

**PERFORMANCE OF MIZORAM RURAL BANK
IN
AIZAWL DISTRICT**

*A Dissertation submitted in partial fulfillment of the requirement for
the degree of Master of Philosophy in Economics*



Submitted by

Krosszarmawii

MZU Registration No. 89 of 2012

M.Phil. Registration No. MZU/M.Phil/74 of 15.05.2012

Supervisor

Prof. A.K. Agarwal

Head, Department of Economics

Mizoram University, Tanhril, Aizawl

DEPARTMENT OF ECONOMICS
MIZORAM UNIVERSITY, TANHRIL

2013

DECLARATION

I, Krosszarmawii, hereby declare that the dissertation entitled **‘PERFORMANCE OF MIZORAM RURAL BANK IN AIZAWL DISTRICT’**, submitted to Mizoram University, in partial fulfillment of the requirement for the award of the Degree of Master of Philosophy is a record of original work done by me under the supervision and guidance of **Prof. A.K. Agarwal**, Department of Economics and it has not formed the basis for the award of any Degree/Diploma/Associateships or other similar title to any candidate of any University.

Date:

(KROSSZARMAWII)

Aizawl

MIZORAM UNIVERSITY
DEPARTMENT OF ECONOMICS
AIZAWL



Prof. A.K. Agarwal
Head, Department of Economics
Mizoram University

Ph.: 0389-2330708

CERTIFICATE

This is to certify that the dissertation entitled “**PERFORMANCE OF MIZORAM RURAL BANK IN AIZAWL DISTRICT**” submitted by **Krosszarmawii** for the award of the degree of **Master of Philosophy in Economics** is carried out under my guidance and incorporates the student bonafide research. This is the candidate original work and is worthy of examination.

Aizawl, Mizoram

(Prof. A.K. Agarwal)
Supervisor

ACKNOWLEDGEMENT

First of all, my heartfelt gratitude goes to the **Almighty God** for His guidance and wonderful blessings to complete my dissertation.

I am deeply indebted to my supervisor **Prof. A.K. Agarwal**, Head, Department of Economics, whose help, stimulating suggestions and encouragement helped me in all the time of research for and writing this thesis.

To **Dr. James L.T. Thanga** who have in various formal and informal discussions, extended his helped and offered some invaluable suggestion in regard to my topic, I owe a major vote of thanks.

Besides, I am extremely grateful to all the **Branch Managers and staff of Mizoram Rural Bank**, Aizawl district by providing the requisite materials.

Last, but not the least unspeakable thanks goes to **my family** who contributed their valuable time and for giving me the opportunity to complete my dissertation.

CONTENTS

Description	Pages No.	
Declaration	i	
Certificate	ii	
Acknowledgement	iii	
Contents	iv	
List of Tables	vi	
Chapter 1	INTRODUCTION	1 – 44.
1.1	Genesis of Regional Rural Bank.	7
1.2	Objective, rationale, significance, functions and importance of Regional Rural bank.	16
1.3	Banking network in North-East Region.	17
1.4	Banking network in Mizoram.	18
1.5	Development of Mizoram Rural Bank.	23
1.6	Achievements and initiatives taken by Mizoram Rural Bank.	26
1.7	Performance of Mizoram Rural Bank.	33

1.8	Problem of Mizoram Rural Bank.	40
1.9	Study branches of Mizoram Rural Bank.	42
1.10	Objectives of the study.	43
1.11	Hypotheses.	43
1.12	Research Methodology.	44

Chapter 2	REVIEW OF LITERATURE	45 - 54
------------------	-----------------------------	----------------

Chapter 3	FINDINGS, SUGGESTIONS AND CONCLUSIONS.	55 – 80
------------------	---	----------------

Chapter 4	BIBLIOGRAPHY	81 - 82
------------------	---------------------	----------------

LIST OF TABLES

Table 1: District wise distribution of Bank offices, Aggregate Deposits and Gross Bank Credit in Mizoram.

Table 2: SLBC roadmap for producing banking facilities to village with population over 2000.

Table 3: District - wise break-up of the Branches.

Table 4: Aggregate Deposit and Credit as on 31.03.2000 and 31.03.2011.

Table 5: Total loans and advances distribution to priority sectors during 2000 - 2010.

Table 6: Scheme wise position of loans and advances issued and outstanding under Government Schemes during 2011 – 2012.

Table 7:The position of deposit, advances and Credit Deposit Ratio during the last four (4) years.

Table 8:Detailed break-up of loans and advances among Ten (10) MRBs in 2011.

Table 9:Purpose-wise Break-up Loans and Advances by MRBs in Aizawl district, 2011.

Table 10:Detailed break-up of loans and advances in ten (10) selected branches in Aizawl district during the last four (4) years.

Table 11:Correlation table for Deposit and Credit trends.

Table 12:Trends in Credit Deposit Ratio and Rate of Interest among MRBs in Mizoram.

CHAPTER - 1

INTRODUCTION

The Regional Rural Banks constitute a landmark in the development of Indian Banking system. It affects directly or indirectly almost all the economic activities in the country¹.

A balanced and strong banking system is a prerequisite of any healthy economy. But mere existence of banking system may not ensure balanced development of whole economy unless it is evenly spread throughout the country. The existence of strong banking network in one region and a weak network or inferior services in another will affect overall strength of the economy.

The history of informal banking in India goes back to the Vedic Period, i.e. 200 BC (Central Banking Enquiry Committee, 1931). The Banking Services started by the

¹ Bhagaban, padhy (2007), "Globalization, Rural Bank and Agriculture". Sonali publications, New Delhi.

indigenous money lenders, who used to advanced money on easy terms to the small farmer and poor households in the time of need against some interest. The areas covered by such money lenders were mostly restricted to a village or a block. The reference of organized and professional banking may be traced in the writings of Kautilya's Arthshastra (400 BC), where he mentioned about creditors, lenders and the rate of lending as well (Reserve Bank of India).

The banks existing on the eve of independence of India were mostly private banks organized as small joint stock companies and being regulated by Reserve bank of India and The Companies Act, 1913. The development of banking in India can be broadly divided in three phases, viz. First phase up to 1969 (period up to nationalization of banks), Second phase between 1969 and 1991 (period up to LPG policy) and Third phase 1991 onwards². Merchants in Calcutta established union bank in 1839, but it failed. In

² <http://rbidocs.rbi.org.in>

1840 as consequences of the economic crisis in 1840 – 49, the Allahabad Bank established in 1865 is the oldest joint stock company bank in India.

The period between 1906 and 1911, saw the establishment of banks inspired by Swadeshi movement. The Swadeshi Movement inspired local businessmen and political figures to find banks of one for Indian Community. The favour of Swadeshi Movement lead to the establishment of many private banks in Dakshina Kannada and Udupi district which were unified earlier and known by the name South Canara district. Hence undivided Dakshina Kannada district is known as “Cradle of Indian Banking”.

During the first World War (1914 – 1918) through the end of Second World War (1939 – 1945), and 2 years thereafter until the independence of India were challenging for Indian banking. The year of the First World War was turbulent and it took its toll with banks. Simply collapsing despite the Indian economy gaining direct boost due to war

– related economic activities. At least 94 banks in India failed between 1913 and 1918.

The positions of India in 1947 adversely impact the economies of Punjab and West Bengal. India's independence marked the end of regime of Laissez – Faire for Indian banking. The Govt. of India initiated measures to play an active role in the economic life of the people and Industrial Policy resolution adopted by the Government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance. The major steps to regulate banking included:-

- The Reserve Bank of India, India's central banking authority was established in April 1935, but was nationalized on 1st January 1949, under the term of Reserve Bank of India Act, 1948.

- In 1949, the banking regulation Act was enacted which empowered RBI, “to regulate, control and inspect the banks in India”.

- The Banking regulation Act also provided that no new bank or branch of any existing bank could be opened without a license from the RBI and no two banks could have common directors.

The Government of India set up Regional Rural Banks (RRBs) on 2nd Oct.1975. Initially five RRBs were set up on 2nd Oct.1975 which was sponsored by Syndicate Bank, State Bank of India, Punjab National Bank, United Commercial Bank and United Bank of India, capital share being 50% by the Central Government 15% by the state Government and 35% by the Scheduled Bank.

Reserve Bank of India had laid down ceilings on the Rate of Interest to be charged by these RRBs. However, from August 1996, the RRBs have been granted freedom to fix rates of interest, which is usually in the range of 14 – 18 % for advances.

The Narasimhan committee on rural credit recommended the establishment of Regional Rural Banks (RRBs) on the ground that they would be much better suited than the commercial Banks or Co-operative Banks in meeting the need of rural areas. Accepting the recommendations of Narasimhan committee, the government passed Regional Rural Banks, Act 1976. A significant development in the field of banking during 1976 was the establishment of 19 RRBs under Regional Rural Bank Act, 1976.

