

A Study of Cooperative Banking in Haryana

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Abstract

Cooperative banking has been playing a crucial role in the development of rural economy and work as a backbone of Indian financial system. These banks are playing a main role in the achievement of the goal of financial inclusion. These banks with their extensive branch network and localized operational base, also engage in recreation of the development process, credit delivery and deposits mobilization in rural areas. So, an attempt has been made in this paper to study the cooperative banking in the state of Haryana. The present paper only focuses on the short & medium-term rural cooperative banks working in the state of Haryana which is predominately a rural economy state.

Key words: HARCO Bank, CCBs, PACSs.

Introduction

The cooperative movement in India was conceived as an instrument for socio-economic transformation of those people who were unable to stand on the economy construction on their own feet. The movement sees its origin in the performance of Cooperative Legislation in the year 1904 which enables organization of cooperative societies as people owned organizations, which were managed and controlled by them.

Banks are the backbone of Indian Financial System. In our country, the banking sector broadly consists of scheduled commercial banks and cooperative banks. The country witnessed rapid changes in the banking sector after nationalization of banks; and cooperative banks supplement the commercial banks to deepen the financial intermediation by bringing large number of small depositors and borrowers under the formal financial sector.

A cooperative bank is a financial entity which belongs to its members, the owners and the customers of their bank. Cooperative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Cooperative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts, etc.).

Rural cooperative banking and credit institutions play an important role in meeting the growing needs of rural India. Cooperative banks, with their extensive branch network and localized operational base, play a key role in the development process, credit delivery and deposits mobilization in rural areas. It is recognized that cooperative banks and scheduled commercial banks are complementary to each other. Both are important for financial inclusion. In the cooperative banking structure of our country, State Cooperative Banks (SCBs) are important institutions in this structure. They control, regulate and supervise the entire cooperative movement in their concerned states. These are also known as apex banks.

These banks differ from stockholder banks by their organization, goals, values and governance. In most countries, these banks are supervised and controlled by banking authorities and have to respect prudential banking regulations, which put them at a level of

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playing field with stockholder banks. The control and supervision of cooperative banks can be implemented directly by state entities or can be delegated to a cooperative federation and to any central body.

These banks are also regulated by several supervisors, including the Reserve Bank, the State Governments and the National Bank for Agriculture and Rural Development (NABARD). The main objective of the cooperative credit structure of the State is to fulfil financial requirements of the farmers by providing them short & medium-term loans. The cooperative banking sector is one of the main partners of Indian banking structure which have more reach to the rural India, through their huge network of credit societies in the institutional credit structure.

Objectives of the Paper

Followings are the objectives of the paper:

1. To study the short & medium-term rural cooperative banking structure in Haryana
2. To study the financial positions of the Haryana State Cooperative Apex Bank Ltd (HARCO Bank) and Central Cooperative Banks (CCBs) in Haryana.
3. To suggest on the basis of Study.

Research Methodology

The present paper only focuses on the short & medium-term cooperative banking structure in the state of Haryana. It includes the HARCO Bank and CCBs working in the state of Haryana. To know the financial positions of these banks, Exponential Growth Rate (EGR) was used as a statistical tool. The paper covers the period of ten years from 2002-03 to 2011-12.

Short & Medium-Term Rural Cooperative Structure in Haryana

There has been three tiered short & medium-term rural cooperative structure in Haryana.

