

**BANKING AND AGRICULTURAL DEVELOPMENT  
ROLE OF MIZORAM RURAL BANK**

**THESIS SUBMITTED IN FULFILLMENT OF THE DEGREE OF  
DOCTOR OF PHILOSOPHY IN MANAGEMENT**

**by**

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March: 2014

**DECLARATION**

I, C.Vanlakuhpua, hereby declare that the subject matter of the thesis entitled '*Banking and Agricultural Development: Role of Mizoram Rural Bank*' is the record of the work done by me, that the contents of this thesis did not form basis for the award of any previous degree to me or, to the best of my knowledge, to anybody else, and that the thesis has not been submitted by me for any research degree in any other University/Institution.

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**CERTIFICATE**

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He has fulfilled all the required norms laid down under the Ph.D regulations of Mizoram University. The thesis is the result of his own investigation. Neither the dissertation as a whole nor any part of it was ever submitted to any other University for any research degree.

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... March, 2014*

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**ACRONYMS**

AIDIS	:	All India Debt and Investment Survey
BADP	:	Border Area Development Programme
BC	:	Business Correspondence
BG	:	Bank Guarantee
BPL	:	Below Poverty Line
BOB	:	Bank of Baroda
CBI	:	Central Bank of India
CBS	:	Core Banking Solutions/ Centralized Banking Solutions
CCEA	:	Cabinet Committee on Economic Affairs
CDR	:	Credit-Deposit Ratio
CSR	:	Corporate Social Responsibility
CRR	:	Cash Reserve Requirement
DCCB	:	District Central Cooperative Bank
DICGCI	:	Deposit Insurance and Credit Guarantee Corporation of India
DRDA	:	District Rural Development Agencies
FSS	:	Farmer Service Societies
GCC	:	General Credit Card
GDP	:	Growth Domestic Product
GGB	:	Gour Gramin Bank
GKGB	:	Gorakhpur Kshetriya Gramin Bank

GSDP	:	Gross State Domestic Product
HKGB	:	Haryana Krishi Gramin Bank
HYVP	:	High Yielding Variety Programme
IADP	:	Intensive Agricultural District Programme
IAY	:	Indian Awas Yojana
ICDS	:	Integrated Child Development Scheme
ICICI	:	Industrial Credit and Investment Corporation of India
IDBI	:	Industrial Development Bank of India
IRDP	:	Integrated Rural Development Scheme
ISOPOM	:	Integrated Scheme of Oil seeds, Pulses, Oil palm and Maize
IWDP	:	Integrated Wasteland Development Programme
JNAGB	:	Jaipur-Nagpur Anchalik Gramin Bank
KCCS	:	Kisan Credit Card Scheme
LC	:	Letter of Credit
MCAB	:	Mizoram Cooperative Apex Bank
MMA	:	Macro management of Agriculture
MRB	:	Mizoram Rural Bank
NABARD	:	National Bank for Agriculture and Rural Development
NEDFi	:	North Eastern Development Finance Corporation Ltd
NDC	:	National Development Council
NFSMR	:	National Food Security Mission- Rice

NLUP	:	New Land Use Policy
NPA	:	Non Performing Assets
NREGS	:	National Rural Employment Guarantee Scheme
NSA	:	Net Sown Area
NSSO	:	National Sample Survey Organisation
NWDPRRA	:	National watershed Development Projects for Rain fed areas
OPD	:	Oil Palm Development
OTS	:	One-Time Settlement Scheme
PAC	:	Potential Area Connectivity
PB	:	Prathama Bank
PIA	:	Project Implementation Agencies
PNB	:	Punjab National Bank
PSBs	:	Public Sector Banks
RBI	:	Reserved Bank of India
RD	:	Rural Development
RDAS	:	Reclamation and Developed of Acidic Soils
RHLS	:	Rural Housing Loan Scheme
RKVY	:	Rashtrya Krishi Vikas Yajona
ROI	:	Return on Investment
RRBs	:	Regional Rural Banks
RRBRA	:	Regional Rural Banks Recommendation Act

RVP	:	River Valley Projects
SBI	:	State Bank of India
SBLP	:	Self Help Group - Bank Linkage Program
SDP	:	State Domestic Product
SEMFEEX	:	Self Employment For Ex-Servicemen
SGRY	:	Sampoorna Grameen Rozgar Yojana
SGSY	:	Swarnjayanti Gram Swarozgar Yojana
SHG	:	Self-Help Group
SHPI	:	Self Help Promoting Institutions
SIDBI	:	Small Industrial Development Bank of India
SLR	:	Statutory Liquidity Ratio
SOF	:	Scales of Finance
SSI	:	Small Scale Industry
TPM	:	Transfer Price Mechanism
UBI	:	United Bank of India
UCO	:	United Commercial Bank
VB	:	Vijaya Bank
WDPSC	:	Watershed Development Programme in Shifting Cultivation Areas
WRC	:	Wet Rice Cultivation



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## **Chapter-1**

### **Banking and Agricultural Development: An Introduction**

#### **1.1 Introduction**

Banking is an important segment and acts as a backbone of economic development or progress. Banks render or provide very important services to the masses belonging to the various sectors of the economy like agriculture, industry whether small scale or large scale. Banking system is one of the few institutions that impress on the economy and affects its performance for better or worse. They act as development factor engaging and are the source of hope and benefit for the people. As an economic institution, banks are supposed to be more directly and positively related to the performance of the economy in the country. Banking, if equated with money lending, is perhaps as old as the ancient civilization (Singh: 1983).

The failure of the banking institutions in delivering credit to the poor, particularly the rural poor, has resulted in the emergence of a new, innovative and viable institutional structure. This structure, commonly called microfinance, seeks to reach and address all types of financial needs of the poor, who hitherto were not able to access credit from banking institutions due to non-possession of collateral and high cost of transaction. The approach of microfinance is supposed to overcome these problems while at the same time improving recovery of loans, a problem that has plagued the rural banking institutions and affected their profitability (Roy: 2007).

The Indian government policy was to encourage agriculture, small, tiny and cottage and village industries. However, banks were controlled by the coterie of industrialists and business magnates who used public funds to build up private industrial empires. As a result, small industry and business units were continuously and consistently ignored and starved of funds and agricultural credit was never seriously considered by banks (Kabra: 2008). It was for this reason that the Government of India nationalised 14 top commercial banks in July 1969 and 6 commercial banks in 1980. The nationalisation of 14 banks was a 'historic' and momentous event in the history of India. It led to the expansion of various banks branches throughout the country, not only in the state capitals but even spreading out to the rural areas (Kabra: 2008).

## **1.2 Banking scenario in Mizoram**

To restore the financial health of commercial banks and to make their functioning efficient and profitable, the government of India appointed a committee called The Committee on Finance System, under the chairmanship of Sri. M. Narasimham, ex-governor of Reserve Bank of India which made recommendations in November 1991. The committee laid down a blue print of financial sector reforms, recognised that a vibrant and competitive financial system was essential to the wide ranging structural reforms.

In order to ensure that the financial system operates on the basis of operational flexibility and functional independence, with a view to enhance efficiency, productivity and profitability, the committee recommended a series of measures aimed at changes according greater flexibility to bank operations, especially in phasing out statutory

stipulations, directed credit programmes, improving assets quality, institution of prudential norms, greater disclosures, better housekeeping in terms of accounting practices. This is also called the Narasimham Committee I.

The period 1992-97 witnessed laying of the foundations for reforms of the banking systems. It also saw the adequacy, assets classification, income recognition and provisioning, exposure norms, etc.; the difficult task of ushering in some of the structural changes accomplished during this period provided the bedrock for future reforms. In fact, India withstood the contagion of 1997 (*South-East Asia Crisis*) which indicates the stability of banking system. The report of the Narasimham Committee II in 1998 provided the road map for the second generation reforms process.

Modern banking activity was ushered in Mizoram with the establishment of the first branch of State Bank of India (SBI) at Aizawl on 29<sup>th</sup> December, 1971. Ever since, the business started growing in terms of both deposits and advances which induced branch expansion. Until the mid-1976 there were only two branches of State Bank of India in Mizoram, one at Aizawl and the other at Lunglei (Vanlalkulhpuia & Nixon: 2011).

Regarding its services to the people, Mizoram remained the most poorly served area in the whole North East region. Up to 1976, in Meghalaya and Nagaland one branch served only 36,000 people, while in Mizoram one bank branch served 1,66,000 people. Out of the total bank offices in the country as on 31<sup>st</sup> March 1976, Mizoram had only two branches. In the latter part of the same year, the SBI was able to establish its branches at Aizawl, Kolasib, Champhai and Serchhip. Also with the establishment of the United



Commercial Bank (UCO) on 16<sup>th</sup> September 1976, the Vijaya Bank (VB) on 23<sup>rd</sup> September 1978, Mizoram Cooperative Apex Bank (MCAB) on 5<sup>th</sup> December 1978 and the Mizoram Rural Bank (MRB) on 23<sup>rd</sup> September 1983, and the widening of various branch networks, not only neglected sections of people but also the primary and secondary sectors received increased financial assistance from banks.

In 1987, when Mizoram was accorded statehood, there existed 51 bank branches in the state, notably 13 of SBI, one each of UCO and Vijaya Bank, 2 of MCAB and 34 of MRB. An important aspect of the branches expansion was the spread of banking in unbanked areas, particularly in rural areas. As on 31 March 2008, there were 36 SBI branches, 61 MRB, 11 branches of MCAB, and one each for other banks. The Institutional Finance & State Lottery Department acts as a Nodal Department for the government in banking spheres in Mizoram. It deals with co-ordination between the banks and the government as well as individual government departments, banks and other banking and non-banking financial institutions belonging to the central government as well as the state government. It represents the government in various meetings held with banking authorities and other financial institutions within and outside the state. It screens the schemes formulated by the government departments and endorses the same to the banking authorities concerned for implementation after proper elaboration.

