welfare, employment generated, regional development, etc.

In addition to the above, new agencies, trade associations, economic and commercial research institutions, stock exchanges, economist and research workers, Members of Parliament, Members of Public Accounts Committee in respect of government companies are also interested in the results of performance appraisal to know the progress being made in the present position of an industry.

### **2.11.5 AREAS OF PERFORMANCE APPRAISAL**

The measurement of progress and appraisal of performance <sup>(17)</sup> are closely related. The performance measurement is concerned with the efficiency and effectiveness of converting inputs into outputs. As it has already been discussed that performance appraisal should be understood as apart of the control process. Performance measures should be chosen which provide useful information for the control system of management. Therefore, a measure should tell us something about the level of achievement of goals or targets. The important areas of performance appraisal are discussed below:

## **1. PROFIT AND PROFITABILITY**

The existence of a business enterprise wholly depends on its ability to earn profit, which is now considered as the most important criterion of the 'enterprise's performance'. It is applied universally in absolute form as well as in its relative form. Profitability indicates the efficiency or the performance of an enterprise and shows how the enterprise is utilizing its resources. Various profitability ratios are calculated for appraising the performance of a business.

## **2. SALES TRENDS**

The figure of sales is the index of progress made by the company. It can also be used as an indicator of managerial efficiency. Marketing of the product is also one of the most important areas of operation. In the process of performance appraisal, sales indicates are computed and compared with that of other similar companies, for arriving at an objective conclusion. Computed square method and then performance of the company may be measured by comparing the actual sales with the computed sales.

## **3. PRODUCTION**

Production is one of the most important areas of performance. The indices of production by the company may give an idea as to how the company has performed in the year under review as compared t the past or how the company has performed as compared to other companies. Production performance of a company production of a concern can be compared for different years with that of the companies in the same industry and with the industry as a whole of which the company is a part.

#### **4. FUNDS MANAGEMENT**

Performance of the resources or funds invested in the business can be appraisal by funds flow analysis. This criterion shows the funds used in the business and sources of funds or funds received in the business. Performance of a company will be better if effective system of management of funds is operating. In this measure of performance a statement of changes in working capital is also prepared. This also helps in judging the effectiveness of working capital management of a company. Funds flow statement is prepared to analyze the funds position in a business enterprise.

#### **5. FINANCIAL STRENGTH**

Performance appraisal is also done by appraising the financial position of a business. The financial position or the financial strength shows whether a business is being operated on sound financial lines or not. Owners, creditors and lenders of a company are interested in the financial strength. It is also an important criterion of measuring performance. In this area of performance appraisal, short-term financial strength and long-term financial strength are measured by calculating various ratios.

#### **6. VALUE ADDED**

An enterprise may exist without making profits but it cannot survive without adding value. Value added measures economic value created; it can be used as a measure of productivity. Value added indicates the wealth created by a business with the application of labour and capital. Various ratios related to value added are computed for appraising the performance.

### **2.11.6 TECHNIQUES OF PERFORMANCE APPRAISAL**

Performance appraisal through financial statements consists of a study of relationship and trends to determine whether the financial position and results of operations and overall progress of a company are satisfactory. The techniques <sup>(18)</sup> of performance appraisal are frequently applied to the study of accounting data with a view to determining continuity or discontinuity or of the operating policies, investment value of business, credit ratings and testing the efficiency of operations. The techniques of performance appraisal are developing fast and have acquired a scientific temper. The various important techniques which are used for performance appraisal have been summarized below:-

#### **1. RATIO ANALYSIS**

The modern technique of performance appraisal is the ratio analysis technique. It is the principal and universally accepted technique of assessing the operational efficiency of a business enterprise. Often a ratio is known as a symptom like the blood pressure, the pulse or the pulse or the temperature of a person. The analyst can X-ray by its use the financial growth and development and the present condition of the business enterprise. "Radio Analysis", in the words of Erich A. Helfert, "Provides guides and clues especially in spotting trends towards better or poorer performance and in finding significant deviations from any average or relationship which exists between figures shown in a balance sheet, in a profit and loss account, in a budgetary control system or in any other part of the accounting organization." Hence, ratio analysis is an effective instrument which, when properly used, is useful in assessing the objective of business, achieved by it. As a measure of efficiency it is the main tool of making intra-firm and inter-firm comparisons. Under this technique of appraisal various ratios are calculated, the classification of these ratios may be as follows:-



- i. **Liquidity Ratios:** Liquidity ratios are designed to measure the ability of a company to meet its short-term obligations and to reflect the short-term financial strength. The two commonly used liquidity ratios are
  - a) Current Ratio and b) Quick Ratio.
  