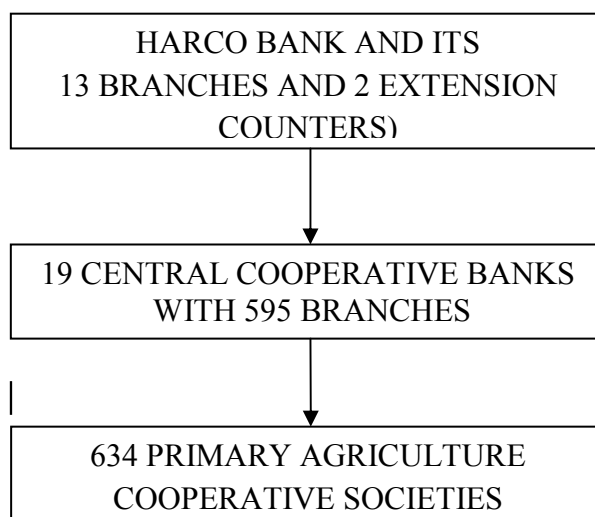


Figure 1: Structure of Cooperative Banks in Haryana as on 31st March, 2012

Source: www.harcobank.nic.in

It can be seen from above chart that there has been a three tiered rural cooperative credit structure in Haryana. HARCO Bank works as a apex bank with its 13 branches and 2

extension counters. 19 CCBs work as a link between 634 PACSs working in the state and HARCO Bank.

Haryana State Cooperative Apex (HARCO) Bank

HARCO Bank came into existence with the re-organization of Punjab State and creation of new state Haryana on 1st November, 1966; and it was registered at Ambala with its headquarters at Chandigarh in the year 1966. It works as apex bank of three-tiered short & medium-term cooperative credit structure. It was also included in 2nd Schedule of Reserve Bank of India (RBI) Act on 4th February, 1969.

Firstly, it was registered as society under Haryana State Cooperative Society Act 1984. However, in 1994, it got license from RBI to do banking functions, but all powers are vested with the Registrar of Haryana State Cooperative Society regarding the functioning of the bank. The bank had also been granted a license on 22-11-1991 under Banking Regulation Act, 1949.

HARCO Bank occupies a vital position in the economy of Haryana State. It has been financing farmers, rural artisans, agricultural labourer, entrepreneurs, etc. in the state and also serving its depositors for the last 47 years. Its jurisdiction is extended over the entire state of Haryana and CCBs; those are working as a link between HARCO Bank and PACSs.

Various Branches of HARCO Bank

HARCO Bank has 13 branches, 2 extension counters and Staff Training College (STC) at Panchkula. Following are the branches of HARCO Bank shown in Table 1.

Table 1: Branches of HARCO Bank as on 31st March, 2012

At Chandigarh	At Panchkula
Sector 17	Sector 9
Sector 15	Sector 4
Sector 19	Sector 11
Sector 20	Sector 15
Sector 34	Extension Counter at Haryana State Agricultural Marketing Board (HSAMB) Complex
Sector 44	Staff Training College, Sector-5, Panchkula.
Sector 28	
Manimajra	
Haryana Civil Secretariat	
Extension Counter New Secretariat	

Source: www.harcobank.nic.in

It can be observed from above table that majority of the branches of HARCO Bank were operating in Chandigarh. Bank has two extension counters and one Staff Training College which impart training to the employees of cooperative banks in Haryana.

Financial Position of HARCO Bank

From a humble beginning in November 1966, the bank has grown into a sound financing institution of outstanding credit worthiness. HARCO bank was adjudged the best State Cooperative Bank in the country on the basis of its performance during the year 2002-03, but current financial position of the bank has shown a sharp decline. The data provided in Table 2 highlights the financial performance of the bank during the period 2002-03 to 2011-12.