The following Table 1.1 depicts the growth and establishment of various banks and financial institutions in the state.

As can be seen, up to March 2010, there are 113 branches of various financial institutions in the state consisting of 52 commercial bank branches, 61 branches of

Mizoram Rural Bank (MRB) and 11 branches of Cooperative Bank (MCAB). The branches of commercial banks and MRB had 90 per cent of the total bank branches in the state. The cooperative credit structure in the state is 2-tier structure. In addition to the banks, developmental financial institutions like NABARD, SIDBI & NEDFi also have their presence in the state.

Up to February 2009, there are 118 branches of various financial institutions in the state consisting of 36 commercial bank branches, 61 branches of rural bank (Mizoram Rural Bank) and 11 branches of cooperative bank (MCAB).

**Table 1.1: District wise No. of Commercial Banks in Mizoram**  
*As on 31.March 2010*

<b>Banks</b>	<b>Mamit</b>	<b>Kolasib</b>	<b>Aizawl</b>	<b>Champhai</b>	<b>Lunglei</b>	<b>Serchhip</b>	<b>Lawngtlai</b>	<b>Saiha</b>	<b>Total</b>
SBI	3	3	11	1	2	6	2	1	29
UCO	0	0	1	0	0	0	0	0	1
Vijaya	0	0	1	0	0	0	0	0	1
IDBI	0	0	1	0	0	0	0	0	1
UBI	0	0	1	0	0	0	0	0	2
AXIS	0	0	1	0	0	0	0	0	1
SYN	0	0	1	0	0	0	0	0	1
CBI	0	0	1	0	0	0	0	0	1
BOB	0	0	1	0	0	0	0	0	1
PNB	0	0	1	0	0	0	0	0	1
MCAB	0	1	5	1	1	1	1	1	11
<b>MRB</b>	<b>6</b>	<b>6</b>	<b>23</b>	<b>8</b>	<b>6</b>	<b>8</b>	<b>1</b>	<b>3</b>	<b>61</b>
ICICI	0	0	1	0	0	0	0	0	1
MUCO	0	0	1	0	0	0	0	0	1
	<b>9</b>	<b>10</b>	<b>50</b>	<b>10</b>	<b>9</b>	<b>15</b>	<b>4</b>	<b>5</b>	<b>113</b>

**Source:** *Statistical Handbook, Mizoram 2010*

The branches of commercial banks and MRB had 90 per cent of the total bank branches in the State. These banks and their branches have made tremendous progress not only in the city of Aizawl but also in the rural areas of the state.

### **1.3 Rural development schemes in Mizoram**

Rural development has always been an important issue in all discussions pertaining to economic development, especially of developing countries, throughout the world. In the developing countries and some formerly communist societies, rural mass comprise a substantial majority of the population.

Dey (1905-1989), who piloted and steered the course of community development in the challenging, formative period of India's independence as Cabinet Minister of Cooperation and Panchayati Raj under the then prime minister Jawaharlal Nehru, stressed that democracy cannot be practiced by a "galaxy of government servants through long-distance control", and called for a democracy "traveling from the parliament to the panchayats." The vitality of Dey encouraged Jawaharlal Nehru to put him at the helm of Rural Development of independent India. He framed the community development programme which culminated in the birth of community development blocks in 1953 all over the country.

New perceptions of development economics have resulted in the evolution of what one might call the multi-functional concept of rural development - a concept which should form the core of any meaningful development strategy and not merely an appendage of an independently worked out strategy. Rural development in India seems to

hold the key to overall development of the economy, food security and improvement in the quality of life.

Rural development programmes of the Government of India was first launched in the year 1978 and extended throughout India by 1980. It is a self-employment program intended to raise the income-generation capacity of target groups among the rural poor. The target group consists largely of small and marginal farmers, agricultural labourers and rural artisans living below the poverty line. The aim is to raise recipients above the poverty line by providing substantial opportunities for self-employment (Singha: 2010).

During the 7th five year plan, the total expenditure under the program was Rs 33.2 million, and Rs 53.7 million of term credit was mobilised. Some 13 million new families participated, bringing total coverage under the program to more than 18 million families. These development programs have played an important role in increased agricultural production by educating farmers and providing them with financial and other inputs to increase yields.

In Mizoram all rural development schemes are implemented through the network of 26 Rural Development Blocks and District Rural Development Agencies (DRDA) in all the eight districts.

The development activities are restricted to the most essential needs of the rural people that can be implemented through public participation. In the state of Mizoram the different schemes are implemented under the rural development department such as; Indian Awas Yojana (IAY), National Rural Employment Guarantee Scheme (NREGS), Swarnjayanti Gram Swarozgar Yojana (SGSY), Sampoorna Grameen Rozgar Yojana

(SGRY), IWDP/HARIYALLI etc. These schemes play an important role in the economy of the state.

In 1972, Mizoram attained the status of Union Territory and more CD Blocks were created, thus totaling 20 (twenty) CD Blocks. This period also saw many works under Community Development Project being re-allocated amongst newly created Departments. Community Development Project, then under the administrative control of the Deputy Commissioner, was also placed under a new Directorate of Community Development. In 1983-1984, the name was changed to Rural Development Department. Presently, there are 26 (twenty six) RD Blocks in Mizoram.

Rural Development implies both economic betterment of the people and ensuring better quality of life. India lives in its villages and, therefore, the development of rural areas have been among the central concerns of development planning since its inception. As per the 2001 Census, 50.50 per cent of the population in Mizoram lives in the rural areas whose main occupation is agriculture and allied activities which are decreased to 48.49 per cent in 2011. India has a total population of 1,210.2 million and out of this, 68.84 per cent is the population of rural areas.

Agricultural sector plays a significant role in Indian economy. It directly or indirectly affects almost all the economic activities in the country. Employing maximum number of people, it is the most important source of national income in India. It also supplies food for the survival of the entire population of India and supplies materials necessary for the major industries in India. In spite of its significant role, the agricultural sector continues to be neglected; the magnitude of poverty, illiteracy and ill-health is of

higher order in the rural areas as compared to the urban areas. Therefore, they have to depend on various financial agencies to get funds for making investments. To uplift the overall growth in the rural areas, financial assistance is essential especially the institutional support for the development of agriculture in the state.

### **1.3.1 Border Area Development Programme**

The border area development Programme (BADP) is part of the comprehensive approach to the border management which focuses on socio-economic development of the border areas and to promote a sense of security amongst the people living there. The programme has been started during the 7<sup>th</sup> Five year plan with the objective of balance development of sensitive border areas in the western region through adequate provision of infrastructural facilities.

The programme was revamped during the 8<sup>th</sup> Five year plan and extended to cover eastern states. The nature of the BADP was changed from a schematic programme with emphasis on education, to state level programme with emphasis on development of border areas. During the 9<sup>th</sup> Plan the programme was further extended to states bordering Myanmar, China, Bhutan and Nepal. Thus the BADP at present covers all the seventeen states which share an international land with India's neighboring countries.

BADP is a 100 per cent centrally funded programme. The main objective of the programme is to meet the special developmental needs of the people living in remote and inaccessible areas situated near the international border. The schemes/works like construction/maintenance of roads, water supply, education, sports, filling gaps in education for physically handicapped and backward sections etc. are being undertaken

under the BADP. Preference is given to the villages/habitations which are closer to the border line.

The Government of Mizoram is implementing several central and centrally sponsored schemes including schemes of poverty alleviation, in which generation of employment for rural poor families and provision of gainful activities for uplifting the economic status of families below poverty line.

Community durable assets like roads, school buildings, medical sub centers, community halls, public toilets, retaining walls, drains, play grounds, culverts etc. are undertaken through SGSY, NREGA, IAY and ICDS and IRDP including BADP. Prior to 1972, Mizoram was one of the districts of Assam. During that period, outlays earmarked were markedly less in the composite state.

The progress of financial expenditure incurred by the state under different plans is as under:

First five year plan	Rs.	63.02 lakhs
Second five year plan	Rs.	210.83 lakhs
Third five year plan	Rs.	411.42 lakhs
Annual plans (1966-69)	Rs.	N.A
Fourth five year plan	Rs.	1412.17 lakhs
Fifth five years plan	Rs.	4659 lakhs (approved)
Annual plans (1979-1980)	Rs.	3234 lakhs
Six five year plan	Rs.	15009.00 lakhs
Seventh five year plan	Rs.	36356.00 lakhs

Annual plans (1991-93)	Rs.	277.63 lakhs
Eight five year plan	Rs.	106445.00 lakhs
Ninth five year plan	Rs.	171996.00 lakhs
Tenth five year plan	Rs.	315907.83 lakhs
Eleventh five year plan	Rs.	450000.00 lakhs
Annual plan (2007-08)	Rs.	89500.00 lakhs
Annual plan (2008-09)	Rs.	93500.00 lakhs
Annual plan (2009-10)	Rs.	125000.00 lakhs

**Source:** *Statistical Abstract of Mizoram: 2011*

Apart from the normal state plan, the state government has implemented different schemes under different special programme. These are:

- i) Hill Area Development programme
- ii) Border Area Development Programme
- iii) Backward Region Grant Fund
- iv) Grants under Provision to Article 275(1)
- v) Special Central Assistance to Tribal Plan
- vi) Others (MLA Local Area Development)

There are five (5) RD blocks located along the Indo-Bangladesh border and 11 RD blocks located along Indo-Myanmar border.

As has already been mentioned, the state of Mizoram has long boundary with countries like Myanmar and Bangladesh. The different schemes provided under BADP have also been taken up in the state like all other schemes available to specific purposes.