The RRBs were established, “With a view to developing the rural economy by providing for the purpose of development of agriculture, trade, commerce, industry and other productive activities, particularly to small and marginal farmers, agriculture labourers, artisans and small entrepreneurs and for matter connected therewith and incidental thereto”.

1.1 GENESIS OF REGIONAL RURAL BANK:

Regional Rural Banks made a humble beginning on 2nd October 1975, since then, more RRBs have come into existences. By the end of June 1982. There were 121 RRBs covering 207 districts in 19 states. The Commission describes the rural bank as, “a primary banking institution set up to serve a compact group of villages covering a population from 5000 to 20000, generally working as a co-operative bank or as a subsidiary of commercial bank”.

1.2 OBJECTIVE, RATIONALE, SIGNIFICANCE, FUNCTIONS AND IMPORTANCE OF REGIONAL RURAL BANK.

(i) OBJECTIVE:

Regional Rural Banks whose primary business is making loans to customers in a regional or metropolitan area and taking deposit within the state where it is

chartered. A regional has a market focused than a community Bank.

The objectives of RRBs can be summarized as follows:-

- (1) To provide cheap and liberal credit facilities to small and marginal farmers, agriculture labourers, artisans, small entrepreneurs and other weaker sections.
- (2) To save the rural poor from money – lenders.
- (3) To act as a catalyst element and thereby accelerate the economic growth in particular region.
- (4) To cultivate the banking habits among the rural people and mobilize savings for the economic development of rural areas.
- (5) To increases employment opportunities by encouraging trade and commerce in rural areas.
- (6) To encourage entrepreneurship in rural areas.

(7) To cater to the need of the backward areas which are not covered by the efforts of the government.

(8) To develop underdeveloped regions and thereby strive to remove economic disparity between regions.

(ii) RATIONALE:

The working of RRBs are reviewed and evaluated by Dantwala Committee in 1977. The committee in its report submitted by Feb.16, 1978 observed that, “The performances of RRBs have proved that they can become a very useful component in the totality of rural credit structure”.

One more study was conducted by Rural planning and credit cell of RBI on the viability of RRBs in April 1980. This study has pointed out the three year period is generally not sufficient period for a credit agency to achieve financial viability, particularly for rural credit

agency like that of RRB with its unique characteristics such as :-

- (1) Lending only to weaker sections.
- (2) Charge lower rate of interest.
- (3) Open branches in remote rural areas.
- (4) Keep up low cost profile.

Before the advent of RRBs in 1975, it is Commercial Bank and Co-operatives which were functioning in rural areas. The Commercial Bank has been made a considerable progress by establishing 52 p.c. of their branches in rural areas. Similarly, co-operatives have been in existence in rural areas since long. It is RRBs which are comparatively new in this field.

Some people considered the establishment of RRBs as duplication of banking services in rural areas and it is prodigal waste of time and resources. But the role of RRB is complementary and not competitive.

The RRBs are thus new species in the credit delivery system of India and they represent a new culture. They differ from Commercial Bank in terms of both area of operation and the asset structure. They worked under different constraint, RRBs are expected to serve rural clientele, work under the constraint of unhelpful topography, low-cost profile, lower interest charge, lower amount of deposit and dependences on the agencies. They are to achieve social objectives. As such, RRBs have a unique role to play in the rural development of our economy.

RRBs are under the operational control of NABARD and overall control of RBI. Since it is mainly a scheme of Government of India and is under the control of India too. The Constitution of Board of Directors is done by Central Government.

The RRBs in India work in accordance with the provision of RRBs Act, 1976.

(iii) SIGNIFICANCE:

The RRBs occupies a pivotal place in the credit delivery system of India. They have been regarded as the potent instrument of rural development. They have been catering to the needs of weaker section of community. Rural development is the major theme of their working, though there are a large number of agencies functioning in the rural India, RRBs have a distinct role to play. They are established to develop rural economy by eradicating poverty through the provision of credit and generation of adequate employment in village. RRBs provide credit to that section of community which had suffered for centuries at the hands of landed aristocracy. This section of people has been living below poverty line for ages. The poor belongs to small and marginal farmers. To make their living better, RRBs have a special role to play. The other agencies in the rural credit market have been providing credit to non-target population. The potential target

population remained totally neglected till recently. Hence, RRBs were created.

RRBs have now been considering active agents of economic development in rural India. The future of the weaker section of rural community is in the hand of RRBs. They have become unique in the rural credit structure of India. The significance of RRBs lies in their efforts to transform the present rural scene by converting the dreams of poor masses into reality. RRBs are the banks for the masses and not for one class. The ultimate aim is to make them an integral part of rural credit structure.

(iv) FUNCTIONS:

Every RRB is authorized to carry on to transact the business of the banking as defined in the banking regulation Act and may also engaged in other business specified in section 6 (1) of the said Act. In particular, a RRB is required to undertake the business of:-

- (a) Granting loans and advances to small and marginal farmers and agricultural labourers, whether individually or in groups and to Co-operative Societies, including agriculture marketing societies, agriculture processing societies, co-operative farming societies, primary agricultural credit societies or farmer service society, primary agricultural purposes or agricultural operations or other related purposes, and

- (b) Granting loans and advances to artisans, small entrepreneurs and person of small means engaged in trade, commerce, industry or other productive activities within its area of operation.

(v) IMPORTANCE:

The importance of rural banking in the economic development of the country cannot be overlooked. As Gandhi said, “Real India lies in village,” and village economy is the backbone of Indian economy. Without the upliftment of rural economy as well as the rural people of our country, the objectives of economic planning cannot be achieved.

The importances of RRBs are as follows:-

- 1) RRBs are expected to make credit available to rural households besides inspiring carefulness.
- 2) To take the banking services to the door step of rural masses particularly in hitherto unbanked rural areas.

- 3) To make available institutional credit to the weaker section of the society who had by for little or no access to cheaper loans and had perforce been depending on the private money lenders.
- 4) To mobilize rural savings and channelize them for supporting productive activities in rural areas.
- 5) To create a supplementary channel for the flow the central money market to the rural areas through refinances.
- 6) To generate employment opportunities in rural areas and bringing down the cost of providing credit to rural areas³.

³<http://www.indiankanoon.org.in>

1.3 BANKING NETWORK IN NORTH-EAST REGION:

There exists a wide disparity in the availability and use of banking services in six banking regions in India, North-East region being the worst performer.

The whole NE Region has 2321 bank officer out of which about 65 percent of the officer are located only in Assam, where as over 10 percent are located in Tripura leaving other five states sharing only 25 percent among themselves. Similar is the case with deposits and credits as well, Assam dominates others, followed by Tripura. The average CD Ratio of the region during March 2011 was recorded at 32.81%. Mizoram has the highest CD Ratio among all seven states with little over 43% which is much below as compared with national average of over 75%. The lowest CD Ratio was found in the Arunachal Pradesh (22.5%)⁴.

⁴A.K. Agarwal & B. Singh, 'A case of study of Banking services in India', pp.128-143.

1.4 BANKING NETWORK IN MIZORAM:

Mizoram is having eight (8) districts, including Aizawl, the capital city. The banking activities are concentrated around Aizawl only. State Bank of India is having total 25 offices in Mizoram, out of which 10 offices are in Aizawl itself, leaving other 7 districts sharing 15 offices. Mizoram Rural Bank has some what better distribution of branches. There are few other nationalized banks, other than State Bank of India, having total 10 offices in the state and all these 10 offices are in Aizawl itself. Similar is the case with private sector banks, they have total 05 offices in Mizoram, all of them in Aizawl itself. In short, Mizoram is having total 99 offices of scheduled Commercial Banks out of which 43 Offices are in Aizawl.

Overall Credit Deposit Ratio of Mizoram (43.02%) is not at all encouraging as it is much below the national average, although, it is the best among North-Eastern

States. More than 43 percent bank offices established in Mizoram are in Aizawl only, but the CD Ratio (32.82%) in the district is found to be the least among all the districts of Mizoram. On contrary, two districts with least number of bank offices have unrealistically high CD Ratio. The district having second highest numbers of bank offices has a CD Ratio of 47.17% letter than Aizawl only. This highlights that the distribution of bank offices in Mizoram is not proper.

Aizawl is giving Majority of business to the Commercial Banks as 43% of total branches are in Aizawl, over 77% of deposits came from the capital city and approximately 59% of total credit advanced in Aizawl itself.

