

“An Evaluation about Performance and Achievements of Co-Operative Banking System 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.

The origination of co-operative credit institutions (CCIs) in India was made nearly 120 years back with the founding principles of self-help and mutual help. With the passing of Co-operative Credit Societies Act 1904, the official efforts were started to eradicate the peculiar peasantry problems and other financing problems of common public and that is continuing even today through various committees and legislations. The face and pace of CCIs has changed drastically due to the competition from commercial banks, undue political interference, scams in co-operatives and failure/closure of various co-operative banks. The co-operative banks which were previously conceived as the best substitutes for money lenders have been struggling for sustenance. However these banks have played vital role in making available short and long term financing in both rural and urban India yet their performance in the last few decades has been questionable. The failure/bankruptcy of nearly 100 co-operative banks has cost dearly and above Rs. 1000 crore to the DICGC/RBI in last decades. Considering these facts it becomes crucial to analyze the financial position of these banks minutely and genuinely. Out of total 372 district central co-operative banks (DCCBs) in India, 19 DCCBs have been operating under four divisions in Haryana. In the present paper an attempt is made to make profound comparative financial analysis of eleven DCCBs operating in Ambala and Rohtak divisions in Haryana (India). The financial data for a period of twelve years (1997-98 to 2008-09) has been tested with the statistical tools and parameters like- profitability, liquidity, solvency, efficiency and risk. The end results reveal that these banks have been in awful situation as all the banks have poor financial performance and have been suffering from the financial mismanagement. The Government should take immediate workable measures for their revamp.

INTRODUCTION

The cooperative movement in India was conceived as an instrument for socioeconomic 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 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.

The cooperative credit institutions being important constituent of the Indian financial system are judged by the role assigned to them, the expectations they are supposed to fulfill, their number and the number of offices these operate. Cooperative banks in India have been working at three levels, viz. At State (Tier I), District (Tier II) and Village level (Tier III). The main functions of District Central Co-operative Banks (DCCBs) are to provide finance to the primary credit societies, acceptance of deposits, granting of loans/advances, fixed deposit receipts, collection of bills, safe custody of valuables, agency services and work as balancing center for PACS. Cooperative banks have made

a commendable progress in extending its geographical spread and functional reach, but very less work has been done by the Government to correct the actual state of affairs in these banks which has been dismal with huge decline in productivity and efficiency, erosion of profitability, unrealizable debts and many unviable branches. Today, the cooperative credit institutions are facing a tough challenge to deliver on the high expectations in a fiercely competitive credit environment. Apprehension and cynicism are expressed on their creditworthiness and financial viability.

On the occasion of 16th Indian Co-operative Congress, our Hon'ble President Sh. Pranab Mukherjee again highlighted the importance of co-operative sector. On the same occasion, Sh. Sharad Pawar mentioned that co-operatives play pivotal role in the main stream of Indian economy. Since, the introduction of co-operatives, they have played appreciable role in the development of Indian economy in almost every corner of the society. It is not only seen in India but across the world, it is observed that more than 40 percent people of total population in many developed and also in emerging economies have been and are associated with co-operative institutions. So, the co-operation is the backbone of development of every economy in present globalised world. So, the base of co-operative institutions is so strong that will work and contribute a lot in the decades to come. In India, there are two structures of co-operative credit institutions in rural areas viz. short-term and long term structure. But, the short term co-operative credit structure plays more significant role for achieving the desired targets. Under this structure, at apex level or state level, State Co-operative Banks (StCBs) work and District Central Co-operative Banks (DCCBs) are meant for middle or district level and ultimately, Primary Agricultural Credit Societies (PACSs) have been serving rural strata of the society. Now, we talk about Haryana state only. In Haryana, there is three tier system of co-operative credit institutions. The Haryana State Co-operative Apex Bank Ltd. is the apex co-operative bank which is also known as HARCO Bank and there are nineteen DCCBs working across the state with 594 branches and 640 PACS to cater the needs of beneficiaries in the state.

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.

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 subdivisional 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.

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

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

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.

METHODOLOGY

The Haryana state came in existence (separated from Punjab) as 17th state of India on 1 st November, 1966, Tuesday and for proper administration, it was divided into four divisions, A) Ambala division, which covers six districts, B) Rohtak division, which covers five districts, C) Hisar division, which covers four districts and D) Gurgaon division, which covers four districts (now five). In the present study eleven districts central co-operative banks operating in Ambala and Rohtak divisions has been covered. The study encompasses twelve year period from

the financial year 1997-98 to 2008-09. The requisite data has been obtained from the published financial statements of all district central co-operative banks.

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.

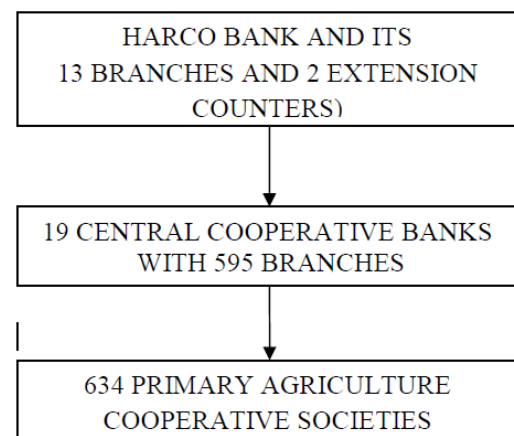


Figure 1: Structure of Cooperative Banks in Haryana as on 31st March, 2012

It can be seen from above chart that there has been a three tiered rural cooperative credit structure in Haryana. HARCO Bank works as an 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.

The present study aims to highlight the progress made by HARCO Bank in terms of financial variables like owned funds, deposits, borrowings, loans and advances working capital and profits etc. It is descriptive-cum-analytical research in nature. It is a case study. The required data is accessed from the annual reports and other financial statements of Harco bank and by visiting its website. Ratio analysis is also done to figure out some more facts about the bank. As statistical weapons, average and growth rate have been applied. Additionally, different types of charts are also used to highlight some relationship and trends between the selected indicators. A period of eight years from 2006 to 2013 is taken as reference period.

CONCLUSION

In the changing landscape of financial system and recent financial disturbance across the world, banking organizations are again being seen as key segments for further developments. Liquidity and marketability in the financial markets whether it is national or international can be at optimum level only by the adequate participation and functioning of banks having different nature in different countries. In case of developing economies like India, banking sector is highly significant for the development of the society and economy as well. Before the nationalization of commercial banks, co-operatives banks had fulfilled the duty as bankers in the country both in rural and urban areas. Even today, besides commercial banks including RRBs, co-operative banks are the integral part of Indian banking system. They are ahead especially in rural areas. State Co-operative Banks are more responsible for creating, developing and sustaining the banking habits in their respective with the help of DCCBs and PACS. In Haryana, Harco bank is the apex bank in that structure. The foregoing analysis has depicted that the bank has increased its worth with a good pace. Amount of deposits, borrowings and working capital has been increased with more than hundred percent growth rates. It advanced good amount as loans to its customers and also earned reasonable profits. More appreciable indicator has been recovery position of the bank that has been almost hundred percent. It is also appreciable because the bank's credit-deposit ratio has simultaneously on an average about 200 percent. It means that the credit policies and recovery mechanism of Harco Bank have been to be found very workable during the reference period of time.

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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