There are 16 blocks having international border in the state of Mizoram. These blocks have been provided with different schemes and programme under BADP depending on the needs and after careful prioritisation.

From the following Table 1.2, it can be observed that the state has international boundary with Bangladesh and Myanmar covers an area of 13119 sq kms and 16 blocks in six districts covering a population of 3.56 lakhs. It is also observed that the percentage area of BADP blocks is 62 per cent out of total area of the state. Here, it is noteworthy that Lawngtlai District has 100 per cent area with all the blocks under BADP. The Ministry of Home Affairs has identified a list of schemes permissible for development of these areas under BADP.

The BADP has made tremendous contribution for a small and poor state like Mizoram in bringing about development in infrastructure in many selected blocks, which, if left to the state alone would not have been possible to be achieved.

The total numbers of blocks covered under BADP in Mizoram is 16 blocks and the total number of works sanctioned under this scheme during 2010-11 was 433 and divided in to six sectors namely education sector, health sector, agriculture and allied sector, infrastructure sector, social sector, and security sector. The different works allocated under this scheme has been divided into 12 categories based on the kind of works. This has been done to make comprehensive analysis and interpretation of the situation.

**Table 1.2: Details of Blocks Bordering Myanmar & Bangladesh**

Sl.No	Name of Village	Name of RD Block	Area (Sq.km)	District Area (%)	Length of International border ( Km)	BADP villages	BADP Population
<b>INDO-MYANMAR</b>							
1	Ngopa	Champhai	848.72	27	45.41	10	16227
2	Champhai	Champhai	601.39	19	60.12	25	41574
3	Khawzawl	Champhai	1240.27	39	14.39	17	26126
4	Khawbung	Champhai	704.56	22	79.31	25	24266
5	E.Lungdar	Serchhip	454.2	32	14.04	10	13470
6	Saiha	Saiha	468.23	33	35.18	19	9407
7	Tuipang	Saiha	1019.24	73	122.07	40	22668
8	Sangau	Lawngtlai	480.77	19	33.91	21	18910
9	Lawngtlai	Lawngtlai	838.92	33	15.22	23	10434
10	Bungtlang S	Lawngtlai	486.21	19	32.29	27	21618
11	Hnahthial	Lunglei	938.93	21	36.69	19	25732
<b>Total</b>			<b>8081.44</b>		<b>488.63</b>	<b>236</b>	<b>230432</b>

Note: i) Part of Indo-Myanmar border at Chawngte Block is excluded  
 ii) RD – Rural Development  
 iii) BADP – Boarder Area Development Programme

<b>INDO-BANGLADES</b>							
12	Chawngte		649.8	26	138.51	84	42843
13	Lungsen	Lunglei	1108.72	24	56.43	59	40205
14	Bunghmun		1099.85	24	46.92	24	13103
15	W.Phaileng	Mamit	991.27	33	69	21	21558
16	Zawlunam	Mamit	1187.93	39	18.7	12	8808
<b>Sub-Total</b>			<b>5037.57</b>		<b>329.56</b>	<b>200</b>	<b>126517</b>
<b>Grand Total</b>			<b>13119.01</b>	<b>62</b>	<b>818.19</b>	<b>436</b>	<b>356949</b>

**Source:** A report on 3<sup>rd</sup> Party Monitoring & Evaluation of BADP under Govt. of Mizoram 2010-11

### 1.3.2 Swarnajayanthi Gram Swarozgar Yojana (SGSY)

This scheme is funded by the Centre and State in the ratio of 75:25 respectively.

The objective of SGSY is to bring poor families above the poverty line (swarozgaris) by

ensuring appreciable increase in incomes over a period of time. This objective is to be achieved by inter-alia organising the rural poor into Self Help Groups (SHGs) through a process of social mobilisation, their training and capacity building, and provision of income-generating assets through a mix of bank credit and government subsidy. Families of Below Poverty Line (BPL) in rural areas constitute the target group of the SGSY. Within the target group, special safeguards have been provided to vulnerable sections, by way of reserving 50 per cent benefits for SCs/STs, 40 per cent for women and 3 per cent for disabled persons. The main objective of Swarnajayanti Gram Swarozgar Yojana (SGSY) is to provide sustained income to the rural poor which would enable them to cross the poverty line. To achieve this objective, the scheme has its focus on community mobilisation by forming self help groups (SHG), capacity building, infrastructural facilities, and subsidised credit linkage.

**Table 1.3: Physical and Financial Achievement Under Swarnjayanti Gram Swarozgar Yojana (SGSY)**

Sl. No	District	No. of Self Help Groups		No. of Self Help Group assisted for Economic Activity		Total Expenditure (Rs. in lakhs)	
		2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
1	Mamit	4	189	16	172	38.02	38.03
2	Kolasib	4	20	4	113	26.77	32.90
3	Aizawl	42	10	490	1,650	70.7	87.35
4	Champhai	80	28	69	920	61.37	67.11
5	Serchhip	24	5	227	370	22.11	33.39
6	Lunglei	28	35	23	300	52.52	67.78
7	Lawngtlai	58	53	21	190	58.65	53.53
8	Saiha	34	16	-	704	22.15	28.91
<b>Total</b>		<b>274</b>	<b>356</b>	<b>850</b>	<b>4,419</b>	<b>352.29</b>	<b>409.00</b>

**Source:** A report on 3<sup>rd</sup> party monitoring & evaluation of BADP under Govt. of Mizoram 2010-11

An attempt has been made here to find out the physical and financial achievement under SGSY. The above Table 1.3 indicates that there are 850 Self Help Group was assisted for economic activities during the year 2008-09 which increased to 4,419 in 2009-10. The total expenditure under SGSY during 2008-09 was 352.29 lakhs which increased to 409.00 lakhs during 2009-10.

### **1.3.3 Indira Awas Yojana (IAY)**

IAY is a centrally sponsored scheme funded on cost-sharing basis between the Govt. of India and the state government in the ratio of 75:25. The ceiling on grant of assistance per unit cost under the IAY for construction of new house in Mizoram is Rs 38500.00/- and up-gradation of unserviceable household at Rs 15000.00/-.

The main objective of the Indira Awas Yojana (IAY) is primarily to help construction and up-gradation of dwelling units of members of SC/ST. The target groups for houses under the Indira Awas Yojana (IAY) are below poverty line households living in the rural areas belonging to scheduled castes/ scheduled tribes, freed bonded labourers and non-SC/ST BPL rural households, widows and next of-kin to defence personnel/paramilitary forces killed in action residing in rural areas (irrespective of their income criteria), ex-servicemen and retired member of paramilitary forces fulfilling the other conditions, by providing them a lump sum financial assistance.

From the following Table 1.4, it can be observed that with regard to the household up-gradation under the IAY scheme in Mizoram, the number of houses upgraded during 2009-10 has declined from 2008-2009. In the previous year, the total number of houses upgraded had been 2,028. There is a fall of 133 houses in the next year as the total

number of houses upgraded was only 1,895. Kolasib District had an increase of only 1 while Serchhip District remained the same in both the years. But, in comparison to the other districts, Serchhip had the lowest number of houses upgraded under IAY scheme in both the years. Moreover, the total expenditure incurred in 2009-2010 being Rs 284.25 lakhs is also lower than that of the previous year which was Rs 306.75 lakhs in the year preceding. Therefore, it can be concluded that there has not been an effective implementation of the IAY Scheme in the state.

**Table 1.4: Physical and Financial Achievement under Indira Awas Yojana (IAY) – Up-gradation**

Sl. No	District	No. of Houses upgraded		Total Expenditure (Rs in Lakh)	
		2008-09	2009-10	2008-09	2009-10
1	Mamit	255	235	38.25	35.25
2	Kolasib	132	133	19.8	19.95
3	Aizawl	193	151	28.95	22.65
4	Champhai	210	226	31.5	33.90
5	Serchhip	41	41	8.7	6.15
6	Lunglei	427	405	64.05	60.75
7	Lawngtlai	556	513	83.40	76.95
8	Saiha	214	191	32.10	28.65
<b>Total</b>		<b>2,028</b>	<b>1,895</b>	<b>306.75</b>	<b>284.25</b>

*Source: Statistical Hand book 2010*

#### **1.3.4 Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)**

Productive absorption of underemployed and surplus labour in rural areas has in fact been a major issue in the rural development. Direct supplementary wage employment to the rural poor through public works is what has been a continuous effort of the government through launching various employment providing schemes. In this light the

rural employment guarantee scheme under the National Rural employment Guarantee Act (NREGA) is certainly the largest in terms of its outlay, coverage and expected outputs.

The objective of MNREGA is to enhance livelihood security in rural areas by providing at least 100 days guarantee wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. The key to this legislation is in the word “guarantee” as it makes employment a right; something people can expect, demand and enforce. MNREGA is a landmark initiative in yet another significant way. It not only enhances the income of the poor in the short term by providing employment but by creating durable assets through the process of employment. It generates the much needed productive infrastructure for poverty alleviation on a sustainable basis. To that extent it provides a safety net to the rural poor.

MNREGS was first introduced in Mizoram in the two districts of Lawngtlai and Saiha and another two districts of Lunglei and Champhai was covered by this scheme during the year 2006-2007. The scheme is now extended to the whole eight districts of Mizoram including Aizawl the state capital, Kolasib, Mamit and Serchhip. Funds are provided by the Ministry of Rural Development for this scheme.

Table 1.5 shows the physical and financial achievement under NREGS in the state. Job cards are issued to every registered household whose adult members are willing to do unskilled manual works. MNREGS is an expansive and profitable scheme devised by the central government for the upliftment and elevation of the rural areas. It is noteworthy to mention that even though the number of job cards issued was increased in

Lunglei and Saiha in 2009-10 as compared with other districts in the state, total expenditure under the scheme was decreased in the same year.