Table – 1

District – wise Distribution of Bank offices, Aggregate Deposit and Gross

Bank Credit in Mizoram (Amount in Rs. Crore)

District	SBI its Associates		Nationalised Banks			Regional Rural Banks			New Private Sector Banks			TOTAL				
	Br	Dep	Cre	Br	Dep	Cre	Br	Dep	Cre	5	221	Cre	Br	Dep	Cre	C-D Rate
Aizawl	10	1134	458	10	496	97	23	178	83	5	221	28	43	2029	666	32.82
Champhai	2	50	25				9	25	15				11	75	40	53.33
Kolasib	2	66	31				6	25	18				8	91	49	53.85
Lawngtlai	2	55	106				4	20	13				6	75	119	158.67
Lunglei	3	85	78				8	52	34				11	137	112	81.75
Mamit	3	42	16				6	64	34				9	106	50	47.17
Saita	1	48	63				2	8	3				3	56	66	117.86
Serchhip	2	35	16				7	23	14				9	58	30	51.72
Mizoram	25	1516	792	10	496	97	65	396	214	5	221	28	100	2629	1131	43.02

Note: Off=Office, DEP=Deposits, CR=Credit, CDR=Credit – Deposit Ratio (%)

Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, 2011.

Table - 2: SLBC Read map for producing banking facilities to villages with population over 2000 (as per 2001) census.

Name of District	Name of the Block	Name of the unbanked village	Alloted to Bank
Aizawl	Phullen	Phuaibuang	MRB
	Thingsulthliah	Sesawng	SBI *
Serchhip	Serchhip	Baktawng	SBI
	East Lungdar	Khawlailung	MRB
Champhai	Ngopa	Mimbung	MRB
	Khawzawl	Biate	SBI
	Khawbung	Farkawn	MRB
	Champhai	Hnahlan	MRB
Lunglei	Lungsen	Tuichawng	MRB
Kolasib	Thingdawl	N.Thingdawl	MRB
	Bilkhawthlir	Hortoki	MRB
Mamit	Zawlnuam	Kawrtethawveng	MRB
	West Phaileng	Rajivnagar	MRB
		Silsuri	MRB

** Office already started functioning.*

Source: State Level Banker's Committee for Mizoram (2011 a)

Tables - 2 highlight fourteen (14) such villages in Mizoram, and are not having any bank office so far. The state level banker's committee for Mizoram has taken the issue in consideration and instructed State Bank of India to open branches at three such villages while MRB has been instructed to open bank office at the rest of 11 such villages⁵.

⁵ State Level Banker's Committee for Mizoram 'Agenda Notes for Quarterly ended 20-06-2011', State Bank of India, Lead Bank Office, Aizawl.

1.5 DEVELOPMENT OF MIZORAM RURAL BANK

The Mizoram Rural Bank established on 27th September 1983 under Regional Rural Bank Act, 1975 is perhaps the only RRB in the country having a spread in all the districts and blocks of a state. It covers 8 districts and 25 RD Blocks including 13 in urban, 11 in semi – urban and 41 in rural areas.

Mizoram Rural bank is sponsored by State Bank of India, owned by Government of India. Under Mizoram Rural Bank, there are 67 branches, headed by Head Office, located at Zarkawt, Aizawl. Aizawl Branch, located at Zarkawt is the first amongst other branches. MRB are under the guidances and Supervision of Board of Directors, Consists of Chairman and Director. Mizoram Rural Bank is the largest bank in terms of number of branches and second in terms of business, next to it sponsor bank, in the state.

The bank opened its 67th branch at Bunghmun in Lunglei District on 16.02.2013 and has no pending license for branch opening. It has opened a new branch at South bungtlang in Lawngtlai District. The only unbanked block in the state in 2011 – 12⁶.

⁶ Mizoram Rural Bank 29th Annual Report, 2011 – 2012. pp.3-9.

Table - 3**The District – wise break – up of the branches:**

Sl. No.	Name of District	No. of Branches	No. of Urban Branches	No. of Semi Urban Branches	No. of Rural Branches	Of Which			
						Relocated	Newly opened	Extension	Satellite
1	Aizawl	24	13	-	10	-	1	-	-
2	Kolasib	6	-	2	4	-	-	-	-
3	Mamit	6	-	1	5	-	-	-	-
4	Serchhip	7	-	2	5	-	-	-	-
5	Champhai	9	-	1	8	-	1	-	-
6	Lunglei	9	-	3	5	-	-	-	-
7	Saiha	2	-	1	1	-	-	-	-
8	Lawngtlai	4	-	1	3	-	1	-	-
	TOTAL	67	13	11	41	-	3	-	-

From the **Table - 3**, it is evident that there is still need for setting up additional branches in the district of Lawngtlai and Saiha. These two districts still lack for behind compared with the other districts.

1.6 ACHIEVEMENTS AND INITIATIVES TAKEN BY MIZORAM RURAL BANK

Mizoram Rural Bank is the second largest bank in the state next to the lead as well as sponsor bank, the State Bank of India.

The year 2009 – 2010 witnessed a significant development as well as improvement in some key areas. A brief report on the new development during the year may be presented as under:-

CREDIT GUARANTEE FUND SCHEME FOR MICRO AND SMALL (CGTMSE):

The Bank has become the 100th member lending Institution of CGTMSE.

SBI Life:

Corporate Agency tied up agreement has been signed with the SBI Life. A target of Rs.150 lakhs as premium and Rs.15 lakhs as commission has been allotted to the bank.

State Channelizing Agency:

The bank has been appointed State Channelizing Agency of the National Handicap Development Finance Corporation (NHFDC) for financing physically challenged persons. A MOU has been signed with the State Social Welfare Department.

Opening of Regional Office:

In terms of Usha Thorat Committee recommendation the Bank opened Regional office at Aizawl on 24.08.2009.

Opening of Branch:

The 67th Branch was opened at Bunghmun Village. The Bank has covered all blocks as well as Districts in the entire state thus fulfilling its Mandate of bringing more uncovered centers in the remote and rural areas.

CBS: All the 67 branches of the Bank are working on CBS (Core Banking Solution).

No Frills Account:

A huge number of rural customers have been brought under the scheme. Basic Banking with “No Frills Account” either with “NIL” or with very low minimum balance Saving Bank Account in all the branches.

(a) Business Development :

The Bank surpassed its target in all the three key areas of performances such as deposits, advances and profit. Its performance under Govt. sponsored schemes such as KCC, SGSY, GCC and opening of No Frills Accounts under the NREGS has been good accounting for more than 50% of the aggregate figures of all banks operating in the state.

The Bank has also wiped out its accumulated loss for the first time in its history of 27 years following significant improvements in its assets block and joined the elite group of the “Sustainable Viable” RRBs.

Overdraft Account:

No Frills Account holders are allowed overdraft facility up to a limit of Rs.500/-. These accounts are mainly meant for channelising funds of the NREGS

beneficiaries. A good number of depositors have availed of this facilities⁷.

Core Banking Solution:

Pursuant to RBI guidelines, the Bank has initiated the process of computerization on CBS platform using “B @ NCS 24” application of software through the Asp Model upgradation of the 62 branches of the Banks have been completed and Migrated to CBS platform on 21st June 2011. Hence, all the Branches including Head Office have been placed under CBS.

Risk Fund:

As per the prudential norms applicable to RRBs, the bank made 2012 to fully cover bad and doubtful debt and assessable losses on account of frauds and misappropriations. No separate risk fund other than this provision has been made.

⁷ <http://www.mizoramruralbank.com>

Write – off of Loans:

The Bank undertook a write – off exercise of loans under agriculture and small business segments as loss assets with very bleak prospects of recovery, to the extent of Rs.46 lakhs in 198 accounts during the year. There is no pending appropriation for write off at present. Full provisions, has however been made for bad and doubtful assets.

Transfer Price Mechanism:

The Bank has introduced the Fund Transfer Price Mechanism between its Head Office and the branches on almost similar lines being followed by its sponsor Bank with a view to culminating loss making branches. Permanent Branch Managers and clerks could now be posted to these branches.

Loan Policy:

For the first time in the history of Mizoram Rural Bank since its inception, they published “Loan Manual 2011” for internal circulation to meet the varied demands of its customers of manual are a collection of various circulars issued by the Bank and our sponsor Bank. This will help and facilitate in credit delivery at the branch level.

NPA Manual:

With a view to equip their working staff and to maintain the quality of assets, they have devised a “NPA Management Policy” and have been published for our internal circulation. This will facilitate operating staff to have better clarity and focused attention for settlement of chronic and bad loans through compromise.

Kisan Credit Card Scheme:

As in the case of SHGs, the bank's performers issuing KCC has been quite appreciable. More than 60% of total cards issued by all banks in the state are the share of the bank. The KCC issued are mainly for production consumption purposes to help farmers tide over their problems during the crop season raise. Cash credit as well as term loans are sanctioned to KCC holders⁸.