Table 2: Financial Position of HARCO Bank**(Rs. in crores)**

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	EGR (%)
Share Capital	37.80	41.45	44.54	51.94	60.94	69.33	72.04	72.33	79.18	101.74	10.84
Own Fund	304.51	148.32	368.35	409.60	434.40	447.47	449.00	426.03	456.28	494.64	8.37
Deposits	949.75	1117.68	1106.31	1172.70	1206.52	1362.58	1723.72	1935.17	2025.21	2130.90	9.85
Investment	255.87	266.91	372.06	393.60	405.13	480.15	559.48	615.76	1075.00	1357.54	18.86
Borrowings (O/S)	982.98	1002.30	1378.87	1400.00	2029.37	2156.61	1751.74	1951.23	2528.91	3404.41	12.97
Loan Issued	2671.82	3141.05	3311.91	3823.25	2987.14	3026.54	3227.40	3332.86	3764.48	4676.69	3.60
Loan O/S	1828.37	1840.28	2094.22	2393.20	2910.96	3124.16	2800.00	2988.77	3738.89	4515.33	9.80
Profits	39.67	29.29	35.01	37.00	25.63	4.91	10.61	-17.94	5.01	18.69	NA
Recoveries %	99.41	99.51	99.81	99.85	99.76	99.76	97.75	99.93	99.94	99.95	0.001
Working Capital	2266.32	2484.52	2880.74	3115.00	3709.70	4005.67	3952.52	4360.13	5051.04	6070.63	10.65

Source: Annual Reports of HARCO Bank

It can be observed from Table 2 that share capital of the HARCO Bank showed a continuous growth over the study period. It increased to Rs. 101.74 crore in the year 2011-12 from Rs. 37.80 crore in the year 2002-03. Similarly, own funds also showed an increasing trend listing an exponential growth rate (EGR) of 8.37 per cent. Investment of the bank highlighted an EGR of 18.86 per cent during the study period. The deposits of HARCO Bank increased to Rs. 2130.90 crore in the year 2011-12 from Rs. 949.75 crore in the year 2002-03 listing an exponential growth rate of 9.85 per cent, whereas total loans issued increased to Rs. 4676.69 crore from Rs. 2671.82 crore representing an exponential growth rate of 3.60 per cent. Loans outstanding also increased to Rs. 4515.33 crore in the year 2011-12 from Rs. 1828.37 crore in the year 2002-03, registering an exponential growth rate of 9.80 per cent. The recovery performance of HARCO Bank improved to 99.95 per cent in the year 2011-12 from 99.41 per cent in the year 2002-03 listing an exponential growth rate of 0.001 per cent. The bank suffered a loss of Rs.17.94 crore in the year 2009-10, but profits of bank increased to Rs. 18.69 crore in the year 2011-12.

CCBs IN HARYANA

In Haryana, CCBs act as intermediary institutions for short & medium-term cooperative credit structure. These banks are working as a link between PACSs in Haryana and HARCO Bank. These banks are mostly situated at the district headquarters and at sub-divisional towns in the state. CCBs provide sufficient funds to PACSs to cater the need of the rural area and also exercise control over the operations of the PACSs through appointing secretaries who are of the common cadre of CCBs. There were 19 CCBs with 595 branches working in the state as on 31st March 2012.

Table 3: List of CCBs with Number of Branches as on 31st March 2012

S. No.	Name of CCB	Branches
1.	Ambala Central Cooperative Bank	28
2.	Bhiwani Central Cooperative Bank	40
3.	Faridabad Central Cooperative Bank	32
4.	Fatehabad Central Cooperative Bank	29
5.	Gurgaon Central Cooperative Bank	38
6.	Hisar Central Cooperative Bank	46
7.	Jhajjar Central Cooperative Bank	24
8.	Jind Central Cooperative Bank	33
9.	Karnal Central Cooperative Bank	44
10.	Kaithal Central Cooperative Bank	29
11.	Kurukshetra Central Cooperative Bank	36
12.	Mahendargarh Central Cooperative Bank	21
13.	Panchkula Central Cooperative Bank	13
14.	Panipat Central Cooperative Bank	22
15.	Rewari Central Cooperative Bank	27
16.	Rohtak Central Cooperative Bank	25
17.	Sirsa Central Cooperative Bank	41
18.	Sonepat Central Cooperative Bank	35
19.	Yamunanagar Central Cooperative Bank	32
	Total	595

Source: Reports of HARCO Bank

Table 3 evidently states that there were 595 branches of CCBs operating in the state as on 31st March, 2012. Hisar CCB, Karnal CCB, Sirsa CCB, and Bhiwani CCB had more number of branches than other CCBs in the state.