**Table 1.5: Physical and Financial Achievement under Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)**

Sl. No	Districts	No. of Job Card Issued		No. of Household provided wage employment		Total Expenditure (Rs. in lakh)	
		2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
1	Mamit	15,763	17,006	15,763	17,006	572.298	2,416.56
2	Kolasib	16,802	18,704	16,802	18,041	573.402	2,449.81
3	Aizawl	34,222	36,993	34,222	36,993	1710.45	4,974.74
4	Champhai	24,635	24,928	24,635	24,928	3120.27	3,356.85
5	Serchhip	12,526	12,934	12,526	12,934	970.95	1,757.84
6	Lunglei	33,569	33,910	33,569	33,910	4,686.82	3,918.21
7	Lawngtlai	23,463	24,090	23,463	24,090	2,762.78	3,663.55
8	Saiha	11,795	12,238	11,795	12,238	2,058.73	1,686.43
<b>Total</b>		<b>172,775</b>	<b>180,803</b>	<b>172,775</b>	<b>180,140</b>	<b>16455.7</b>	<b>24,223.99</b>

**Source:** *Statistical Hand Book 2010*

### 1.3.5 Integrated Wasteland Development Programme (IWDP)

Integrated Wasteland Development Programme (IWDP) is carried out on watershed approach with a theme of land and water resource management for sustainable development of natural resources, environment protection, and improvement of the socio-economic conditions of the resource poor sections on participatory approach. Watershed (the area of operation) may be treated as a geo-hydrological unit (of land) which drains into a common point, which is a river or rivulet in the valley where the run-off water from the ridges drain into. Next, the state has wastelands which are degraded forest and non-forest lands. In Mizoram, it mainly has non-forest wasteland which may be classified as abandoned jhum land/current jhum land.

The National Remote Sensing Agency in its publication 'Wastelands Atlas of India' 2011, has indicated that 28.56 per cent of the total geographical area of 21,081 Sq.Kms, in Mizoram as wasteland of different categories. This translates into 4469.88 Sq.Kms as total wasteland in Mizoram. Shifting cultivation (current) forms the main chunk of such wasteland and next comes the abandoned jhum land. The department of land resources, Government of India has sanctioned 17 (seventeen) Projects under 'Revised Guidelines, 2001' and 35 (thirty five) Projects under 'Hariyali Guidelines, 2003' for Mizoram. The total projected area to be covered is 4, 33,803 hectares and the approved financial involvement is Rs. 26,028.88 lakhs. The funding pattern between the central and state governments is on 90:10 respectively. The targeted period for completion of such projects is 5 (five) years. The fund to be released by Government of India is in 7 (seven) installments in case of IWDP and 5 (five) installments in Hariyali.

Associations/Watershed Committees and Gram Panchayats/Village Councils (under Hariyali Guidelines) with technical guidance from the Watershed Development Teams of the Project Implementation Agencies (PIA's) after taking into consideration the land capability, site condition, and local needs of the people. . At present there are 52 projects under IWDP being implemented throughout Mizoram. During 2007-08, a total of 71265.11 hectares of land was covered under the scheme with an expenditure of Rs. 1241.97 lakhs (Economic Survey Mizoram: 2008-2009).

#### **1.4 Agricultural development in Mizoram**

Agriculture sector, world over has experienced a phenomenal growth since the mid twentieth century. Since the mid 1960s the traditional agricultural practices are



gradually being replaced by modern technology and farm practices in India along with a veritable revolution which took place in the country. The new technology was tried in 1960-61 as pilot project in seven districts and was called Intensive Agricultural District Programme (IADP). The seven districts were: (a) Thanjavur (Tamil Nadu), (b) West Godavari (Andhra Pradesh), (c) Shahabad (Bihar), (d) Raipur (Madhya Pradesh), (e) Aligarh (Uttar Pradesh), (f) Ludhiana (Punjab) and (g) Pali (Rajasthan). Later High Yielding Variety Programme (HYVP) was added and was extended to cover the entire country. This strategy was popularly known as 'Green Revolution' (Mohanty: 2010).

The Growth, driven by green revolution technology, has made a significant dent on aggregate supply of food grain, ensuring food security to the growing population. The next stage of agricultural growth however, faces serious challenges in terms of sustainability. Whereas the main problem faced by the developing countries in the south pertaining to sustainability of resource use, the main challenge faced by the developed countries/economies in the overuse of chemical input intensive agriculture per used during the green revolution phase, to sustainable farming in different parts of the world (Jeyakumar: 2011). During the post-green revolution period, agricultural production has increased four times, from 51million tones in 1950-51 to 211 million tones in 2001-02 whereas, the fertilizer consumption has increased 250 times from 69,000 tonnes during 1950-51 to 17.4 million tones (Singh, Sukhjinder: 2009).

In Indian economy rural sector plays a very important role and also affects directly or indirectly almost all the economic activities through their agricultural outputs. The availability of credit is a basic input for any development programme especially to agricultural sector. This is particularly true for agricultural development, which has its

goal to improve the standards of living realities as well as to increase agricultural productivity. Finance is an essential requirement for almost every activity. If required finance is not available out of one's own income then one needs credit (Sivachithappa & Thammaiyya: 2010).

During 1947 at the time of independence the agricultural system of India was traditional and stagnant in different respects. It was characterised by feudal land relations, primitive technology and the resultant low productivity per hectare.

During the pre-independent period a large proportion of population about three-fourth depended on agriculture which was a subsistence occupation. Agriculture activities were mainly devoted to food crops like paddy, wheat and millets. Most of the food produced in the village was consumed by the village population itself. The raw materials produced fed the handicraft. Although Indian agriculture is way back compared to the levels in developed countries, some notable developments have occurred over the years since independence in 1947 (Prasad: 2009).

Agriculture is the backbone and also plays an important role of the economic development even in the North Eastern Region of the States comprising seven sisters, viz. Assam, Meghalaya, Manipur, Nagaland, Mizoram and Arunachal Pradesh. The dependence on agriculture of the majority population in North East India is much higher than other states because of hilly terrain (Shukla & Agarwal: 1986).

Mizoram is an agricultural state, as is the case with the rest of the country. Agricultural Department was set up in the year 1908-1909 by Major H.W.C Cole (IAC) (well known among Mizo people called *Kawl Sap*). However, the primitive method of

shifting cultivation known as 'jhuming' is still practiced in the state. In the past, land was owned and controlled by the village chiefs who allotted land among the members of his village for their cultivation. The village chief system was abolished and replaced by the Village Councils (VCs) system adopted in 1954, which made the allotment of land to village members for cultivation within the jurisdiction of the villages. The Mizo were self-sufficient in jhum rice till the breakup of famine called 'Mautam'<sup>1</sup>.

Indian agriculture, in spite of its declining share in the total GDP has remained the backbone of the country's economy. The contour of Indian Agriculture started in the mid 1960s with the introduction of high yielding varieties and the growing emphasis on the development of agro-infrastructure like irrigation, input supply storage marketing and distribution of food grains. The revolution however was biased toward irrigated regions and benefits from this were not shared equally amongst all the stake holders across the country. Notwithstanding India's journey of economic reforms since 1991 lack of availability of quality inputs coupled with less vibrant and deficient institutional reforms have continued to plague the Indian Agriculture (Tripathy: 2011).

Agriculture in India has a significant history. Today, India ranks second worldwide in farm output. Agriculture and allied sectors like forestry and fisheries accounted for 16.6 per cent of the GDP in 2009 and about 50 per cent of the total workforce. The economic contribution of agriculture to India's GDP is steadily declining with the country's broad-based economic growth. Still, agriculture is demographically the broadest economic sector and plays a significant role in the overall socio-economic fabric

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<sup>1</sup> The famine caused by the upsurge of rodents due to bamboo flowering left people with no food grains. This peculiar phenomenon of 'Mautam' in Mizoram comes at a cycle of 50 years.

of India. Another factor in the state which hampered agriculture development was the insurgency which broke out in 1966 in the state. Due to the insurgency the civil administration was given prior importance over any subject and this had adverse effect on the development of agriculture.

Mizoram lags behind economically within India with little development due to the geographical lack of markets and raw materials. Cottage industry and other small-scale industries play an important role in the economy. Forest products are being encouraged and the 9<sup>th</sup> Five Year Plan (1997–2002) gives priority to "agro-based industries." Around 60 per cent of the population is engaged in agriculture. The small and marginal farmer in Mizoram find it difficult to make investment on modern inputs like high yielding varieties of seeds, chemical fertilizers, purchase of raw materials etc as they do not have sufficient funds of their own for investment purpose. Hence Mizoram Rural Bank the only regional rural bank in the state can play an important role with covering all the districts of the state.

Since the population growth rate has been increasing, dependence of people on agricultural sector also increases. The state government accelerated different development programmes in the 8<sup>th</sup>/9<sup>th</sup> Five year plan when the Narasimham Committee introduced a new economic policy in the country in the year 1991 as well as in 1996.

The dominant features of hill and mountain farming in Mizoram are small land holdings, sloping marginal farmlands and cultivation under rain fed farming. Subsistent farming on these farmlands is still dominating feature. The Department of Agriculture is committed to attain self sufficiency in food grain production and to make agriculture a

sustainable and viable vocation for livelihood support. To achieve this, the department is implementing various state and central schemes to enhance agricultural crop production thereby improving the income level of farmers.

Agriculture occupies a very important place in the economy of the state. As per Economic Classification of workers 2001 census, about 60 per cent of the total workers are engaged in agricultural and allied sector. Paddy is the principal food crop and the staple food of the Mizo people. The total population of the state is 10, 91,014 as per 2011 census with the total decadal growth rate of 22.78 per cent. In spite of the growing rice requirement of the state which is estimated to be around 2, 00,000 MT per year, rice production of the state is still meager. Besides oil palm cultivation, crop diversification programme has also largely focused on promoting the cultivation of cash crops like, sugarcane, pulses and oil seeds that has seasonal advantage over other crops.

