



GROWTH AND PERFORMANCE OF DEPOSIT MOBILISATION OF MIZORAM RURAL BANK

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Abstract

This study analyses the trends in deposit mobilization of Mizoram Rural Bank (MRB) in the state of Mizoram during the post period of 2001-02 to 2013-14 whereas the same analysis was worked out at the district level for the period 2006-07 to 2013-14. The study is based on secondary data collected from annual reports of MRB. The study concludes that MRB should provide good rate of return on their deposits for better performance. To attract more depositors in other districts, mobile branches should be made for smaller villages.

Keywords: *Mizoram Rural Bank, Analysis of the performance of deposit mobilisation, District-wise deposit performance.*

Introduction

The Banking Regulation Act, 1949 defines a bank as an institution, 'accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdraw able by cheque or draft, order or otherwise'. Thus, deposit mobilisation for the purpose of lending is the main function of a bank. Banks usually collect deposits from the customers in different ways and advances to the customers as to meet their different requirements. In this way banks channelise savings towards productive activities and utilise idle fund for overall development of the nation. The RRBs have been established on September 26, 1975, to improve banking habits among rural masses through mobilising deposits and making advances to rural masses (Report of Narasimham Committee, 1975).

Deposit is an important indicator to determine the growth of business in banking organizations. The rate of interest, saving capacity, business policy of the RBI, the potential and saving habit of the people of the area concerned are the important factors which can impact the level of deposit. However, RRBs are facing competition with post offices, co-operatives and commercial banks and non-banking financial companies due to bad rate of return. In this regard, RRBs should also provide good rate of return on their deposits. To avoid competition with such banks in regard to deposits' mobilization, the RRBs should convince the rural masses and show their superiority over these banks (Agrawal and Kumar, 2009). The rural people may like to deposit more if the rate of interest is high. It is through deposit mobilisation that banks enlarge their resources. Thus, deposit mobilization is an important banking variable determining the path of growth of a financial institution. Deposits mobilized by the RRBs play a key role not only as an important source of funds but also as an instrument for promoting savings and banking habits among the rural people (SPAN, 2015).

Mizoram lies in the North Eastern part of India with Aizawl as its capital. The population of the State as per 2011 census is 10,97,206 in an area of 21,081 sq.km with 8 districts and 26 Rural Development (RD) blocks, 23 towns and 830 villages (Statistical Handbook, Mizoram 2014). Agriculture is the main stay of occupation and nearly 80% of total population is engaged in the activity. The Mizoram Rural Bank was established on 27th September, 1983 under the Regional Rural Bank Act, 1976 to become the fourth RRB in the North Eastern Region. Presently, the Bank covers the entire State of Mizoram having eight districts and 26 R.D Blocks with a network of 75 branches comprising of 16 in urban, 13 in semi-urban and 46 in rural areas (as on March 31, 2014) respectively, perhaps this may be the only RRB in the country having a spread in all districts and blocks of the state (Annual Report, 2014).

Objective of the Study: The main objective of the study is to critically analyse the growth and performance of MRB on the basis of deposit mobilization as a whole and the district wise.

Research Methodology: For collecting information, Secondary data was used. These are collected from different published and unpublished sources like various annual reports and other publications of MRB (2001 to 2014), hard copy and website publications of RBI and various publications of NABARD, Government of Mizoram, Department of Economics and Statistics Govt. of Mizoram, committee reports on banking; books, journals, web sites etc. for collection of published sources of secondary data. The study of the performance of MRB as a whole was analyzed for the period 2001-02 to 2013-14 whereas the same analysis was worked out at the district level for the period 2006-07 to 2013-14.

Analysis of the performance of Deposit Mobilisation

The Table 1 exhibits the performance of deposits mobilised by MRB in terms of the number of accounts, deposits mobilised, and absolute growth, average deposit per branch and per employee and average cost of deposits for the period 2000-01 to 2013-14.



