

THE HARYANA STATE CO-OPERATIVE APEX BANK LTD: AN ASSESSMENT OF PERFORMANCE AND ACHIEVEMENTS

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ABSTRACT

The co-operation is the backbone of development of every economy in present globalised world. 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. This is an attempt to highlight the financial performance and some other achievements of the bank. It is observed that this bank has served the state with maintaining a satisfactory level of performance especially in recovery. 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.

Keywords: Financial Performance, Co-operative Banks, Profits Recovery

INTRODUCTION

It is recognized fact that when any two or more organizations, institutions, agencies and ultimately nations come to hold any meeting, the co-operation is always found as first pre-requisite for making any dealing a success and to achieve the desired level of results. Nowadays, co-operation always lies in the heart of all Memorandum of Understandings (MoUs). The formation and progress of co-operative institutions have been totally dependent on the co-operative principles.

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 (PACs) have been serving rural strata of the society. Now, we talk about to 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.

HARCO Bank: Brief Profile

This bank was established in 1966. It is a scheduled bank as per RBI norms. It has thirteen branches and two extension counters working in Panchkula and Chandigarh. Its own area is limited but it greatly functions through its affiliated DCCBs and PACs in the whole state. It borrows from NABARD, State Government etc. It has been advancing loans for various purposes like agriculture, manufacturing, marketing and processing, transport, housing, distribution and stocking etc. It has a staff training college situated at Panchkula. That college was set-up in 1982 to train the human assets of co-operative credit institutions of Haryana state. HARCO bank invites deposits by offering recurring deposit and re-investment term deposit schemes in addition to saving, current and fixed account schemes. It provides home loan, car loan, personal loan and crop loan (by issuing kisan credit cards) etc.

OBJECTIVES AND METHODOLOGY

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.

ANALYSIS OF DATA

First of all, the financial indicators in absolute terms of HARCO Bank are analysed. Table 1 is depicting the performance of the bank about the capital formation in brief.

Table 1. Owned Funds, Deposits, Borrowings & Working Capital of HARCO Bank:2006-13
(Rs. in crore)

Years	Owned Funds	Deposits	Borrowings	Working capital
2005-06	409.60	1172.70	1497.18	3115.32
2006-07	430.40	1206.52	2029.37	3709.95
2007-08	447.47	1362.58	2156.60	4005.66
2008-09	449.00	1723.72	1751.74	3952.79
2009-10	426.03	1935.17	1951.23	4360.00
2010-11	456.28	2025.21	2528.91	5051.04
2011-12	494.64	2130.90	3404.41	6070.63
2012-13	524.29	2375.82	3655.23	6620.74
Average	454.7138	1741.578	2371.834	4610.766
Growth(%)	28.00049	102.594	144.141	112.522

Source: Reports of HARCO Bank

Owned funds include share capital and reserve funds. The average amount of owned funds of Harco bank is Rs. 435.71 crores during 2006-2013. During this span of time, owned funds have been increased only by 28 percent. Deposits of the bank have been, on an average, Rs. 1741.58 crores. Further, this amount has shown increasing trend with 103 percent i.e. deposits of the bank have been doubled during the study period from Rs. 1172.70 crores to Rs. 2375.82 crores. Borrowings are another major source of funds of the bank for advancing credit. Borrowings of the bank are, on an average, Rs. 2371.83 crores and they have been increased with 144 percent growth rate. Working capital means funds of the bank and it can be considered as total assets. The average working capital has been Rs. 4610.77 crores and increased with 112 percent growth rate. Here, interesting observation is that all these four variables under reference have shown continuously increasing trends year to year and except owned funds, amount of all indicators are showing double amount in the last year in comparison to the year 2006. It may be concluded that Harco bank has increased its worth in terms of these variables with appreciable growth rates during the reference period of time. One more significant finding is that borrowings of the bank have always been more than the amount of deposits during all eight years.

Table 2: Loans outstanding, Profits and Recovery Position of HARCO Bank: 2006-13
(Rs in Crore)

Years	Loans Outstanding	Profits	Recovery (%)
2005-06	2393.19	37.00	99.85
2006-07	2910.96	25.63	99.76
2007-08	3124.16	4.91	99.76
2008-09	2800.00	10.61	97.75
2009-10	2988.77	(17.94)	99.93
2010-11	3738.89	5.01	99.94
2011-12	4515.33	18.69	99.95
2012-13	4962.42	30.21	99.95
Average	3429.215	14.265	99.61125
Growth(%)	107.3559	-18.3514	

Source: Reports of HARCO Bank

As we know that the main use of available funds for a bank is to advance loans to their customers. Nowadays, the bank provides loans to their customers in diversified manner to keep the recovery position healthy. In case of co-operative banks, it is necessary to function in the same composition of advances. Table 2 describes the amount and trends of loans, profits and recovery position of Harco bank during 2006-2013. The bank has, on an average, advanced loans of Rs. 3429.21 crores during the reference time. And the quantum of loans has increased with 107 percent growth rate. Further, the same table is showing that the bank has always run on profits (except 2009-10) with the average of Rs. 14.27 crores. Another appreciable front is the recovery performance of the bank. Recovery of the demanded amount of loans has always been more than 99 percent i.e. almost hundred percent recovery during the reference period of time. It breaks the common concept of people that recovery performance of almost co-operatives is very low. But, here the contradiction is the relation between growth of recovery and profits. It is clear from the statistics that the recovery has been almost about hundred percent consistently but the profits were not according to the same. Although, in the last two years, the profit amount has been satisfactory.