Out of the total geographical area of 21, 08,700 ha, the gross cropped area of the state at present is 1, 38,556 ha which account for 6.57 per cent of the total area. Due to hilly terrain potential area for Wet Rice Cultivation (WRC) is very limited. It is estimated that there are 74,644 ha, of area having a slope of 0-25 per cent which can be developed for WRC areas. Although, the marginal increased in WRC areas from 12,700 ha to 14,940 ha, which account for 17.64 per cent increase over 2011-12 is recorded, 79.98 per cent of the remaining potential areas still needs to be developed. Out of the gross cropped area during 2012-13, 55 per cent the total area is under rice cultivation, 19 per cent under oil palm, 2 per cent under sugarcane, 6 per cent under oilseeds and 7 per cent under pulses respectively. Studies conducted through remote sensing technology confirmed that there are altogether 2, 98,786 ha of land under the category of 26- 33 per cent slope in

Mizoram which can be developed for hill slope terrace cultivation. Therefore, a challenge remains for developing those potential areas and during 12<sup>th</sup> 5 year plan, it is targeted to bring more potential areas under rice cultivation particularly WRC-I & II (potential plain areas) with assured irrigation to boost rice production for the coming years.

There is a significant decrease in jhum cultivation over the past few years due to the implementation of NLUP, Watershed Development Programme for Shifting Cultivation Areas (WDPSCA) under Macro Management of Agriculture, diversification of agriculture by promoting cultivation of cash crops like sugarcane, oilseeds and promotion of oil palm development programme both under ISOPOM and RKVY respectively. While the area under jhum cultivation was 44,947 ha at the beginning of 11<sup>th</sup> Plan, only 25,826 ha was recorded at the end of 11<sup>th</sup> plan (2011-12). Significant achievement has also been made during 2012-13 towards reduction of Jhum cultivation. There is 10.36 per cent decrease in jhum area during 2012-13 (23,150 ha) against 25,826 ha during 2011-12.

Marginal increase in WRC area has also been recorded from 9,446 ha, at the beginning of 11<sup>th</sup> Plan to 12,700 ha during 2011-12. Increase in WRC area during 2012-13 is recorded which account for 5.26 per cent increased over the preceding year (2011-12). With the introduction of improved technology, the productivity of rice under WRC has increased from the level of 1.5 mt/ha. at the beginning of 11th Five Year Plan to 2.0 mt/ha during 2011-12. The productivity of rice under jhum and WRC during Kharif 2012-13 also recorded increasing trends which is attributed to the higher seed replacement rate, adoption of integrated cropping management etc.

### **1.4.1 Infrastructure development**

#### **a) Land development**

With the implementation of New Land Use Policy, Rashtrya Krishi Vikas Yajona (RKVY) and macro management of Agriculture (MMA), a total of additional 1790 ha. of WRC has already been developed till February, 2013 and more than 1000 ha of WRC had been improved and maintained.

#### **b) Construction of Potential Area Connectivity (PAC)**

During 11th 5 year plan, a total of 120 Kms of new PAC was constructed connecting potential areas of different locations and about 540 Km of existing PAC was maintained at different places. During 2012-13, new construction of PAC at different locations is proposed under RKVY covering all the eight (8) districts of Mizoram. The location verification and survey is being done at different districts and execution of works will be taken up shortly.

### **1.4.2 Economic activities**

- i) The implementation of National Food Security Mission- Rice (NFSM-Rice) during 2012-13 has greatly influenced the production of agricultural crops. Distribution of improved seeds such as high yielding variety, hybrid seeds, amelioration of acidic soils and adoption of integrated crop management under this scheme is attributable to the increase in productivity of rice. Increased in productivity of rice under WRC is recorded at 2.2 mt/ha during 2012-13 against 2 mt/ha during 2011-12. The productivity of jhum is also

increased from a level of 1.03 mt/ha during 2011-12 to 1.2 mt/ha during 2012-13.

- ii) Rabi/summer rice cultivation is being popularised at some pockets where assured irrigation facilities are available. During 2012-13, an area of 1573 ha is brought under rabi/summer rice against 450 ha during the preceding year. Increased in productivity of 2.5 mt/ha is also recorded against 2.10 mt/ha during 2011-12.
- iii) The total area under maize cultivation is also increased from 8000 ha. during 2012-13 against 6905 ha during 2011-12 which account for 15.85 per cent increased in area and 25.04 per cent increased in production over the preceding years.
- iv) The crop diversification programme largely focused on promoting the cultivation of cash crops like sugarcane, pulses and oil seeds that has seasonal advantage over other crops. Increase in area under sugarcane cultivation, pulses and oil seeds are also recorded during 2012-13 respectively. Increase in area under sugarcane accounted for 2.52 per cent over the preceding year. Similarly, there is a significant percentage increase in pulses and oilseeds both in area and production during 2012-13.
- v) Significant progress is also made in oil palm expansion programme during 2012-13. Additional areas of 3711 ha. have been covered under oil palm during 2012-13 against 1970 ha during 2011-12 covering a total area of 13,045 ha.



### 1.4.3 Farm mechanisation

The productivity of farms depends greatly on the availability of farm power. Agricultural machines increased productivity of land and labour by meeting timeliness of farm operations and increase work out-put per unit time. To promote farm mechanisation, 200 nos. of power tillers, 400 numbers of mini power tillers, 300 numbers of power operated implements and 500 numbers of diesel/electrical water pump set were distributed at subsidised rate under RKVY and MMA scheme which is attributable to the increased in farm power availability from 0.60 kw/ha during 2011-12 to 0.65 kw/ha during 2012-2013. The Department of Agriculture is implementing various state and central schemes to enhance agricultural crop production to improve the income level of farmers and to attain self sufficiency in food grain production.

### 1.4.4 Macro Management of Agriculture (MMA)

MMA was launched in 2000-01 by Government of India by integrating 27 centrally sponsored schemes. The pattern of financial assistance is 100 per cent for north eastern states. The state of Mizoram has also availed this scheme since inception. Fund allocation for the state was minimal in the initial stage but increased to a sizeable amount in the succeeding years. Fund received during last 3 years are given below:

**Table 1.6: Funding for Macro Management of Agriculture**

<b>Year Fund Received</b>	<b>(Rs in lakhs)</b>
2010-11	<b>4129.25</b>
2011-12	<b>1617.50</b>
2012-13	<b>1433.00</b>

**Source:** *Economic Survey Mizoram 2012-13*

In Mizoram, under the scheme priority is given to the production and supply of improved paddy seeds, sugarcane development; farm mechanisation, National Watershed Development Projects for Rain-fed Areas (NWDPRAs), River Valley Projects (RVP), Reclamation and Developed of Acidic Soils (RADAS) etc. A total of 140 NWDPRAs projects have been taken up during 11<sup>th</sup> Plan in Mizoram which has greatly contributed to a 36 per cent decrease in jhum area during 11<sup>th</sup> Plan. An achievement under farm mechanisation is quite commendable.

During 2011-12, 90 power tillers, 20 diesel/electrical/petrol/kerosene driven water pump sets, 10 tractor driven specialised equipments and power tiller driven equipments are given to the farmers. Similarly, during 2012-13, 100 power tiller, 200 diesel/electrical/petrol/kerosene driven water pump set and 200 mini-power tillers are given to the needy farmers at subsidised rate.

The farm power has been increased from the existing level of 0.60 kw/ha to 0.65 kw/ha and contributed to the remarkable climate made by the state in paddy production during 2011-12 and 2012-13. However, the Scheme will be discontinued by government of India w.e.f 2013-14 and is to be replaced by Rasthrya Khrishi Vikash Yajona (RKVY).

#### **1.4.5 New Land Use policy (NLUP)**

In December 2008, when Mr. Lalthanhawla-led Congress government came to power, it had the main aim of uplifting the poor and improving their lives through its flagship programme called the New Land Use Policy (NLUP). This was the beacon of hope that many were looking for a way out of poverty and deprivation.

The government of Mizoram fully realised that real development of the state is depended on the progress and economic stability of the poorer section of the society. The NLUP is a programme for a paradigm shift in the management of two critical resources- land and water and its main objective is to attain inclusive growth for all.

The government of Mizoram submitted the NLUP project to the central government on 19<sup>th</sup> of February 2009. The central government, after making a detailed study of the project, sent it back to the state government with its recommendation and asked the state government to re-submit it after incorporating the changes that experts have suggested.

The project with changes was re-submitted to the Central Government on the 19<sup>th</sup> of June 2009. In August 2009, the Planning Commission sanctioned Rs.100 crores for the financial year 2009-2010 for starting the work on the NLUP programme. After experts in the Central Government studied the project and various committees discussed it, the apex body- the Cabinet Committee on Economic Affairs (CCEA) finally sanctioned Rs. 2873.13 crores on the 15<sup>th</sup> of July 2010 for NLUP.

New land use policy (NLUP) is a flagship programme of the Government of Mizoram. It is a comprehensive project for inclusive development focused mainly amongst others, on a major overhaul of the economy through structural changes by weaning away farmers from destructive jhum practices to sustainable livelihood opportunities based on local resources, genius of the people and keeping in view regeneration of resources. The programme is implemented in phase-wise and beneficiaries for each phase are allocated to the implementing Departments. Fund is

released to the beneficiaries as per the approved work calendar on installment basis through their individual bank account.