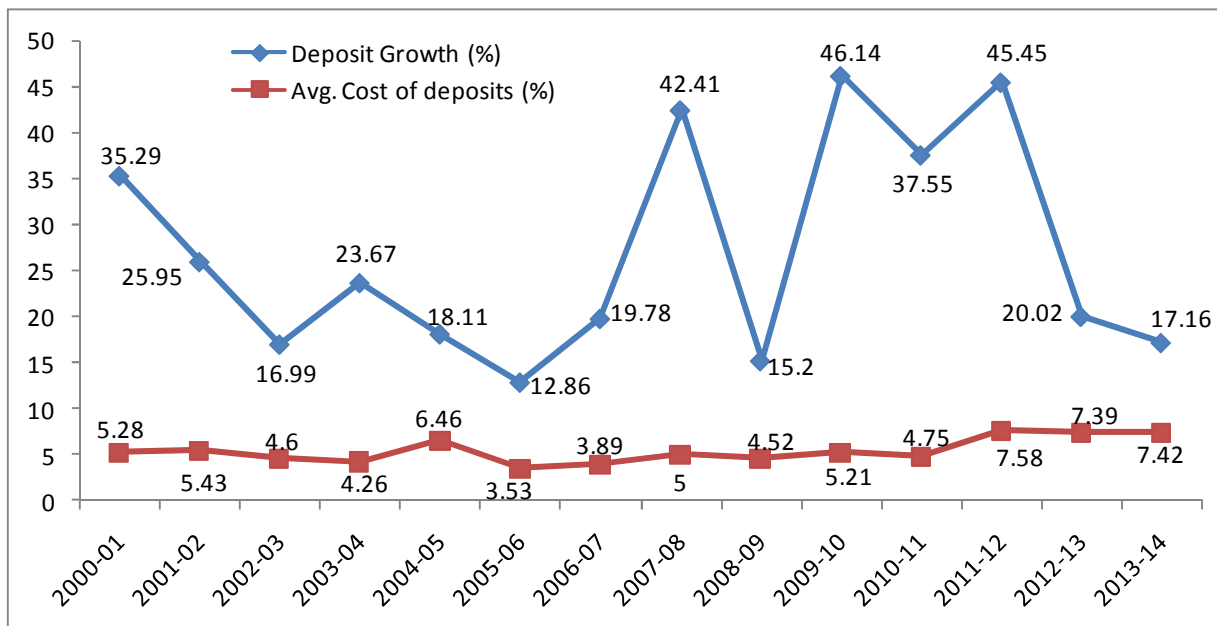
Table 1 shows that the number of accounts of the Mizoram Rural Bank increased from 51,047 in 2000-01 to 4,04,400 in 2013-14 and registered a growth of over 7 times during the period. As a result, the average account per employee has increased from 412 to 1,256 during the same period. The amount of deposits mobilized increased upto ` 13,411,880 lakh in 2013-14 from ` 6,83,434 lakh in 2000-01, registering a growth of over 19 times, the percentage of deposit growth in every financial year kept fluctuating. Moreover, the average deposit per branch also grew from ` 12,656 lakh in 2000-01 to ` 1,78,825 lakh in 2013-14 which is over 14 times more during the period and average deposit per employee also recorded growth of ` 41,652 lakh in the year 2014 from ` 5,110 lakh in the year 2001, i.e., more than 8 times increase during the period. The average cost of deposit has also increased from 5.28% in 2000-01 to 7.42% in 2013-14 (See Exhibit.1). The deposit of MRB has improved year after year.

Table: 1,Performance of MRB in terms of deposits during 2000-01 to 2013-14

At the End of the Year	No. of A/C	Deposits			Average Deposits		Account per employee	Avg. Cost of deposits (%)
		Total Deposits (lakh)	Absolute Growth (lakh)	Growth (%)	Per Branch (lakh)	Per Employee (lakh)		
2000-01	51,047	683434	178257	35.29	12656	5110	412	5.28
2001-02	89,900	860809	177375	25.95	14083	6886	505	5.43
2002-03	61,030	1007068	146259	16.99	16943	7148	484	4.60
2003-04	66,288	1245462	238394	23.67	23064	9807	522	4.26
2004-05	72,622	1471026	225564	18.11	27241	11863	586	6.46
2005-06	74,113	1660182	189156	12.86	28807	12346	588	3.53
2006-07	1,00,411	1988504	328322	19.78	36824	16434	830	3.89
2007-08	1,14,743	2831902	843398	42.41	36918	9507	492	5
2008-09	1,44,517	3262356	430454	15.20	46739	18450	666	4.52
2009-10	1,76,928	4767633	1505277	46.14	788158	22383	831	5.21
2010-11	2,47,851	6557504	1790138	37.55	92810	30771	1325	4.75
2011-12	2,76,744	9537641	2980137	45.45	146733	36403	1056	7.58
2012-13	3,34,197	11447504	1909863	20.02	161233	39339	1144	7.39
2013-14	4,04,400	13411880	1964356	17.16	178825	41652	1256	7.42

Source: Compiled from various Annual Reports of MRB.