Financial Ratios of HARCO Bank

The foregoing analysis has focused on absolute analysis about various financial segments of Harco bank. But, it is also significantly good to see the performance in relative terms. That is why the three financial ratios- Profit on Owned Funds, Profit on Working Capital and Credit-Deposit Ratio.

Table 3. Financial Ratios of HARCO Bank: 2006-2013

(Figures in percent)

Years	Return on Owned Funds	Return on Working Capital	Credit-Deposit Ratio
2005-06	9.03	1.19	204.08
2006-07	5.95	0.69	241.27
2007-08	1.10	0.12	229.28
2008-09	2.36	0.27	162.44
2009-10	-4.21	-0.41	154.44
2010-11	1.10	0.10	184.62
2011-12	3.78	0.31	211.90
2012-13	5.76	0.46	208.87
Average	3.11	0.34	199.61

Source: Reports of HARCO Bank

Table 3 is showing that this bank earned 3.10 percent profits on its owned funds during the study period. This percentage was 9.07 in 2005-06. After this year, it went down to negative 4.21 percent because of loss incurred in 2009-10. Since 2010, it has again been increasing which is a good sign for the bank. But on an average, in the present competitive banking environment, it must be increased to create and sustain the trends of stakeholders. Further, it may be said that being an co-operative institution, this return may be considered satisfactory but for a bank, the same must be a competitive figure. Further, return on working capital is on an average 0.34 percent i.e. if the bank has used Rs. 100 as funds; it earned only Rs. 0.34 which is very low. Only in 2006, ROWC was more than one percent. Next ratio is credit-

deposit ratio which depicts policies and vision of the bank. Being an organ of rural credit structure, Harco bank has also advanced double of its deposits on an average during 2006-13. In couple of years during reference period, this proportion had been more than 200 percent. Though this bank has advanced almost two times of its deposits, its recovery performance has also been more than 99 percent i.e. hundred percent approximately. So, it shows that the credit policies of the bank are very good and workable. There is no need to make any change in credit mechanism at least in coming few years. Further, we can see the relationships between profits and bank’s owned funds, between profits and working capital and also between deposits and loans in a better way by giving a snapshot on figure 1, 2 and 3.