- ii. **Leverage Ratios:** These ratios help to measure the financial contribution of the owners compared with that of creditors as also the risk of debt financing. These are also known as capital structure ratios. The leverage ratios are
  - a) Debt -Equity Ratio and b) Gearing Ratios.
  
- iii. **Activity Ratios:** Activity ratios are also known as turnover ratios. These ratios enable the measurement of the effectiveness of the usage of the resources of a concern. Activity ratios may be classified as follows:
  - a) Fixed Assets Turnover Ratio b) Working Capital Turnover Ratio c) Stock Turnover Ratio. d) Current Assets Turnover Ratio etc.
  
- iv. **Profitability Ratios:** “A measure of profitability is the overall measure of efficiency”. Furthermore, the purpose of profitability measurement is to see whether an enterprise has effectively used its resources to achieve its profitability objective. “These ratios are intended to measure the end-result of business operations.” The various ratios included in this category are :
  - a) Gross Profit Ratio b) Net Profit Ratio c) Return on Capital Employed Ratio
  - d) Operating Ratio e) Net Profit to Net Worth Ratio f) Price Earning Ratio.
  - g) Dividend Yield Ratio.

## **2. TREND ANALYSIS**

Comparing the past data over a period of time with a base year is called trend Analysis. Trend analysis makes it easy to understand the changes in an item or in a group of items over a period of time and to draw conclusions regarding the changes in data. Under this method, percentage relationship that each statement item bears to the same item in the base year is calculated. It is a dynamic method of analyzing the showing the changes over a period of time. The analyst compares the trend of related financial and operating data in forming an opinion as to whether favourable or adverse tendencies are reflected by the data. This technique of appraising performance indicates the direction in which a concern is going and on this basis forecast for the future can be made.

## **3. COMMON-SIZE STATEMENT ANALYSIS**

In common-size financial statement analysis method, items reported in the financial statements are converted into parentage taking some common-base. In the Common-size Income Statement the net sales are assumed to be 100% and other items are expressed as a percentage of sales. Similarly, in the common-size balance sheet the total assets or total liabilities are taken equal to 100 and all other items are expressed as a percentage of this total. These statements are also called 'Component Percentage Statement' or "100 percent Statement". This technique of performance appraisal is also very useful in inter-company comparison, as it becomes easier to know the performance on the basis of the percentage of the figures, revealed by the financial statements of the company.

## **4. FUNDS FLOW ANALYSIS**

Funds flow analysis technique is an efficient technique for the management to assess the growth of the company and its resulting financial needs, and to determine the best way to finance those needs. It provides answer to may questions which are very important from

the point of view of performance appraisal and management control. Funds flow statement reflects the sources of funds invested in the business and application of funds. It indicates changes in items of financial position between two different balance sheet dates. Funds flow statement is also known as 'Sources and Uses of Funds Statement', 'Where Got and Where Gone Statement' etc. In addition to the funds flow statement, a 'Statement showing changes in working capital' is also prepared for this purpose.

## **5. OTHER TECHNIQUES**

There are various other techniques which can also be used for appraisal of the Performance of a business. These techniques are as follows:-

- a. Cash Flow Analysis Technique
- b. Break-Even-Analysis Technique
- c. Statistical Techniques – Such as Average, Range, Index Number, Standard Deviation, Correlation, Regression and Analysis of Time Series.
- d. Diagrammatic and Graphic Presentation of Data.

These techniques of performance appraisal provide a scientific, systematic and objective assessment of the efficiency and effectiveness of the operations and financial and overall health of a business enterprise.

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