**a) 1<sup>st</sup> Phase**

**i) Physical**

The number of targeted beneficiaries under the Government's flagship programme, New Land Use Policy (NLUP) for the 1st Phase is 12340 whereas only 6024 beneficiaries opted for agriculture activities under 1st installment. Financial assistance has been released in full as per the calendar of works to all the beneficiaries. District wise number of beneficiaries assisted under 1st phase NLUP is given below:

**Table 1.7: Physical achievement of NLUP 1<sup>st</sup> Phase (2012-13)**

Sl.no	District	WRC-I	WRC-II	Oil Palm	Sugarcane	Total
1	Aizawl	205	464	34	85	788
2	Lunglei	670	169	41	66	946
3	Saiha	122	84	-	14	220
4	Champhai	732	178	-	9	919
5	Kolasib	170	103	83	32	388
6	Serchhip	290	168	75	48	581
7	Lawngtlai	1052	390	168	34	701
8	Mamit	106	393	168	34	701
9	Total	3347	1949	404	325	6025

**Source:** *Economic Survey Mizoram 2012-13*

**ii) Financial**

An amount of Rs.7552.00 lakhs was allocated for implementation of NLUP 1<sup>st</sup> phase. Out of this, Rs. 7497.25 lakhs was released till 12<sup>th</sup> February, 2013 leaving an un-spend balance of Rs.54.75 lakhs which will be utilised for implementation of 2<sup>nd</sup> Phase.

The outlay of fund under NLUP is as given below:

**Table 1.8: Financial Performance of NLUP 1<sup>st</sup> Phase (2012-13)**

Sl.no	Particulars of fund release		Amount(Rs.in lakhs)
1	Agriculture sector		7461.45
2	Other departments		
	1) Horticulture		12.00
	2) AH & Vety		8.00
	3) Soil & WC		15
	Total		35.80
3	Total fund released		7497.25
4	Unspent balance as on 12.3.2013		54.75

**Source:** *Economic Survey Mizoram 2012-13*

### iii) Infrastructure development

For this, an amount of Rs.185.00 lakhs was received for infrastructure development. The details of fund allocated are as given in the table below:

**Table 1.9: Infrastructure development of NLUP 1<sup>st</sup> Phase (2012-13)**

Sl.no	Name of Work	Estimated amount (Rs.in lakhs)	Amount sanctioned (Rs.in lakhs)
1	Establishment of Quality control laboratory center at Aizawl	346.98	150
2	Establishment of Agro-Seed Processing Plant under Kolasib District	90	35
	<b>Total</b>	<b>436.98</b>	<b>185</b>

**Source:** *Economic Survey Mizoram 2012-13*

### b) 2<sup>nd</sup> Phase

#### i) Physical

Out of 9000 beneficiaries targeted for agriculture sector, 7556 beneficiaries have been identified till 12th February, 2013. District wise beneficiaries identified for 2nd Phase NLUP is given below:

**Table 1.10: Physical achievement of NLUP 2<sup>nd</sup> Phase (2012-13)**

Sl.no	District	WRC-I	WRC-II	Oil Palm	Sugarcane	Total
1	Aizawl	171	1042	16	105	788
2	Lunglei	690	368	483	66	1334
3	Saiha	87	106	-	14	1610
4	Champhai	745	427	-	37	207
5	Kolasib	192	115	102	12	1209
6	Serchhip	281	361	379	47	421
7	Lawngtlai	648	232	136	16	1032
8	Mamit	75	386	184	30	675
9	Total	2892	3037	1300	327	7556

**Source:** *Economic Survey Mizoram 2012-13*

## ii) Financial

An amount of Rs. 6256.00 lakhs is allocated for agriculture sector during the year 2012-2013. Detail breakup of fund allocation is given below:

**Table 1.11: Financial Performance of NLUP 2<sup>nd</sup> Phase (2012-13)**

Sl.no	Name of Work	Allocation of Fund (Rs in lakh)
1	Development component of 2 <sup>nd</sup> Phase	5670.00
2	Development component of 2 <sup>nd</sup> Phase	586.00
	<b>Total</b>	<b>185.00</b>

**Source:** *Economic Survey Mizoram 2012-13*

### 1.4.6 Oil palm development

The rapid increase of land degradation due to jhumming, deforestation, loss of biodiversity and productivity, increasing flood are leading to an ecological crisis affecting livelihood options for jhumia families. This suggests inter-alia policy to encourage and support plantation of oil palm to overcome these constraints. Oil palm stands as an ideal crop capable of achieving conservation of soil and moisture, repair of degraded land,

provide ecological balance, food and security of rural and urban poor. The Government of Mizoram aims to implement an action Programme with an objective of placing oil palm as a key component in the plan to generate employment and mitigate environmental degradation and to strengthen the process of oil palm development.

In the recent past, the cultivation of oil palm had been tried in Assam, Tripura and Mizoram with considerable success. In Mizoram 5,000 nos. and 7'000 nos. of seedlings of oil Palm were planted at Rotlang area of Lunglei district and Thingdawl area of Kolasib district during 1999-2000, respectively, with promising results. Thereafter, the Government of Mizoram has decided to undertake Oil Palm cultivation. The Total potential area identified in 7 (seven) Districts of Mizoram comes to 1, 01, 000 hectares at low elevation with gentle slope (25-33 per cent) having favorable agro-climatic condition

### **1.5 Mizoram Rural Bank**

Finding of the all India Rural Credit Survey Report of 1951-52 revealed that cooperative credit institutions played an almost insignificant role in extending credit to the agriculturists. In 1951-52, only 3.1 per cent of the total credit needs of the cultivators were met by them. Governmental agencies supplied an equal proportion and the rest of the credit needs were met by professional and agriculturist money lenders. Other concerned committees, too, pointed out similar problems in dealing with this question. The rate of interest charged by the money-lenders was exorbitant-much above the maximum rate prescribed by the state government and very often it was out of proportion to the risk involved (Roy: 2007).

On an examination of the strengths and weaknesses of the rural credit system dominated by the non-institutional credit agencies, the All India Rural Credit Survey Committee recommended the organisation of multipurpose cooperatives which will provide integrated credit facilities linking production with marketing of inputs and outputs, processing and warehousing activities offered only viable remedy to the credit problems of the villages of India.

On the basis of recommendation of the All India Rural Credit Survey Committee the Government of India lent its support to creating a three-tier cooperative credit structure consisting of an apex body at the state level (State Cooperative Bank), an intermediary layer of District Central Cooperative Bank (DCCB or simply CCB)- at the district level and the 'primary' credit societies at the base level. The primary credit societies were divided into primary agricultural credit societies (PACs) and primary non-agricultural credit societies. The latter were meant for meeting the needs of rural credit for non-agricultural purposes. Primary Agriculture Credit Societies (PACs) could further be classified into 'small-size agricultural credit societies' and 'large-size agricultural credit societies'

All India Rural Credit Committee (1969) pointed out that over large parts of the country the small farmers have been handicapped in having access to the co-operative credit both for current inputs and investment. Therefore, a need arose for the establishment of institutional agencies. This led to the first spell of nationalisation of the banks with greater expectations. Though they did add to the institutions structure and simultaneously created some problems too.



The subject was examined by the Government of India and appointed a working group in 1975 under chairmanship of Sri. M. Narasimham to go to the financial assistance rendered to the weaker sections in the rural areas. The working group came up with the recommendation of setting of rural based institutional agencies called 'Regional Rural Banks'. After having identified short comings in the functioning of commercial banks and co-operations, the Government of India accepted the recommendation and the Regional Rural Banks (RRBs) come into existence through Regional Rural Banks Ordinance on 26<sup>th</sup> September 1975 and initially 5 (five) Regional Rural Banks sponsored by commercial banks were set up on a pilot basis in the country on 2<sup>nd</sup> October 1975 (Ibrahim: 2010). The first five regional rural banks are as follows:

- 1) Prathama Bank and Gorakhpur Kshetriya Gramin Bank in Uttar Pradesh,
- 2) Haryana Krishi Gramin Bank in Haryana,
- 3) Gour Gramin Bank in West Bengal,
- 4) Jaipur-Nagpur Anchalik Gramin Bank, and
- 5) Rajasthan Gramin Bank.

The ordinance of 1975 was immediately replaced by Regional Rural Banks Recommendation Act 1976 (Reddy: 2004). As on 31<sup>st</sup> March 2002, there were 196 RRBs with a network of 14,350 branches spread over in different parts of the country. The RRBs enjoy special concessions from Reserve Bank of India i.e., like CSR (3 per cent) SLR (25 per cent), lower rate of interest on loans taken from sponsoring banks, managerial and staff assistance from the sponsoring bank and reimbursement of the expenses on staff training.

RRBs represent an innovation in Indian banking. The innovation is not only institutional but relates to objectives, functions, area of operation and its clientele. For this reason RRBs are regarded as specialised institutions, i.e., distinct from commercial banks as well as co-operative credit agencies. It is therefore necessary to refer to the essential features of the RRBs (Velayudham & Sankaranarayanan: 1990).

First, the objective of RRBs is to bring about progress with social justice to the rural poor, in conformity with the national objective of development with stability and social justice. RRBs are an institution meant exclusively for those sections of the rural society which did not benefit from the percolation of the fruits of development (i.e., tickle-down theory) – a situation which could not be remedied by the co-operatives dominated by big farmers and other vested interests nor by the commercial banks with urban bias and with high operational costs. RRBs are, in other words, an institutional device for taking banking services to the door-steps of the rural poor and making available to them institutional credit.

Second, as a matter of policy, RRBs are to be set up mainly in under-banked and unbanked regions of the country. This means that RRBs are to function in remote rural areas which lack basic amenities like education, medical help, transport and communication. An important aspect for this location policy is that RRBs would cover districts where the weaker sections of population are predominant. It should also be noted that these districts do not always have the infrastructure needed for development.

Third, RRBs would function as low cost institutions with staff drawn from the districts or the state in which the banks are located. The RRBs staff would be paid salaries comparable to those of the respective state government functionaries.