1.7 PERFORMANCES OF MIZORAM RURAL BANK

The nationalization of Major Commercial Banks in 1969 was an important landmark in the history of financial inclusion. Nationalized banks can make a big push into the rural areas. Credit is a critical input for the development of rural economy.

MRB surpassed its target in all the three key areas of

⁸ Mizoram Rural Bank Annual Report 2011 – 2012. pp.10-12.

performances such as deposits, advances and profit. Its performances under Govt. sponsored scheme such as KCC, SGSY, GCC and opening of No Frill Account under NREGS has been good accounting for more than 50% of aggregate figure of all banks operating in the state.

The Bank has also wiped out its accumulated loss for the first time in its history of 27 years following significant improvement in its assets blocks and improved management of assets and liability. It has now joint the elite group of the “Sustainable Viable”, RRBs.

The number of rural branches is much higher than the other commercial banks in MRB that is why MRB plays an important role in financial inclusion to the rural poor.

The following **Table – 4** displayed that the comparative position of deposits, credits with their ratios mobilized during the last Ten years are given below:-

Table – 4**Aggregate Total Deposits and Credit as on
31.03.2000 and 31.03.2011**

			In Thousands
	Deposits	Credits	C.D. Ratio
2000 – 2001	505177	175579	35%
2001 – 2002	683434	230091	33.67%
2002 – 2003	860809	281969	32.76%
2003 – 2004	1007068	337272	33.49%
2004 – 2005	1245462	502624	40.36%
2005 – 2006	1471026	802074	54.52%
2006 – 2007	1660182	184427	65.38%
2007 – 2008	1988504	1283307	64.54%
2008 – 2009	2831902	1610642	56.87%
2009 – 2010	3262356	1771272	54.29%
2010 – 2011	4767633	2345267	49.19%
2011 – 2012	9537641	4028904	42.24%

Source : Mizoram Rural Bank Annual Report 2000 – 2010

The bank's total business has reached Rs. 1356.65 Crores during 2011 – 2012, placing the bank in the Category II of RRB, as per H.R. Policy approved by the Govt. of India. It has registered a growth of 45.45% in deposits and 37.09% in advances. It posted total profit of Rs.7.78 crores bringing its reserve to Rs.11.60 crores. Average business per employee increased from Rs.3.69 crores to Rs.5.18 crores, average business per branch improved from Rs.13.89 crores to Rs.20.87 crores. Again during 2011 – 2012, 23 villages have been 100% covered under financial inclusion by way of opening savings bank / no trills accounts through bank and BCs. The Bank drew Rs.50.00 lakhs from the National Handicapped Development Corporation of India for issuing loans to the handicapped people as the bank has been appointed State Channelising Agency. The State Government Flagship Rural Development Programme known as New Land Use Policy (NLUP) and has been implemented through the MRB. Besides this, the bank for the first time paid a premium of Rs.46,000 to CGTSME. The Commission

earned on SBI Life Premium Stands at Rs.5.60 lakhs against its second year target of Rs.10.00 lakhs.

Table – 5

Total Loans and Advances distribution to priority sectors during 2000 - 2010.

(In ‘000 Rupees)

Years	Agriculture	Industries	Services
2000 – 2001	7174	4537	35722
2001 – 2002	9364	5419	70659
2002 – 2003	7617	4081	53049
2003 – 2004	12249	8128	153314
2004 – 2005	86989	20683	191283
2005 – 2006	135680	39856	25526
2006 – 2007	120830	96961	107545
2007 – 2008	186178	163862	59190
2008 – 2009	231822	42459	327990
2009 – 2010	236158	60144	458580
TOTAL	1034061	446130	1482858

Source: Mizoram Rural Bank Annual Reports 2000 – 2010.

Mizoram Rural Bank may be perhaps the only RRB in the country having a spread in all the districts as well as blocks in a state. With a view to achieving the objectives of greater financial inclusion as per the Reserve Bank of India's directives. Mizoram has introduced the three innovative schemes like No Frills Account, GCC, OTS of the Reserve Bank of India.

Table – 6

Scheme wise position of Loans and Advances issued and outstanding under Government Schemes during 2011 – 2012.

(In '000 Rupees)

Sl. No.	Scheme	O/s (31.03.11) Amount	Disbursed (2011 - 12) A/c Amount	O/s (31.03.12) Amount	% Growth
1	SGSY	25876	301	23274	- 6.81
2	KCC	398507	4039	192340	17.71
3	SHGs	80663	241	40824	16.3
4	GCC	32972	813	16944	4.28
5	SCC	1001	61	2828	153.15
TOTAL		53999	5455	276210	15.71 %

Source: Mizoram Rural Bank Annual Reports 2011 – 2012.

From the above table it can be seen that, under the Govt. Scheme, MRB disbursed highest amount to Kisan Credit Card Scheme (KCC) and SHGs got a second place that MRB plays an important role in promoting and improving different Govt. Schemes in the state of Mizoram.

It is a matter of joy for MRB to have 100% financial inclusion by way of opening bank account by at least one member of every family in the villages on January 2010. Among them, Reiek village is the first to have achieved the distinction of 100% financial inclusion in the entire state in Mizoram as far as F1 is concerned.

1.8 PROBLEM OF MIZORAM RURAL BANK

(i) LOWER INTEREST RATE:

As the loans disbursed by the banks are of very minimal amount, it becomes difficult to collect higher rates of interest from these loans.

(ii) VERY LITTLE PRESSURE TO REPAY:

As the enactment for revenue recovery proceedings against bank defaulters for Government sponsored loans has not yet been adapted in the State, the recovery rate of banks has remained miserable. The poor loans recovery by financial institutions hampers the process of sanctioning fresh loans. Bankers feel uncomfortable at the time of annual closing, when they are compelled to make huge provisions for bad debts and non performing assets.

(iii) TIME CONSUMING:

MRB is the only bank that plays a role in various government schemes like MNREGS, SGSY, etc. where funds are disbursed to the rural areas. The deposit of these funds does not entail any interest for the banks, but at the same time, they are involved in its Management. This result in the bank officials and workers spending a lot of their time and energy in maintaining records of accounts and its disbursement, which incurs a lot of time being spent without any profit for the bank.

(iv) ILLITERACY:

People in the rural areas are not financially literate. Therefore, the banks have to undertake a Massive programmed for financial literacy and Credit Counseling.

1.9 STUDY BRANCHES OF MIZORAM RURAL BANK:

For the present study, the following ten (10) branches have been selected out of 24 branches in Aizawl district which have at least four (4) years of operation:-

- (i) Aizawl Branch
- (ii) Chaltlang Branch
- (iii) Chanmari Branch
- (iv) Dinthar Branch
- (v) Durtlang Branch
- (vi) Khatla Branch
- (vii) New Market Branch
- (viii) Ramhlun Branch
- (ix) Vaivakawn Branch
- (x) Zemabawk Branch

1.10 OBJECTIVES OF THE STUDY:

(i) To study the trends in Credit activities among Mizoram Rural Bank in Aizawl district.

(ii) To study the performances of Mizoram Rural Bank in giving loans to different items like personal loan, industrial loan, business loan, agriculture loan.

(iii) To study the profile of Credit Deposit Ratio (CDR) in Aizawl district.

1.11 HYPOTHESES:

(i) There is an increasing trend in Credit Deposit Ratio (CDR) in Aizawl district.

(ii) There is an increase relationship between the volume of Credit and Rate of Interest.

1.12 RESEARCH METHODOLOGY:

The study is based on secondary data. Secondary data is collected from Mizoram Rural Bank document, Mizoram Rural Bank annual report, related websites and other published and unpublished books. Appropriate suitable diagram and table are used whenever necessary.

CHAPTER - 2

REVIEW OF LITERATURE

In a study relating to Champaran Kshatriya Grameena Bank in Bihar State, R.N. Srivastara (1981)⁹ concluded that Regional Rural Banks provided easy and timely crop loan at normal rate of interest and such facility resulted in increase use of import likes seeds, fertilizers, labour and in that way increase intensity of cropping and thereby significantly increase the income of the borrowers.

A comparative study to analyses the performance of Regional Rural Banks (RRBs) and other scheduled commercial banks was conducted by Sharma (1996)¹⁰ in Himachal Pradesh. The analysis was carried out at two points of time i.e. for the year 1986 and 1993. The growth of the two banks group was measured with the help of annual compound growth rates based of different banking

⁹ Srivastara, R.N (1981), "Impact of Champaran Kshtriya Grameena Bank on Rural Economy". Pp.226-272.

¹⁰ Sharma, H.L., (1996) "Need to boost Banking in Himachal Pradesh". Pp.25-26.

indicator. The study reveal Regional Rural Banks in Himachal Pradesh register a higher growth rate than commercial banks with respect to almost all the indicators.