Table 4
Financial Position of CCBs in Haryana

Particulars	(Rs. in crores)										
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	EGR (%)
Share Capital	164.90	178.86	194.40	226.92	246.82	253.42	262.91	274.53	297.59	330.92	7.56
Total Own Fund	407.46	480.99	562.63	618.31	626.92	924.51	561.34	693.31	666.36	692.88	5.10
Deposits	2028.75	2306.58	2420.59	2798.40	2987.42	3373.49	3800.23	4437.96	4940.19	5364.95	11.63
Borrowings (O/S)	1805.03	1870.31	2028.86	2202.83	2761.84	3095.24	2772.17	2651.21	3366.27	4146.76	8.68
Investment	548.05	641.98	689.59	875.78	979.09	1211.35	1427.59	1781.30	2073.52	2373.26	18.37
Loan Issued	3741.35	4355.08	5170.31	5564.50	5923.25	6757.32	4544.18	5410.34	6932.65	8619.29	6.58
Loan O/S	3559.94	3860.63	4143.68	4581.30	5176.60	5661.68	5540.88	5735.07	6595.80	7561.64	8.08
Profits	27.37	62.13	49.64	25.16	-14.18	-5.94	22.03	-9.66	-20.80	-20.16	NA
Recoveries %	75.46	80.56	83.77	82.14	75.30	78.07	78.07	67.89	70.81	73.74	-1.37
Working Capital	4468.69	4912.28	5276.19	5956.60	6794.91	7546.91	7954.17	8365.80	9695.99	11025.60	10.29

Source: Annual Reports of HARCO Bank

It can be seen from Table 4 that share capital of CCBs in Haryana showed an increasing trend over the study period. It increased to Rs. 330.92 crore in the year 2011-12 from Rs. 164.90 crore in the year 2002-03. Similarly, own funds of the CCBs also increased to Rs. 692.88 crore from Rs. 407.46 crore listing an EGR of 5.10 per cent. The deposits of CCBs increased to Rs. 5364.95 crore in the year 2011-12 from Rs. 2028.75 crore in the year 2002-03 listing an exponential growth rate of 11.63 per cent over the study period, whereas total loans issued increased to Rs. 8619.29 crore from Rs. 3741.35 crore representing an exponential growth rate of 6.58 per cent. Loans outstanding also increased to Rs. 7561.64 crore in the year 2011-12 from Rs. 3559.94 crore in the year 2002-03 showing an exponential growth rate of 8.08 per cent. The recovery performance of CCBs was unsatisfactory as it depicted a negative exponential growth rate of 1.37 per cent as compared to loans outstanding over the period of study.

Conclusion

In Haryana, there has been a three-tiered rural cooperative credit structure. HARCO Bank works as an Apex bank, and CCBs and PACSs come down the operating chain of it. HARCO Bank exercises control over the CCBs. HARCO Bank grants loan to the CCBs which in turn lend funds to PACSs. So, CCBs work as a link between HARCO Bank and PACSs. HARCO Bank has 13 branches and 2 extension counters at Chandigarh and Panchkula. There are 19 CCBs and 634 PACSs working under the control of HARCO Bank as on 31st March, 2012. The results showing the financial position of the HARCO Bank reflect that its profits declined over the period of study. Profits of the bank declined to Rs. 18.69 crore in the year 2011-12 from Rs. 39.67 crore in the year 2002-03. In the year 2009-10, the bank suffered a loss of Rs. 17.94 crore. The operational performance of the HARCO Bank and CCBs has not been as good as is evident from the operational results of these banks during the period 2002-03 to 2011-12. With regard to the financial position of the CCBs, it was found that CCBs suffered losses during the study period. It can be suggested that there is need to improve the profitability positions of these banks. For this purpose first of all bank should focus on the Customer Relationship Management and fill the vacant posts immediately so that operational performance can be improved.

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