Fourth, the very approach of RRBs to rural credit is sectoral. That they are to operate in a compact area of not more than two or three losses sustained in one area by the profits earned in another area. Similarly, since their development approach is sectoral (i.e., lending to specified categories of rural poor) and not spatial, they cannot spread their overheads and operational costs over a wider clientele.

Lastly, RRBs are expected to operate on low spreads or margins because they are to lend to weaker sections at low rates of interest and pay a little more by way of interest on the deposits mobilised by them. As the clientele of RRBs belong to only one category i.e., weaker sections, there is little scope for cross-subsidisation. These essential features built into the concept as well as the institutional structure of RRBs make it difficult for these banks to break even right from the start. Recognising this limitation, Narasimham Committee, which had recommended the setting up of RRBs, had categorically stated that RRBs were bound to make losses in the initial years and that initial loss of these banks is a price worth paying, considering the benefit sought to be achieved through these institutions.

In the state of Mizoram the first Regional Rural Bank (RRB) known as Mizoram Rural Bank (MRB) was set up on 27<sup>th</sup> September 1983 under the Regional Rural Bank Act 1975.

The paid up share capital of Rs 602.76 lakhs is contributed by all the share holders, Government of India, Government of Mizoram and State Bank of India (Sponsor Bank) in the ratio of 50:35:15 (MRB: 2010).

In addition to this, an additional equity share capital of Rs. 301.06 lakhs towards equity support for the purpose of cleansing of the balance sheet has been received from the share holders.

### **1.6 Significance and scope of the study**

Banking sector in India is passing through a metamorphosis. The implementation of internationally accepted norms has compelled them to shed the traditional attitude. Every quarter of the society seeks for better performance from them because of the huge amount of their money being invested in those banks. Thus in the changed environment, performance appraisal by the banks for themselves as well as performance evaluation by the outsiders have become a regular feature. Unlike other commercial banks RRBs focuses on rural areas and have limited scope to earn extra income by extending their business.

Majority of people in the rural areas are not able to meet their day to day requirements from their own source of income, not to speak of investing in other productive enterprises for improving their economic conditions. Therefore, to acquire funds for making investments, they have to depend on various financial agencies. For the overall development of rural areas, financial assistance to the rural poor, particularly institutional assistance for the development of agriculture needs no emphasis. Finance being an essential requirement for almost every activity, MRB has been selected as the

topic of research as it has the largest number of branches in the state in comparison to all other commercial banks. It has 61 branches spread out all over the various districts, and therefore is accessible even to the remotest areas.

The reasons of selection of the proposed study:

1. MRB represents the state of Mizoram as a whole geographically i.e. it is operating all over the state with 61 branches;
2. It plays an important role in rural development especially in agricultural sector as compared with other banks;
3. The area and population coverage by MRB is very high as compared to other banks.

### **1.7 Literature review**

In this context, it is necessary to highlight the contributions made by different people with reference to the working of Regional Rural Banks (RRBs).

Adhikari's (1985)<sup>2</sup> study mainly refers to the utilisation of Bank Credit Integrated Rural Development Programme. One of the important findings of the study is that most of the programmes are implemented for the sake of fulfilling the targets and have not assessed the relative advantages and disadvantages. Again, Balaji (1985)<sup>3</sup> made an attempt to evaluate the working of Sree Anantha Grameena Bank. In his study, he mainly

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<sup>2</sup> Adhikari, C.S. (1985), 'Credit Disbursement and Percolation of Benefits under I.R.D.P', *Kurukshetra*, Vol. XXXIII, No.7, April, pp.20-23-28

<sup>3</sup> Balaji (1985), 'Problem of Regional Rural Bank's', *Kurukshetra*, April, Vol. 33 No, 7, pp. 22-24 and 30.

dealt with the problems encountered by the beneficiaries, credit deployment and outstanding loans.

Balishter's (1989)<sup>4</sup> deals with the issue of over dues. One of the important finding of the study is that the farmers are clearing the loans taken from private agencies due to pressure from the money-lenders and also escalation of interest amount in the event of delay. The reason for willful defaulters is mainly because of the view that bank loans will be written off and also banks are not institutions for timely repayment. In the light of the study, the author has makes a few suggestions to overcome such peculiar problem.

Garj, J.S *et al* (1958)<sup>5</sup> concluded their study on agriculture financing by RRBs that the small and marginal farming benefits derived by agricultural laborers are relatively low. The analysis of the purpose wise advances revealed that there was an increasing demand for term-loans, particularly for the development of irrigation, dairying, and poultry.

Ghosh (2006)<sup>6</sup> in her study, focused on programme for making the RRBs more viable and more able to concentrate on their social and developmental functions and mentioned that the number of rural branches should be increased rather than reduced; they should be encouraged to develop more sophisticated methods of credit delivery to meet the changing needs of farming; and most of all, there should be greater coordination

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<sup>4</sup> Balishter (1989), 'Agricultural Loans: Menace of Overdue', *Yojana*, July 16-31, pp. 30-33.

<sup>5</sup> Garg, J.S. *et al* (1956), 'An Analysis of Agricultural Financing by Regional Rural Banks in Moradabad District of Uttar Pradesh', *Journal of Agricultural Economics*, Vol. 23, No.24, p.31-36.

<sup>6</sup> Ghosh, Jayati (2006) 'Saving the Regional Rural Banks', *India's National Magazine from the publishers of the Hindu*. Volume 23-issue 03, Feb 11-24.

between district planning authorities, Panchayati Raj institutions and the banks operating in rural areas. Only then will the RRBs fulfill the promise that is so essential for rural development.

Hebber (1985)<sup>7</sup> has analysed the problem of Regional Rural Banks and has pointed out certain constraints in the effective functioning of Regional Rural Banks. The main focus of the research paper is on how to make the Regional Rural Banks functionally efficient. On the other hand, Kumar, Vasan Anand (1988) in his study exhibits the facts that the weaker sections were availing finance to a low extent compared to upper-caste people. At the same time, Misra (2006)<sup>8</sup> in a study revealed that the problem of loss making RRBs is neither confined to some specific states nor to a group of sponsor banks. In the absence of any strong systematic pattern so as to suggest that the performance of RRBs is driven by the peculiarities of any particular sponsor bank or a specific state in which they operate, econometric estimation was employed so as to decipher the factors that contributed to their financial health.

Hossain (1984)<sup>9</sup> conducted a study on Grameena Bank in Bangladesh, which was started in 1976 as a pilot experiment and development project for the landless in an area near Chittagong University. The research study focuses attention on the socio-economic conditions of borrowers, use of loan and recovery performance. The findings indicate that

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<sup>7</sup> Hebber (1985), 'Problems of Regional Rural Bank', *Kurukshetra*, April, Vol.33, No 7, pp.22-24 and 30

<sup>8</sup> Misra B.S. (2006), '*The Performance of Regional Rural Banks in India*', RBI occasional papers Vol.27.No.1 and 2, Summer and Monsoon.

<sup>9</sup> Hossain, M. (1984), "*Credit for the rural poor*"-*The Grameena Bank in Bangladesh*, Research monograph, Bangladesh Institute of Development Studies, Bangladesh, Monograph No.4, pp 43-48.

the Grameena Bank has made positive contributions to the alleviation of poverty in the area of its operation.

Malik (1993)<sup>10</sup> used data from two large national surveys conducted by the Agricultural Census Organisation in 1983 and 1985 and attempt to answer questions like , who were the lenders?, who were the borrowers?, what were the consequences of the market structure?. The paper reached to conclusion that access to credit was important in the process of agricultural growth and rural development. The evidence showed that the structure of the overall rural development. The evidence showed that there had been a remarkable increase in formal credit in Pakistan and that the structure of the overall rural credit market had changed. However, access to subsidised formal credit was declining for the small and tenant farmers. The paper concluded that the declining access implies that governmental schemes of subsidised credit were not attaining their stated objectives.

Mishra and Prakash (1995)<sup>11</sup> in their study on negative impact of rural development plans with special references to I.R.D.P and P.A.C.S finds that evaluation and monitoring process of the rural development programme was not satisfactory and also give some suggestions that evaluation and monitoring of the scheme should give proper weight-age in the implementation of the programme. This will measure and evaluate the performance of individual executive and of the total organisation and also said that evaluation and monitoring should be more or less simultaneous with the

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<sup>10</sup> Malik, S.J. (1993), '*Agricultural credit markets for sustained growth and development of agriculture in Pakistan*'. In Agha. *et al.*, (eds.) *Agric. strategies in the 1990s: Issues and policies*. Proc. Ist Int. Conf. of Pakistan Assoc. of Agric. Social Scientists (May 7-9, 1991), Islamabad.

<sup>11</sup> Mishra, P & Prakash, Jai (1995), "*Negative Impact of Rural Development Plans*" With Special reference to I.R.D.P & P.A.C.S, Mohit Publications, New Delhi, pp. 198,199.



implementation of the scheme, so that if any in-congruency is noticed, it should be possible to re-orient the other process to keep the implementation in line.

Mohan Rao (1980) in a case study of RRBs with reference to Vishakhapatnam District concluded that the impact of Grameena Bank, on asset building was quite significant though certain categories of target groups have not recorded a considerable increase in asset value. At the same time, Nadeem Mohsin and Raghunath Jha's (1987)<sup>12</sup> dealt with the role of RRBs in the functioning of the I.R.D.P. The reason for non-repayment is analysed by the author. Similarly, Rao, Nagabhusana and Krishnamurty, B. (1981)<sup>13</sup> examined the impact of RRBs in achieving the desired goal that is '*Rural Development*'. They have mainly analysed the data pertaining to progress made by the beneficiaries. The study is based on both primary and secondary sources of information. Most of the studies conducted by the Expert Committee and individual scholars, based on secondary data reveal that there is tremendous progress.