Murphy and Haresh (1991)¹¹ studied the saving behavior of the people in the form of deposit and linked it with the level of income and financial intermediation. The researchers also examined the inter – regional disparities in saving and attempted to explain the reason for the disparities with the help of analysis of Varlanie (ANOVA) technique. The state wise data for six regions was analyzed for the year 1979 and 1989. The study revealed that the state/regions with higher level of income and intense spread of branches and higher level of deposit and vice-versa.

In another study Sundaram 1982¹² concluded that Regional Rural Banks would prove to be more helpful identify the economically viable products and supervise

¹¹ Shri Ram, Murphy, Y & Haresh (1991), "Regional Variation in Banking business: A sturdy based on Anora technique". Pp.31-43.

¹² Sundaram, Satya (1982), "Problems facing by Regional Rural Bank".

the end-use of credit by taking services of other local agencies engaged in serving poor.

The Rangarajan Committee (1989)¹³ observed that one of the interesting feature of banking scene is its multi-faceted character. The class of customers and their expectation differ widely from on population segment to other-rural, semi-urban, urban and metropolitan. Similarly the number of transactions and staff also vary widely. Therefore, it is difficult to generalize on the pattern of services to be provided by banks at their various branches. Customer interface at the branches level is dominant and customer expect warm and courteous behavior from staff which can be cultivated through attitudinal changes. The committee thus recommended for computerization which lead to reduction in working time, accuracy in reporting, provision of additional innovative services and expeditious

¹³ Rangarajan C., Report of the Committee on computerization in Banks, Bombay. Pp.28-30.

transfer of funds. They further pointed out that the time has come now to move to on-line real time transaction processing environment in relation to branch banking so as to enable the customer to have better services.

As part of a nation wise survey conducted by Bank Marketing Association and Booz Allen (1986)¹⁴ among bank marketing director, it was identified that lack of commitment, management difficulties and environmental uncertainty as three major problems affecting the development of new services. One of the respondents accused the management of “not thinking what the customers wants, but trying to programme the customer to the computer”. Most of the banker feel that there is a need for a clearly defined serious of steps to generate, evaluate and develop new service ideas. Without a formal process bankers are at a loss as to how or where to begin developing new services.

¹⁴ Michael R. Bowers and Everett Wallace S. (1986), “New Directions on Product Development”. April, pp.22-24.

Avadhani et al (1987)¹⁵ studied the performance of rural branches of some commercial banks in order to identify the factors influencing deposit mobilization in rural areas in different states. They come out with the opinion that there existed a sufficient relationship between deposit of rural branch and its age. The growth of deposit is a faster rate in the first six years and tapers off subsequently. The growth in deposits of commercial banks cannot be explained in terms of price differentials as co-operative banks offer high rates of interest. Therefore, product differential would offer a better explanation of the growth rate in deposit. This relates to differences in customer services, liquidity, attitude of the manager and the bank staff and their local involvement. It is to be noted that there was no special scheme for deposit mobilization or any incentives given to bank staff. Yet each branch management had evolved its own strategy to mobilize deposits in order to achieve the target fixed by the head office.

¹⁵ Avadhani V.H., Motwami & Argadi V.B. (1987), "Mobilisation of Rural Saving-Banking Experience, RBI Occasional Papers, Vol.8. pp. 101-107.

The overall reaction to customer towards the syndicate Banks dealing with credit in Nellore District of Andra Pradesh was examine and assessed the attitudes of customers towards bank credit in raising their living standards by Malayadri (1988)¹⁶ . It was revealed that majority of the borrowers were satisfied with the bank personal in understanding and helping to solve their problems, providing advise and assisting in proper utilization of credit. But disbursal of loan within reasonable time and supervising the field were lacking. Sixty six percent of the respondents were unable to follow bank rules and procedures and 54 percent found the working time unsuitable and suggested change of working hours. Forty percent of customers considered banked credit as a risk in future and a few of them stated that taking loans eroded their social prestige.

A nation wide survey of 90,000 households and

¹⁶ Malayadri P., (1988), Commercial Bank in the Customer Services – A study of Banking Finance, June. pp.10-12.

10,000 institutions was conducted by National Institute of Bank Management, Pune. Interviews were conducted for a financial year 1984 – 1985 and multi-stage stratified sampling was adopted for the survey which was carried out in 250 selected towns and 500 selected villages from all states and union territories of India (NIBM 1985)¹⁷. This was a comprehensive survey and brought out considerable amount of information. The evaluation of the customer service revealed that 61 percent of the customers were either non-committal or observed that collection of local cheques took more than three days and 82 percent opened collection of outstation cheques took more than seven days. Majority of the respondents point out negative attitude of bank staff towards customers. The customers were not aware of deposit related scheme except savings accounts and the usage of other scheme was also poor. Among credit related services also a good number of services were not popular owing low awareness and usage.

¹⁷ Biswa, Bhattacharyan N. (1985), Marketing approach to promoting Banking Services, Vikalpa, Vol.14. No.2. pp.38-41.

Brahmanandam et al (1990)¹⁸ tried to find out the problems of customers in transacting with bank branches and to measure the extent of customer satisfaction with the services of banks. The study revealed that the convenient location and suitable timings have played a dominant role in selecting branches. Punctuality in opening and closing the branch was observed and at times work even extended beyond normal hours to clear off waiting customers.

Withdrawal of cash was possible within ten minute. About 33 percent of the respondents faced problems in getting the passbook entries updated and illegible hand writing, abbreviation used, wrong entries were all problems faced with passbook entries 93 percent of the respondents opined that they were not given instant credit for outstation cheques below Rs.2500/- as per RBI guidelines.

Vatta (2003)¹⁹ in a study highlighted that perpetual

¹⁸ Brahmanandam G.N., Narayana M.S., (1990), "Study of Customer Service in Commercial Banks", Indian Journal of Marketing, Vol. XX No.5. pp.7-16.

¹⁹ Vatta, Kamal (2003), "Microfinance and Poverty Alleviation", Economic and Political Weekly. Vol.18, No.5. pp.432-433.

poverty and lack of adequate credit have remain the major constrains in the economic upliftment of rural households. Credit promotes capital investment and adoption of new technology, leading ultimately to better standards of life due to increase production and incomes. He pointed out that micro-credit can play an effective role in achieving the long objectives of poverty alleviation and rural development by credit-deepening in rural India. Microfinance can thus play and effective role in extending the reach of credit in rural India.

Basu and Srivastava (2005)²⁰ in a study commented that government need to create and environment that would make it possible and profitable for interested private banks to enter the rural finance market. This would require liberalizing interest rates so that lending to small, rural clients could become a more profitable business for banks.

²⁰ Basu, Priya and Srivastava, Pradeep (2005), "Exploring Possibilities: Microfinance and Rural Credit Acces for The Poor in India", Economic and Political Weekly, 40, No.17. pp.1747+1749-1756.

The entry of private banks could have a good demonstrations effect for the public sector banks on how to reduces transaction costs in rural banking and how to make rural banking profitable. They have suggested a comprehensive set of initiative such as changes in the existing role of government policy, attention to quality and importance of financial sustainability, restructuring of Regional Rural Banks (RRBs) and Credit Co-operative Banks, which could help transform microfinance in India from a ‘movement’ into a sustainable industry catering to the financial needs of the poor.

CHAPTER – 3

MAJOR FINDINGS, SUGGESTIONS AND CONCLUSIONS:

PERFORMANCE OF MRB IN AIZAWL DISTRICT, FINDINGS OF THE STUDY.

For the present investigation, the investigation cover Mizoram Rural Bank operating in Aizawl district, that is 10 (ten) selected branches. The latest records shows that there are 24 branches, 13 in urban areas and 11 in rural areas, in Aizawl district. Out of these 24 branches, 10 (ten) branches are selected for the present study which have at least 4 (four) years of operation.

The required information is collected from these related branches. The data related to loans and advances, deposit, rate of interest, etc. collected from these branches are analyses by using simple statistical tools like percentage and correlation.

Regional Rural Banks are set up mainly with a view to develop rural economy by providing for the purpose of development of agriculture, trade, commerce, industry and other productive activities. The Bank can carry on banking business and the area is generally confined to one to five districts in agro-climatic conditions. The Bank has the status of scheduled commercial bank.

The present study gave emphasis on the role of MRBs in giving credit facilities side by side with the behavior of CDR and the relationship between the volume of credit and rate of interest among 10 (ten) selected branches in Aizawl district.

In this context, the present study will be considered relevant because it would evaluate the importance of CDR among MRB, deposit and loan and its impact on various sectors of the economy. The present study focuses simultaneously on institutional performances as well as borrower level analysis. The research studies of this nature will constitute the basis for the formulation of policies of rural development. This study will further assumed paramount important in the formulation and execution of rural development policies and plans.