Exhibit: 1,Trends in Deposits and Average Cost of Deposits of MRB



Source: Compiled from various issues of Annual Reports of MRB



The Mizoram Rural Bank accepts deposits in three types of accounts, viz. current account, saving bank deposit account and fixed or term deposit account which are as under:

- (i) Current Deposits: It provides the privilege of depositing money in the account without any restriction as regards the amount or frequency of withdrawals. No interest is paid on such accounts, rather bank realize incidental charges for servicing such accounts.
- (ii) Savings Accounts: This account is meant to promote thrift by providing facilities for saving and liberal withdrawal facilities.
- (iii) Term Deposits: It is the deposit which is not payable on demand but at a fixed date or after a period of notice. A comparative higher rate of interest is paid on fixed deposits (Kaye, 2006).

Though current accounts require a high amount of liquidity, they are the cheapest source of fund to the banks. Current deposits are generally adopted by the business class customers. A nominal interest (at present 4% p.a) is paid on the saving bank deposits, so it encourages the saving habit among the people by opening branch where the formal banking facilities are not available. Fixed deposits are more costly for banks because of the higher interest paid on them. These deposits are generally influenced by the rate of interest. The only advantage to the bank for such deposits is that they can lend such funds for a long term.

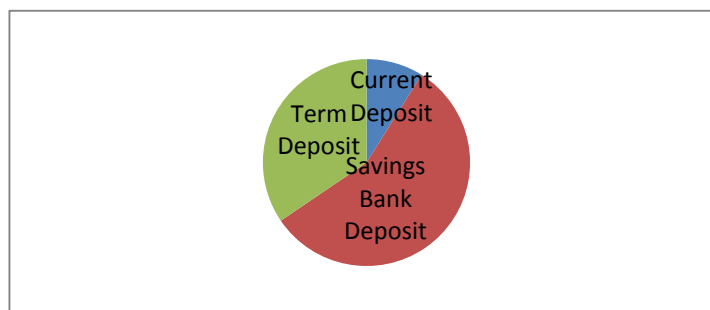
Table 2, Different Deposits mobilised by MRB (` in thousands)

Year	Current	Savings Bank Deposit	Term
2000-01	24,096	39,772	261,566
2001-02	107,790	422,634	330,385
2002-03	87,191	510,621	409,256
2003-04	46,859	702,399	496,204
2004-05	65,002	824,887	581,137
2005-06	53,554	985,998	620,630
2006-07	62,380	1,231,475	694,649
2007-08	237,930	17,069.84	886,988
2008-09	185,149	2,064,298	1,012,909
2009-10	173,430	2,683,760	1,910,443
2010-11	315,644	3,768,427	2,473,433
2011-12	303,980	6,217,041	3,016,619
2012-13	856,054	7,121,959	3,469,511
2013-14	2,721,694	6,583,885	4,106,301
Average Deposit	374,340	2,369,588	1,447,859

Source: Compiled from various issues of Annual Report from 2000-2001 to 2013-14.

The table 2 exhibits that all the three types of deposits account have made improvement as far as the amount of deposit are concerned. In current account, the total amount of deposit increased from ` 24,096 thousand in 2001 to ` 2,721,694 thousand in 2014 and from ` 39,772 thousand in 2001 to ` 6,583,885 thousand in 2014 in case of saving bank account and the term deposit has increased upto ` 41,06,301 thousand from ` 261,566 thousand during the same period. The average deposits of the bank in various accounts are ` 37,43,39.50 thousand in current accounts, ` 23,69,587.56 thousand in saving bank accounts and ` 14,47,859.357 thousand in Term deposits.

Exhibit 2 Average deposit of MRB



Source: Compiled from various Annual Reports , Share of various deposits to total deposits.