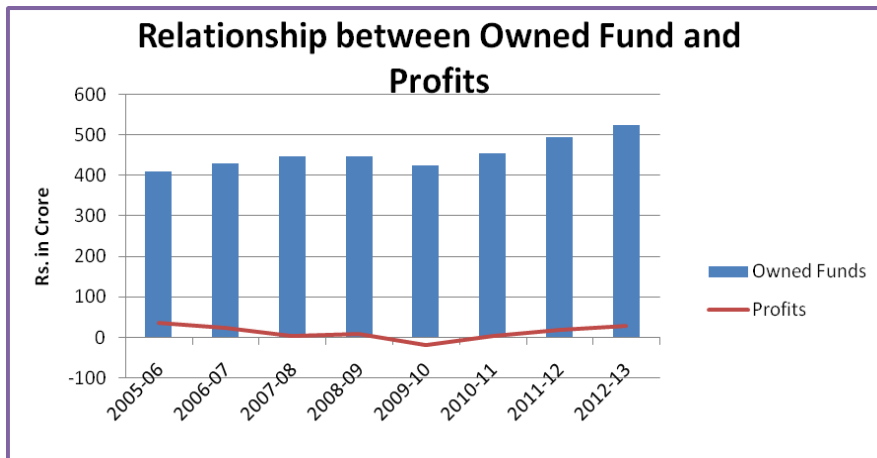


Figure 1: Trends and Relationship between Profits and Owned Funds of HARCO Bank

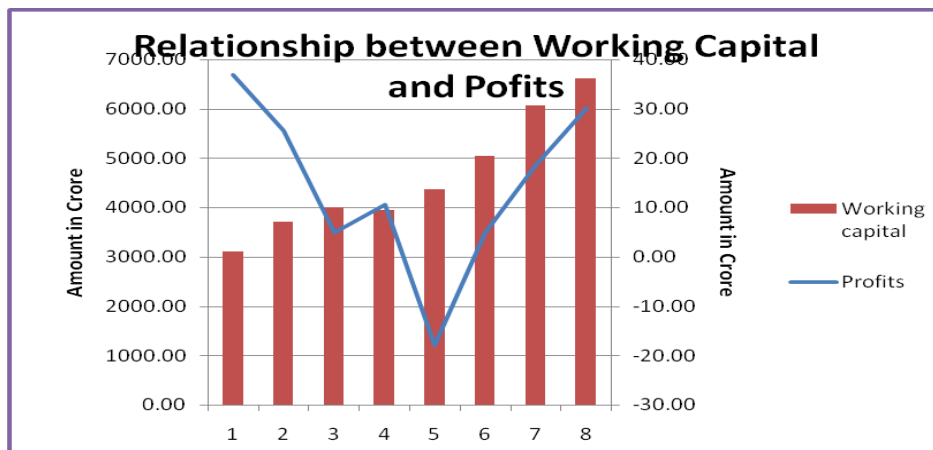


Figure 2: Trends and Relationship between Profits and Working Capital of HARCO Bank

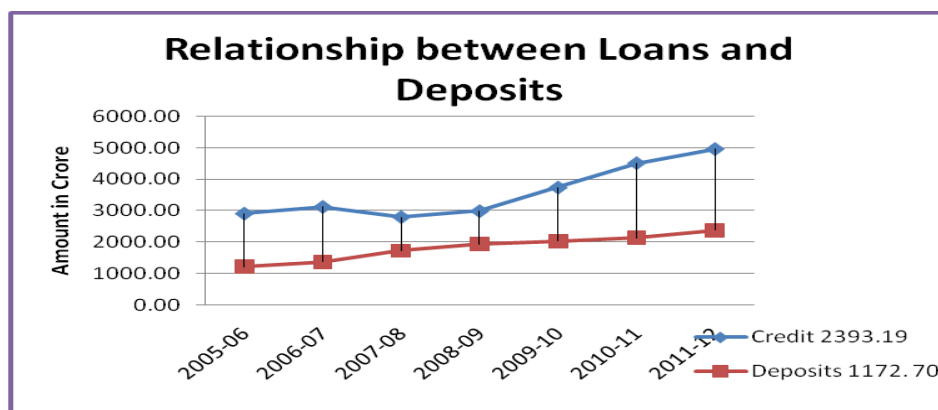


Figure 3: Trends and Relationship between Profits and Owned Funds of HARCO Bank

Achievements of the Bank

As earlier highlighted, HARCO bank has been serving the whole state with the help of DCCBs and PACSs. It controls manages and co-ordinates the functioning of these affiliated co-operative institutions. It helps the govt. in preparing and implementing various policies to improve the level of banking habits among people of Haryana. In India, NABARD and NAFSCOB give awards to state co-operative Banks for their performance under different categories. The achievements of HARCO Bank in this regard have always been appreciable for other banks. If we see the award given by NABARD to HARCO Bank, we find that this bank got first position for two consecutive years viz. 1999 & 2000 and in the years 1997 & 2001, it was awarded by second prize. Additionally, from NAFSCOB, it had received first prize for six consecutive years (except 1992- second position) - 1988, 1989, 1990, 1991, 1993, 1994 & 1995. It shows that both the financial and non-financial performance of HARCO Bank had been good during 1980s & 1990s. Besides these, it has received many special awards under different categories of performance for many years. Special awards were mainly given for better profitability and recovery performance. To receive award for good recovery and profitability is an excellent achievement of this bank.

HARCO Bank has been playing significant role in implementing Revival Scheme in the state. State Government is showing great faith on HARCO Bank in this regard. Further, with the help of this bank, Government has introduced various schemes viz. Recovery Linked Incentive Scheme -2007, Timely Payment Incentive Scheme -2008 and State Interest Subvention Scheme. These entire schemes are being implemented across the state. The role of HARCO Bank for the development of co-operative movement and in spreading banking services in every corner of Haryana has been great.

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. But, it is only at apex level. To make DCCBs more profitable along with strengthening the viability of PACS across the State are the very next responsibility of this apex bank. Automation and up-gradation of ICT remain to be implemented in the whole State. If Harco bank wants to spread co-operative banking services in realistic manner, it needs to focus on to educate its existing beneficiaries and also potential customers by holding seminars and camps regarding financial literacy. In this project, it must seek the help from universities and colleges. In Haryana, there are many researchers who are well associated with co-operative banks since last many decades. They can yield to great extent in awaring the people about the facilities and services of co-operative banking institutions. No doubt, Harco bank has won several awards for its performance and well doings. But, the performance and goodwill of remaining co-operatives are to be increased. It can only be accomplished in the honest leadership of Harco bank. Harco bank should establish a full automated research centre at its head office for conducting researches relating to co-operative activities in Haryana state.

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