The position of deposit, advances and Credit Deposit Ratio during the last 4 (four) years have been placed under the table -7. The scholar has obtained data relating to these branches which has been included Khatla branch, Zemabawk branch, Ramhlun branch, Chanmari branch, Durtlang branch, Dinthar branch, Vaivakawn branch, New Market branch, Chaltlang branch, Aizawl branch.

Table-7: The position of deposit, advances and Credit Deposit Ratio during the last four (4) years.

Branch	Deposit & Advances (in '000 Rupees)								Credit Deposit Ratio (%)				
	2008		2009		2010		2011		2008	2009	2010	2011	Rate of change (%)
	A	D	A	D	A	D	A	D					
Khatla Branch	23554	12925	23522	13018	171956	298095	158247	928854	182.24	180.69	57.68	17.04	-44.70
Zemabawk Branch	43677	69563	48984	81253	76367	120086	81718	155426	62.79	60.29	63.59	52.58	-4.34
Ramhlun Branch	8290	21671	14319	43220	33535	63824	40502	88021	38.25	33.13	52.54	46.01	4.73
Chanmari Branch	-	-	166518	305712	195885	313274	189977	529523	-	54.47	62.53	35.88	-12.99
Durtlang Branch	59097	75233	56424	100792	63349	1026483	64931	136169	78.55	55.98	6.17	47.68	-11.73
Dinthar Branch	16296	64982	22096	74174	25216	172223	71764	467896	25.08	29.79	14.64	15.34	-11.57
Vaivakawn Branch	84944	124340	80931	165639	103199	214439	115929	232568	68.32	48.86	48.13	49.85	-7.58
New Market	22260	107869	27884	138850	35546	195899	30451	236680	20.64	20.08	18.15	12.87	-11.14
Chaltlang Branch	52280	95266	53062	109025	60020	129118	64916	205061	54.88	48.67	46.48	31.66	-12.85
Aizawl Branch	164826	349353	159310	344450	240833	798801	303176	987465	47.18	46.25	30.15	30.70	-10.18
Aizawl City Total	475224	921202	653050	1376133	1005906	3332242	1121611	3967663	51.59	47.46	30.19	28.27	-13.96
Mizoram Total	1610642	2831902	1771272	3262356	2345267	4767633	4028904	9537641	56.87	54.29	49.19	42.24	-7.17

Source: Data collected from each branch.

In 2008, 10 selected branches in Aizawl district total advance is Rs. 47, 52, 24,000 and total deposit is Rs. 92, 12, 02,000 and Aizawl district total CDR is 51.59%. In this year, Khatla Branch has the highest CDR 182.24% and the New Market branch has the lowest CDR i.e., 20.64%. This figure shows that there is a noticeable difference between deposit and advances among the MRBs in Aizawl district during 2008.

In 2009, total advances is Rs. 65,30,50,000 and total deposit is Rs. 1,37,61,33,000 and the CDR is 47.46%. Again Khatla Branch has the highest CDR i.e., 180.69% and New Market branch has the lowest CDR i.e., 20.08% Zemabawk is the second highest in CDR i.e. 60.29% and Aizawl branch, Chaltlang branch, Vaivakawn Branch are almost the same. If we look at the side of Credit Deposit Ratio (CDR), Credit Deposit Ratio (i.e., 51.59%) in 2008 is higher than CDR (i.e. 47.46%) in 2009. This is because; the Bank advances a large amount of money out of the deposit in 2008 than in 2009. Thus, the most important factor for the determination of Credit Deposit Ratio is loan and advance given by the Bank.

During 2010 and 2011, total advance is Rs. 1,00,59,06,000 and total deposit is Rs. 3,33,22,42,000 and CDR is 30.19% in 2010. In 2010, Zemabawk branch has the highest CDR (i.e., 63.59%) and Chanmari Branch has the second highest CDR (i.e., 62.53%). Khatla Branch, Ramhlun Branch, Chaltlang Branch, Aizawl Branch CDR are 57.68%, 52.54%, 46.48% and 30.15%. In this year, Durtlang Branch has lowest CDR (i.e., 6.17%). In 2011, total loan and advances is Rs. 1,12,16,11,000 and total deposit is Rs. 3,96,76,63,000 and the CDR is 28.27%. Zemabawk Branch has the highest CDR i.e 52.58% and Vaivakawn Branch occupies the 2nd highest position in CDR(i.e., 49.25%) during 2011. And Aizawl Branch, Ramhlun Branch, Durtlang Branch CDR are 30.70%, 46.01% and 47.68%. New Market Branch has the lowest (i.e., 12.87%) in CDR during 2011.

If we compare the various branches of Mizoram Rural Bank regarding their Credit Deposit Ratio, Zemabawk branch and Khatla Branch have highest CDR during the last 4 years (i.e., 2008, 2009, 2010, 2011) and New Market Branch has the lowest Credit Deposit Ratio during the last 4 years.

Thus, from the above mentioned and circumstances, there is a noticeable differences in loans and advances given by the branches of MRB in Aizawl district. The reason why less number of people approached the bank for loan is ignorance of the people. Besides this, weak banking habits of the people may affect CDR. In other words, current economic uncertainty and the employees of the various branches may also responsible for the variation of CDR during the last 4 years. Thus, we can know from the table that hypotheses, there is an increasing in CDR is disproved, as CDR is decreasing year by year in stead of increasing during the last four (4) years.

The position of detailed break-up of loan and advances during the last four (4) years has been placed under the table – 8. The scholar has obtained data relating to these items which have been classified into four items such as agriculture loan, personal loan, business loan and industrial loan.

Table – 8: Detailed break-up of loan and advances among 10 MRBs in 2011

Branch	Amount ('000 Rupees)					Percent				
	Agricultural Loan	Personal Loan	Business Loan	Industrial Loan	Total	Agricultural Loan	Personal Loan	Business Loan	Industrial Loan	Total
Khatla	26609	88730	29260	12398	156997	16.95	56.52	18.64	7.90	100
Zemabawk	227321	65231	5194	14246	311992	72.86	20.91	1.66	4.57	100
Ramhlun	2560	7244	940	1500	12244	20.91	59.16	7.68	12.25	100
Chanmari	17781	70362	5395	4987	98525	18.05	71.42	5.48	5.06	100
Durtlang	2029	4549	300	350	7228	28.07	62.94	4.15	4.84	100
Dinthar	2685	17510	32		20227	13.27	86.57	0.16	0.00	100
Vaivakawn	8510	13128	8469	2257	32364	26.29	40.56	26.17	6.97	100
New Market	19805	10752	900	950	32407	61.11	33.18	2.78	2.93	100
Chaltlang	525	4100	320	8565	13510	3.89	30.35	2.37	63.40	100
Aizawl	9928	20029	14277	24828	69062	14.38	29.00	20.67	35.95	100
Aizawl district Total	317753	301635	65087	70081	754556	42.11	39.98	8.63	9.29	100

Source: Data collected from each Branch

From the above table, the total agricultural loan given by 10 (ten) branches in Aizawl district is Rs. 31,77,53,000 and the percent is 42.11%. Among ten (10) selected branches, Zemabawk branch is the highest in agricultural loan i.e., 72.86% and Chaltlang branch is the lowest i.e 3.89%. Regarding the personal loan and the business loan, total loan and advances in Aizawl district is Rs. 30,16,35,000 and Rs. 6,50,87,000 and their percent is 39.98 and 8.63. Besides this,

total industrial loan in 2011 is Rs. 7,00,81,000 and it is 9.29% and the total amount of various items like agricultural loan, personal loan, business loan, and industrial loan are Rs. 75,45,56,000 in 2011.

From the analysis of the data collected from each branch in Aizawl district, agricultural loan occupies the major and most important item and the percent is 42.11. From the table we can see that the main occupations and sources of livelihood of the Aizawl people are mostly depends on agricultural activities. The personal loan consisting of housing loan, vehicle loan, educational loan (i.e., 39.98%) indicates that most of the Aizawl people approach bank for their personal matters and for buying luxurious items. Besides this, business loan and industrial loan, which occupies 8.63% and 9.29% indicates that in Aizawl district, there are no important industrial or commercial center and most activities of the people are concentrated mostly in agricultural activities. This can shows that per capita income of the people will be low, which will in turn result in low saving, low investment and low capital formation and the state or area could not go towards the growth and development path.

On the other hand, business loan and industrial loan are highest in Khatla branch, Aizawl branch, Chaltlang branch. This shows that Aizawl, Khatla and Chaltlang are the main center of business and industrial activity and we can say that they are the most important area for generation of income and employment opportunities in the Aizawl district.

From the table, we can see that Zemabawk branch surpassed other branches in agricultural loan i.e., 72.86% and it is very high in compare with other branches of Mizoram Rural Bank in Aizawl District. This mostly indicates that the people residing in Zemabawk are mostly agriculturist and their main activity is mostly confine to agricultural activities.