The share of various deposits to total deposit is presented in Table 3. While the shares of saving bank deposit and term deposit are 58.20% and 38.27% respectively in the year 2000-01, the share of current deposit to total deposit could only obtain 3.53% during the same year. Even in the year 2013-14, 49.09% out of the total deposits was received through saving bank deposits whereas 20.29% and 30.62% deposits could be received from the current account deposit and term deposit respectively. On an average, the saving bank deposits and term deposits got the deposit over 57 % and 35% every year respectively while the current account deposit can get share upto 6.63 % only. This reveals that there is not much progress in current and term deposits while the saving deposit has decreased only in March, 2014. It is assumed that the depositors in Mizoram Rural Bank have not utilised the current account properly. It can also be observed that the popularity of term deposit has been increasing among the customers. Fixed Deposit increased from ` 6,83,434 thousand to ` 1,34,11,880 thousand registering a growth of over 19 times during the year 2000-01 to 2013-14. But the share of Fixed Deposit has reduced from 38.27% in year 2000-01 to 30.62% in the year 2013-14.

Table 3, Share of Various Deposits to Total Deposits in MRB

At the End of the Year	Total Deposits (<i>in thousands</i>)	Share of Saving Bank Deposit (%)	Share of Current Deposit (%)	Share of Term Deposit (%)
2000-01	6,83,434	58.20	3.53	38.27
2001-02	8,60,809	49.10	12.52	38.38
2002-03	10,07,068	50.70	8.66	40.64
2003-04	12,45,462	56.40	3.76	39.84
2004-05	1471,026	56.08	4.42	39.50
2005-06	16,60,182	59.39	3.23	37.38
2006-07	19,88,504	61.93	3.14	34.93
2007-08	28,31,902	60.28	8.40	31.32
2008-09	32,62,356	63.28	5.68	31.04
2009-10	47,67,633	56.29	3.64	40.07
2010-11	65,57,504	57.47	4.81	37.72
2011-12	95,37,641	65.18	3.19	31.63
2012-13	1,14,47,504	62.21	7.48	30.31
2013-14	1,34,11,880	49.09	20.29	30.62
Average deposit		57.54	6.63	35.83

Source: Compiled from various issues of Annual Report of MRB

District-wise Deposits Performance

Aizawl district has consistently shown a good performance in the collection of deposits as compared to other districts. It is the largest districts (population-wise) in the state. As the largest number of branches (18 out of 54) were located in Aizawl district, 60.31% of the total deposits in 2005-06 comes from the district. Meanwhile 4.03% out of the total deposits comes from Lawngtlai district, which has only one branch in the year 2005-06. Saiha district has the smallest percentage, i.e. 1.03% of deposits though it has three branches.

The MRB branches in Aizawl district received the huge amount of deposits as compared to other districts. But the deposit has decreased to 45.65 % in 2006-07, 38.05 in 2007-08 from 60.31 % in 2005-06. In contrast to this, the deposit increased to 57.86 % in 2008-09 and 60.27 % in 2009-10. It reduced again in the year 2010-11 to 57.76 %. As on 31st March, 2014, the deposits received from Aizawl district stands 50.47% out of the total deposits.

Kolasib district contributed deposits between 6 to 10% during the last seven years. Excluding the years 2006-07 and 2007-08, Kolasib district received the deposit 6.35 % on average out of the total deposits. Six branches were therein the district as on 31st March, 2006 and this remains the same till date.

During the year 2005-06 to 2013-14, the number of MRB branches in Serchhip and Mamit districts were same but the deposits received from Serchhip district has been higher than Mamit district. While the average deposits received in Serchhip district was 5.88%, the average deposit received in Mamit district was around 3.10%. As one branch is added in the Serchhip district from 2010-11, the deposit has only increased to 5.73% in 2011-12 from 5.59% in 2010-11. But the deposit received from Mamit district is still below 4%. While Champhai district can only obtain around 6.38% on an average percentage of deposit per year, Lunglei district can get 14.64 % per year, though the former is having a large number of branches for four years 2006-07 and 2012-14. Throughout the period of the study, Saiha district had the least number of branches in the state; the average percentage of deposit per year was recorded only 2.93 per cent. Meanwhile, there was only one branch in Lawngtlai district still 2008-09



which increased up to 05 at the end of March, 2014 and the average deposit received per year was only 6.30 per cent (see Table 4).

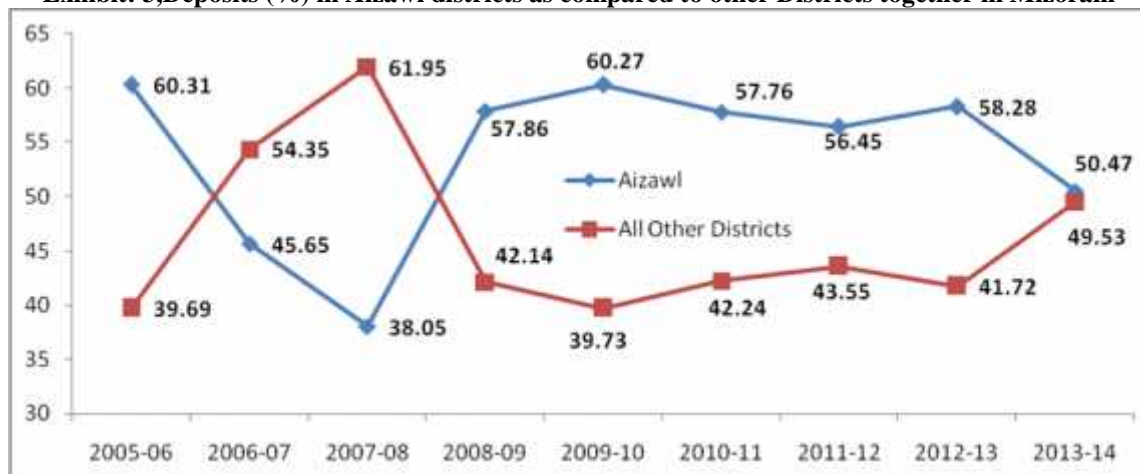
Table 4, District wise total deposits in MRB (at the end of March) (in thousands)

District/ Year	2006	2007	2008	2009	2010	2011	2012	2013	2014
Aizawl	1001306	704883	697016	1875832	2873496	3787596	5384041	6671878	6769883
%	60.31	45.65	38.05	57.86	60.27	57.76	56.45	58.28	50.47
Kolasib	103863	142008	163897	197151	302725	426002	623333	846873	869322
%	6.26	9.20	8.95	6.08	6.35	6.50	6.54	7.39	6.48
Serchhip	96220	116667	139126	181632	260896	366685	546190	535829	666291
%	5.80	7.55	7.59	5.60	5.47	5.59	5.73	4.68	4.97
Mamit	37676	47810	66729	107883	117674	183206	310667	449035	421151
%	2.27	3.10	3.64	3.33	2.47	2.79	3.26	3.92	3.14
Champhai	97417	118291	141753	187845	284577	491016	579088	673112	666231
%	5.87	7.66	7.74	5.79	5.97	7.49	6.07	5.87	4.96
Lunglei	239789	298054	401278	459719	604038	776721	1212498	1409686	1453126
%	14.44	20.85	21.9	14.18	12.67	11.84	12.71	12.31	10.83
Lawngtlai	66870	23069	185160	162664	207725	297511	560402	583186	2175831
%	4.03	1.49	10.11	5.02	4.36	4.54	5.88	5.09	16.22
Saiha	17041	93457	36943	69287	116502	228767	321422	277925	390045
%	1.03	6.05	2.02	2.14	2.44	3.49	3.37	2.42	2.91
TOTAL	1660182	1544239	1831902	3242013	4767633	6557504	9537641	11447524	13411880
%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Compiled Annual reports of MRB from 2000- 2001 to 2013-14

In comparison with deposits in other districts during the period 2005-06 to 2013-14, the deposits received in Aizawl district alone were very much higher except the year 2006-07 and 2007-08. As on 31st March 2006, the deposit received in Aizawl district could reach upto 60.31 % which fell down to only 50.47% at the end of 31st March, 2014. Whereas the deposits received in other districts could reach only 39.69 % in 2005-06 which increased very little up to 49.53% at the end of March 31, 2014. During the year 2006-07 and 2007-08, the deposits in other districts (i.e. 54.35% and 61.95%) were higher than the deposits in Aizawl district (i.e. 45.65% and 38.05%). This shows that the people living in Aizawl district utilized the MRB better in terms of deposits as compared to that of other districts (See Exhibit 4.09 and 4.10).