Table-9: Detailed Break up Loan and Advances given by MRBs in Aizawl district during 2011.

Sl. No	Items	2011
1	Agriculture Loan	42.11
2	Personal Laon	39.98
3	Business Loan	8.63
4	Industrial Loan	9.29
	Total	100

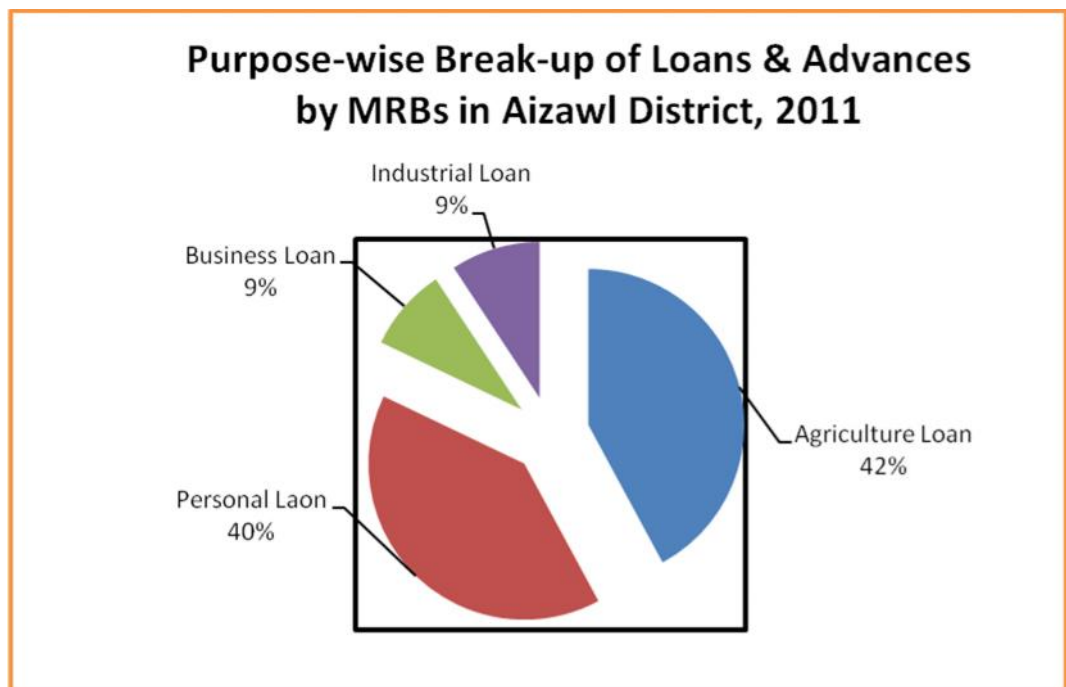


Table-9 has identified the existence of disparity among the items in Aizawl district and highlight the extent of differences in

items. It further highlights weak banking habits in Aizawl district regarding industrial and business loan.

The position of detailed break-up of loan and advances during the last four (4) years has been placed under the table – 10. The scholar has obtained data relating to these items which have been classified into four items such as agriculture loan, personal loan, business loan and industrial loan.

Table 10: Detailed break up of loans and advances in 10 selected branches in Aizawl district during the last four (4 years).

Sl. No	Items	Amount ('000 Rupees)				Percent			
		2008	2009	2010	2011	2008	2009	2010	2011
1	Agriculture Loan	53596	77819	112577	317753	23.11	20.30	15.87	42.11
2	Personal Loan	51513	68062	246096	301635	22.21	17.75	34.70	39.98
3	Business Loan	31887	169773	198365	65087	13.75	44.28	27.97	8.63
4	Industrial Loan	94913	67717	152267	70081	40.93	17.66	21.47	9.29
	Total	231909	383371	709305	754556	100	100	100	100

Source: Data collected from each branch.

In 2008, total loans and advances given by 10 branches Aizawl district is Rs. 23,19,09,000, agriculture loan is Rs. 5,35,96,000, personal loan is Rs.5,15,13,000, business loan is 31887, and

industrial loan is Rs. 9,49,13,000 and their percent is 23.11, 22.21, 13.75, and 40.93. In 2008, industrial loan i.e., Rs. 9,49,13,000 (40.93%) is the highest among other items and the lowest is in business i.e., Rs. 3,18,87,000 (13.75%).

In 2009, total loans and advances is Rs. 38,33,71,000, business loan is the highest i.e., Rs. 16,97,73,000 (44.28%), agricultural, personal and industrial loan are almost the same, i.e., 20.30%, 17.75%, 17.66%. This table and figure display that during the year of 2009, most of the activities and attention of populace of Aizawl district were mostly confined to business activity. If we compare 2008 and 2009 regarding agricultural sector, the percent is only 23.11% and 20.30%. And it is quite low compared with industrial and business activity. This may shows that agricultural activities or sector did not occupy the most important items in the activities and minds of the people and we can say that the people of Aizawl district were not self-sufficient, they may import agricultural items from other district or from other state also.

In 2010, total loans and advances is Rs. 70,93,05,000 and agricultural, personal, business, and industrial loan are Rs. 11,25,75,000 (15.87%), Rs. 24,60,96,000 (34.70%), Rs. 19,83,65,000 (27.97%) and Rs. 15,22,67,000 (21.47%). During this year, personal loan 34.70% occupies the highest among other items. This shows that the people of Aizawl district approach bank for their personal matters like, for the construction of their houses, for buying different luxurious items like Car, Television, Washing machine, etc. and for the pursuing of their educational matters. Furthermore, less number of people approach bank regarding business activities in 2010 i.e., 27.97% compare with the previous year 2009 i.e., 44.28%. We said that the people of Aizawl district wants to improve and develop themselves regarding educational matter, housing etc.

In 2011, total loans and advances is Rs. 75,45,56,000 and agriculture, personal, business and industrial loan are Rs. 31,77,53,000 (42.11%), Rs. 30,16,35,000 (39.98%), Rs. 6,50,87,000 (8.63%) and Rs. 7,00,81,000 (9.29%). In 2011, agricultural loan is the highest i.e., 42.11% compare with 2008 i.e., 23.11%, 2009 i.e., 20.30%, 2010 i.e., 15.87%. Besides this, during 2011 most of the

people approach the bank for their personal matter (39.98%) which is also high in compare with the previous year i.e., 2008 (22.21%), 2009 (17.75%) and 2010 (39.98%). Less number of people approaches the bank for business and industrial activities which is 8.63% and 9.29%. This depicted that people want self-sufficient in agriculture items and they did not want to depend on other states. In other words, we can say that the main occupations and sources of livelihood depend mostly on agricultural activities.

From the above circumstances, we can come to the conclusion that during 2008, 2009, 2010 and 2011, the attention and activities of the people are different every year. If we compare different items of different years as a whole, people know the importance of agricultural items and the importance of education for the growth and development of themselves as well as for the state as a whole.

The correlation table for deposit and credit trends have been placed next table – 11.

Table-11: Correlation Table for Deposit and Credit Trends

	Deposit	Credit	CD Ratio	Rate of Interest on Deposit	Rate of Interest on Advances
Deposit	1	0.93**	0.36	0.43	0.06
Credit		1	0.67**	0.38	0.28
CD Ratio			1	0.07	0.50
Rate of Interest on Deposit				1	0.25
Rate of Interest on Advances					1

**significant

Table -11 presents the correlation between deposit, credit, CD ratio, rate of interest on deposit and rate of interest on advances. Interestingly, all the correlation coefficients are positive and the correlation is found to be significant only between deposit & credit and credit & CD ratio. This has disproved the hypothesis of negative relationship between interest and credit. One reasonable assumption that can be made out of their picture is that credit demand is independent of rate of interest and vice versa. It may be concluded that market is found to have played limited role in the working of MRBs in Mizoram. This is true due to the fact that Mizoram Rural Bank is the state sponsored bank and its main purpose is upliftment

of the rural poor, inculcating banking habits among the rural poor etc. and hence the role of market is completely ruled out.

Since detailed data could not be obtained from the sample branch in Aizawl district, the overall table for Mizoram for the same information has been adopted.

Trends in Credit Deposit Ratio and rate of interest among MRB in Mizoram have been placed under the table – 12.