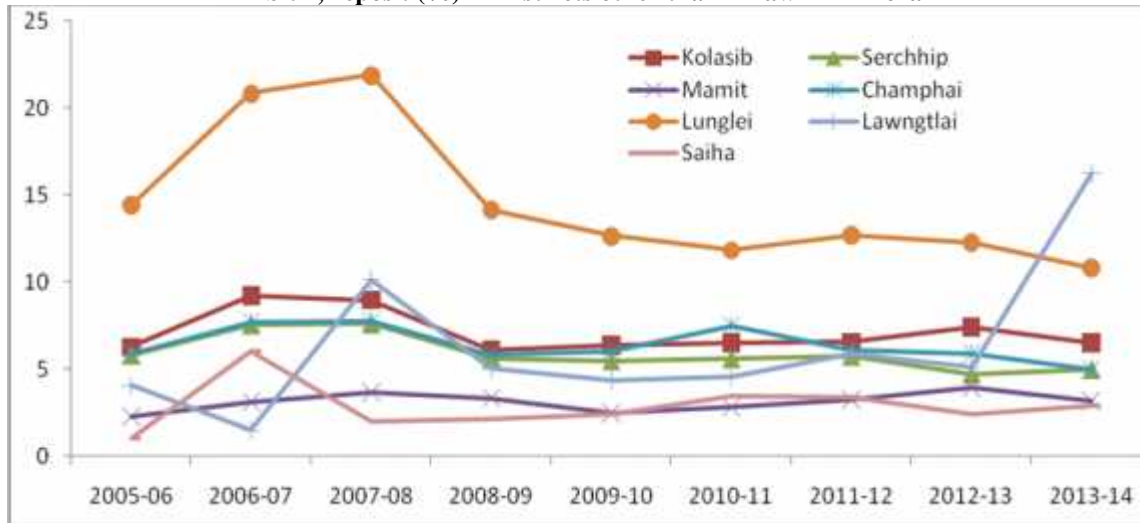
Exhibit: 3, Deposits (%) in Aizawl districts as compared to other Districts together in Mizoram



Source: Compiled from various issues of Annual Report of MRB from 2000- 2001 to 2013-14



Exhibit 4, Deposit (%) in Districts other than Aizawl in Mizoram



Source: Compiled Annual reports from 2000- 2001 to 2013-14

Findings

- Accumulating deposit is one of the crucial indicators to determine the growth of financial institutions. It is through deposit mobilization that banks enlarge their resources. During the study period i.e., 2000-01 to 2013-14, the amount of deposits mobilized increased from ` 6,83,434 lakh upto ` 1,34,11,880 lakh registering a growth of over 96 per cent, which shows that there has been a consistent improvement in number of deposit accounts, average deposit per branch and average deposit per employee. It is also found that deposits mobilised through savings bank accounts get highest number while current deposits get the lowest among the categories of deposits. It is observed that the popularity of term deposit is increasing among the customers. These results proved that MRB has achieved success in deposit mobilisation during the study period.
- It is found that Aizawl district has performed better in deposits than remaining 7 districts during the period 2005-06 to 2013-14, as Aizawl is the largest districts (population wise) in the state. This proved that the people living in Aizawl district have utilized MRB the most in term of deposit mobilisations as compared to other districts of Mizoram.

Conclusions and Suggestions

MRB achieved a commendable success in deposit mobilisation during the study period. The people living in Aizawl district has utilized MRB the most in term of deposit mobilisations as compared to other districts of Mizoram during the period 2005-06 to 2013-14, as Aizawl is the largest districts (population wise) in the state. The bank is facing competition with post offices, co-operatives and rural branches of the sponsor bank (SBI) due to their high rate of returns. Therefore, MRB should provide good rate of return on their deposits for better performance. To attract more depositors in other districts, mobile branches should be made for smaller villages. For increasing deposit mobilization, state government should also instruct all of its departments functioning in rural areas to keep their funds with the Mizoram Rural Bank. In this regard chairman of the bank should make a good relationship with concerned officers of state government.

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