Table- 12: Trends in Credit Deposit Ratio & Rate of Interest amongst MRBs in Mizoram

Year	Rs. In Crore		C.D. Ratio (%)	Rate of Interest (%)	
	Deposits	Credits		On Deposit	On Advances
2002 – 2003	86.08	28.20	32.76	6.29	12.34
2004 – 2005	124.55	50.26	40.36	5.58	11.17
2005 – 2006	147.10	80.21	54.52	5.55	11.14
2006 – 2007	166.02	18.44	11.11	6.77	11.13
2007 – 2008	198.85	128.33	64.54	6.95	12.71
2008 – 2009	283.19	161.06	56.87	7.85	12.6
2009 – 2010	326.24	177.13	54.29	5.5	12.58
2010 – 2011	476.76	234.53	49.19	7.3	11.24

Source: Annual Report of MRB during 2002 - 2011

Table -12 presents the trends being observed in case of deposit, credit, CD ratio and rate of interest. A remarkable increase in deposit as well as credit (or advances) has been observed during the period between 2002-2003 and 2010-2011. At the same time the Credit Deposit Ratio (CDR) is found to have increased from 32.76% in 2002-2003 to 49.19% in 2010-2011 with ups and downs trends in between. The CDR moved to a high of 54.52% in 2005-2006, but suddenly fall to 11.11% in 2006-2007. Again, it moved up to 62.54% in 2007-2008, but declining consistently afterwards. Meanwhile, interest rates are found to be moderately fluctuating within 2 percentage points on deposit and less than 2 percentage points on advances during the time period. An all time high, 5.58% average, on rate of interest on advance above on deposit due observed. This may be taken as profit margin which would increase up to 7.08% in 2009-2010, but decrease to a low 3.94% in 2010-2011.

SUGGESTIONS

(a) Creat Awareness and Financial Literacy:

- (i) Government should promote introduction of basic banking – relevance, services, merits as a topic in the secondary and higher secondary classes in all educational institution.
- (ii) Government sponsored publicity campaign through all Media – radio, television, newspaper etc.
- (iii) Bank should design and organize aggressive education cum promotion campaigns in different part of Aizawl district enhance financial literacy and awareness, as well as to remove the doubts and apprehensions that the masses have towards the banking sector.

- (iv) Banks should involve the knowledgeable and well-informed local inhabitants in such activities. This will help the banks to consolidate and ensure, prompt and extensive response from populace.
- (v) Banks should gather support from the NGOs, retired bank personals and academic institutions to reach a large number of people in Aizawl district within a limited span of time. Once, the fallacy is removed from the minds of the people, they automatically will join the mainstream. The all-round awareness and education simulation will drive them to open savings and current accounts. This will mark the beginning of basic banking in true sense.

(b) Basic banking:

- (i) All banks should follow no frills accounts i.e., savings accounts which can be opened with a nominal amount of Rs 5/- or even with zero balance. They should not restrict the number of deposits and allow 6 – 7 withdrawals in the accounting period, this will in turn remove doubts and disbeliefs of the people and will attract a large amount of depositors and borrowers than before in the Aizawl district.
- (ii) The Banks should try to reduce the amount of paper work in relation to the opening of an account as well as in getting small credit. This will reduce the complexity and speed up the processing at banks.
- (iii) Banks should make sure that local people are positioned in the front office, so that the general

public does not have to endure with language problem.

- (iv) Bank should give free financial counsel to low-income groups and households and small entrepreneurs.

(C) Innovative Strategies

- (i) Credit camps / loan 'melas' should be organized on weekly or monthly basis to disburse small loans and easy terms.
- (ii) Modern technology should be used by the banks to improve their reach, speed of processing as well as to cut down the operating cost. Last but not the least, the Government of India should initiate 'Civil Rights Law' prohibiting discrimination by banks against low and moderate income groups. This model will result in improved financial literacy, make banking

approach into the daily routine of the masses, and broaden the deposit base, wider disbursement of credit, large number of transactions. Jointly it will lead to formalized and systematic banking, faster economic development and growth, new employment opportunities in the society.

(iii) Technology is the driving force of economic development. Any initiative in banking service has to be technologically driven. In Mizoram, the commercial banks have done well in terms as number of accounts, number of SHG links and the number of ‘No Frills Account’, but it is evident that they have not catch up with the fast growing technology in the banking sector. MRB have not introduced Business Correspondence (BC) Model and they have limited ATM facilities. In order to attract a large number of

customers and depositors, MRB needs to be well-equipped with new and modern methods of technology.

Conclusions:

A well developed inclusive financial sector brings the poor people into the mainstream of the economy and allows them to contribute more actively to their personal economic development and also protect themselves from economic shocks (United Nations 2006). On the other hand, prolonged and persistent deprivation of banking services to a large segment of population leads to a decline in investment and has the potential to fuel social tensions causing social exclusion. Hence, financial sectors have been a policy priority for the RBI over the last few years became necessary for ensuring sustainable and inclusive economic growth.

Annual report of RBI 2011 noted that merely holding a bank account itself confers a sense of identity, status and empowerment and provides access to the national payment system. Therefore, making provisions for opening hassle-free bank account becomes very important aspect for the banking sectors.

Banking sector play a major role to alleviate poverty in the country or state. But to achieve this, the Government should provide a less perspective environment in which banks are free to pursue the innovations necessary to low income consumers and still make a profit. Financial service providers should learn more about the consumer and new business model to reach them. The banks would have to evolve specific strategies to expand the outreach of their services in order to promote financial inclusion. One of the way in which this can be achieved in a cost-effective

manner is through forging linkages with micro finance institutions and communities. Banks should give wide publicity to the facility of No Frills Account. Technology can be a variable tool in providing access to banking. ATMs cash dispensing machines center modified suitably to make them user friendly for people who are illiterate, less educated and do not know English.

To sum up, Banks need to re-design their business strategies. They have to make use of all available resources including technology and expertise available with them as well as NGOs. It may appear in the first instance taking banking sectors constituting 'bottom of pyramid' may not be profitable but it should always remembered that even the relatively low margins on high volume can be a profitable proposition. MRB can emerged as commercial profitable business in Mizoram, the best

instruments for removal and reducing of poverty, when the banks are prepared to think outside the box.

BIBLIOGRAPHY

1. Agarwal, A.K. & B. Singh : “A case study of Banking Services in India”, DVS Publisher, Guwahati, pp 128 – 143.
(1992)
2. Avadhani, V.H., Motwami & : “Mobilization of Rural Saving- Banking
Argadi V.B. (1987) Experiences, RBI occasional papers,
vol.8 pp. 101 – 107.
3. Bowers, M.R. and Everett : “New Directions on Product
Wallace, S. (1986) Development”, Bank Marketing, vol.17,
April pp 22 – 24.
4. Bhagaban, paddy (2007) : “Globalization, Regional Rural Bank
and Agriculture”, Sonali Publications,
New Delhi, pp 51.
5. Basu, Priya & Srivastara, : “Exploring possibilities, Microfinance
Pradeep (2005) and Rural Credit Access for the poor in
India”, Economic and political weekly,
40 No. 17, pp 47 – 49.
6. Biswa, Bhattacharya N, : “Marketing approach to promoting
(1989) Banking Services”, article presented,
vol. 14, No. 2, pp 38 – 41.

7. Brahmanandum, G.N., Narayana, M.S. (1990) : “Study of Customer Service in Commercial Banks”, Indian Journal of Marketing, vol.XX, No.5 pp 7 – 16.
8. Mizoram Rural Bank : 29th Annual Report, 2011 – 2012, pp 3 – 12.
9. Mizoram Rural Bank : 29th Annual Report, 2011 – 2012, pp 10 – 12.
10. Malayadri, P. (1988) : “Commercial Bank in the customer Services”, a study of Banking Finance, pp 10 – 12.
11. Rangarajan, C., (1989) : “Report of the Committee on Computerization in Banks”, Reserve Bank of India, Bombay. Pp 28 – 30.
12. Sharma, H.L. (1993) : “Need to Boost Banking in Himachal Pradesh”, Yojana, Vol. 37, No.17, pp 25 – 26.
13. Sree Ram Murthy, Y. and G. Haresh (1991) : “Regional variations in Banking Business”, A study based on ANOVA Techniques, Prasnan, vol. XX No. 1, pp 31 – 43.

14. Srivastara, R.N. (1981) : “Impact of Chanparan Kshtriya Grameena Bank on Rural Economy”, Economic Affairs, vol. 26(4), pp 266 – 272.
15. State Level Bankers Committee for Mizoram (2011) : “Agenda Notes for Quarterly ended”, State Bank of India, Lead Bank Office, Aizawl.
16. Sundaram, Satya (1982) : “Problems facing by Regional Rural Bank”, Paper presented at the seminar on ‘Changing Trends in Development Banking’, conducted by Department of Commerce, Andhra University, Waltair.
17. Vatta, Kamal (2003) : “Microfinance and Poverty Alleviation”, Economic and Political Weekly, vol. 18, No.5, pp 432 – 433.
18. www.mizoramruralbank.com
19. www.rbidocs.org.in
20. www.indiankanoon.org.in