Narasaiah (2003)<sup>14</sup> in his studies elaborated that rural transformation and reconstruction can only be achieved by augmenting credit in rural economy with the help of opening more branches in the rural areas. He suggested that the Government should seriously think of establishing RRBs in the country.

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<sup>12</sup> Nadeem, Mohsin and Raghunatha, Jha (1987), 'Regional Rural Banks and I.R.D.P.', *Yojana*, July 16-31, pp. 10-13.

<sup>13</sup> Rao, Nagabhusana, E. and Krishnamurty, B. (1981), 'Five years of Regional Rural Banks', *Kurukshetra*, Vol. XXIX No. 8, January 16, p. 17

<sup>14</sup> Narasaiah, M.L. (2003) '*Rural Banking In India*', Discovery Publishing House, New Delhi.

Pati, A.P (2005)<sup>15</sup> in his study of RRBs in Liberalised Environment, finds that, as rural financing institution, RRBs' viability has also come under constant pressure. The responsibility of catering to the need of rural masses and at the same time competing with other commercial banks, have put them in a piquant situation. The poor recovery of rural loans and growing operating expenditure are the main stumbling blocks for their growth in profitability. He suggested that there is thus a need to improve the age old practice and standards and RRBs should reorient their focus to market related considerations.

Pantnaik (1992)<sup>16</sup> evaluated the institutional financing of some rural development schemes for weaker sections, based on field study of the two districts of Orissa, assesses the impact of such finance on the rural development. He concludes that such finance was very much short of needs and further, "the small assets formed by utilising financial assistance (loan and subsidies) from the financial institutions only resulted in some cases, in increasing the livestock asset such as cow, sheep, goat etc., the productive life span of these animals being short enough for various reasons failed to push the beneficiaries up on the scale of production and productivity." This shows that there is need for considerable imagination while disbursing resources among the rural poor so that these could yield some continuing income to the beneficiaries.

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<sup>15</sup> Pati, A.P. (2005), '*Regional Rural Banks in Liberalized Environment*', New Delhi, Mittal Publication, p.122

<sup>16</sup> Patnaik, S.C. (1992), '*Evaluation of Institutional Financing of Some rural Development Schemes for Weaker Sector*' Mahajan, V.S (ed), '*Studies in Indian Agriculture and Rural Development*,' Deep & Deep Publications, New Delhi, pp. 487-10.

Ravindran, (1986)<sup>17</sup> analysed the problem of agricultural credit and recovery of NMGB. It was found that the quantum of financial assistance for agricultural and allied activities had steadily increased over the year; it was also revealed that, the bank was lacking ample interest in the upliftment of scheduled castes and tribes and the bank finance has reduced the dependence on money lenders by the sample borrowers. But on the recovery front, the bank provides a dismal picture.

Roy (2007)<sup>18</sup> in his case study observed that the RRBs have experienced high rate of growth of deposits on their savings bank accounts. Meanwhile there still seems to be further scope of mobilisation of savings with regard to the agricultural working population of the area of operation of RRBs. He suggested that the loanable funds should be more liberally augmented by borrowings from the RBI, sponsoring bank, NABARD to stimulate growth of savings bank deposits of the RRBs as well as their loaning operations. He also suggested that strong monitoring and supervision of the activities of the recipients of credit should be made since the most important problem of the RRBs is poor recovery of loans.

Satia Sai (1986)<sup>19</sup> in his study of institutional credit to agriculture in west Godhavari district of Andhra Pradesh found that an average of 90% of the institutional

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<sup>17</sup> Ravindran (1986), '*Agricultural Credit and Recovery Problem (A Study with Special Reference to North Malabar Grameen Bank Kerala)*', Unpublished M. Phil Dissertation Submitted to University of Madras.

<sup>18</sup> Roy B.S. (2007), '*Rural Banking and Poverty Alleviation*', Abhijeet Publications, 2/46 Tukhmeerpur Extension, Delhi.

<sup>19</sup> Satya, Sundaram, I. (1982), '*Problem facing by Regional Rural Banks*', Paper Presented at the Seminar on *Changing trends in Development Banking, Conducted by the Department of Commerce, Andhra University, Waltai.*

credit was utilised for productive purpose. However, a positive relationship was found between the proportion of loan amount used for productive purpose and land size similarly.

Savaraiah, G and Nismalamani (1989)<sup>20</sup> in their study conducted, refers to the finance extended by commercial banks under the Lead Banks Scheme. The study analysed the credit development in the district based on a sample study.

Shivammagi (2000)<sup>21</sup> felt that rural banking has progress quantitatively not qualitatively in the North and North East Region. The problem of staff motivation and specialisation exists in RRBs despite their staff being recruited locally. He suggested that RRBs should atleast be made fully owned subsidiaries of the sponsor banks so that the bank can develop for both their rural branches and their RRBs in a good way. Sivaraman Committee (1979)<sup>22</sup> has also rightly pointed out that the progress of the Regional Rural Banks cannot be judged merely based on the growth of deposits and increase in advances. This clearly shows the need for conducting grass root level studies to bring out the facts pertaining to its usefulness. Singh, Radha Raman (1983)<sup>23</sup> in his paper dealt with the role NABARD for development of Regional Rural Banks and found that NABARD has to pay attention for the development of Regional Rural Banks.

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<sup>20</sup> Savaraiah and Nirmalamani (1989), 'Role of Lead Bank: A Case Study', *Yojana*, Vol. 33 No. 6, April 1-15, pp. 32-34.

<sup>21</sup> Shivammagi, H.B. (2000), '*Reforms in Rural Banking: Need for Border Approach*', EPW, May, 3.

<sup>22</sup> Sivaraman, B. (1979), '*The Arrangement for Institutional Credit for Agricultural and Rural Development*', Reserve Bank of India Report, March 30.

<sup>23</sup> Radha, Raman, Singh (1983), 'Regional Rural Banks and the Rural Poor', *Kurukshetra*, Vol XXXI, No. 11 February, 16, p. 22.

Wadhava (1980)<sup>24</sup> conducted a case study of two regional rural banks working in Haryana and Rajasthan in 1977. It found that regional rural banks inherited complicated procedural formalities from their sponsor banks and also the regional rural banks were not able to meet the targeted disbursement of credit set by the government of India. The study attributed limited scope of direct lending by regional rural banks in the areas of operation, absence of effective links with primary co-operative societies and farmers service societies and lack of adequate support from the government for expanding business resulted in the setting-up of regional rural banks.

Yadav and Singhal (2005)<sup>25</sup> in their studies revealed that RRBs are responsible for bringing up the banking facilities closer to the rural households and for providing resources to the weaker section. They observed that RRBs have faced many serious problems like poor staffing, defective control, lack of efficient and trained staff, rigid policies, poor resources, ineffective and inefficient management, non-cooperation of other institutional and development agencies. They suggested that the concerned authorities should formulate suitable and effective policies to make RRBs more viable according to the credit needs of the rural masses and they expected that if effective policy-measures are strictly implemented, the working of RRBs will contribute the rural development of the study areas. Vanlalvena (2012)<sup>26</sup>, in his study 'performance of Mizoram Rural Bank in financing agricultural and industrial development in Mizoram' found that the bank has

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<sup>24</sup> Wadhva, C.D, "*Rural Banks for Rural Development*", MacMillan Company of India Ltd, 1980, New Delhi, pp 176.

<sup>25</sup> Yadav, B.S. and Singhal, Archana (2005), '*Role of Regional Rural Banks in Rural Development*', New Delhi. Shree Publishers & Distributors, p.8.

<sup>26</sup> Hnamte, Vanlalvena (2012), '*Performance of Mizoram Rural Bank in financing agricultural and industrial development in Mizoram*', Unpublished Thesis submitted to Mizoram University.

played an important role in encouraging rural masses habit of saving and thriftiness and also help the rural economy by improving the working and living conditions of the rural people.

## **1.8 Research design**

### **1.8.1 Statement of the problem**

The RRBs are new entities in the multi-agency credit delivery system of India. They have been playing a catalyst role in the development of rural areas since their inception in 1975. Even though MRB plays an important role in the development of rural areas and agricultural sector, its contribution to agricultural sector is not satisfactory as compared with the services sector. Number of customers and beneficiaries in services sector are still higher than agricultural sector. Although the number of branches in rural area areas is more than that in the urban area, and the beneficiaries are those who have more deposits (services) than those who have not (farmers), because MRB still gives first priority to service sectors rather than agricultural sector. Most of the branches located in rural areas are just name sake, with lack of staff and lack of infrastructure in the office. Long period for disbursement of loan is a big problem faced by the rural customers who are engaged in agricultural sectors. Unavailability of finance while it was more needed caused to be the main problem in the recovery of loans.

The present study examined the working and performance of Mizoram Rural Bank (MRB) in rural development with special reference to agricultural sector. It also studied the socio-economic profile of rural customers and beneficiaries and also examined the problems and prospects of the rural customers and beneficiaries who are

engaged in agricultural activities through a sample survey. It is also intended to give suggestions so that it can perform well in the rural development in the state by increasing loans and investment among the rural customers in order to develop and improve the agricultural sector.

### **1.8.2 Objectives of the study**

It has been found that numerous experiments, research and surveys have been conducted regarding the role of nationalised banks and commercial banks in rural development in general. However, there has been a lesser pursuit to make an integrated study on the role played by RRBs and its usefulness in rural development in Mizoram. Therefore, the present study entitled “Banking and Agricultural Development: Role of Mizoram Rural Bank” was undertaken. The study has the following main objectives:

1. To analyse the overview of the various rural development activities initiated through MRB;
2. To examine the working and performance of Mizoram Rural Bank (MRB) in rural development with special reference to agricultural sector;
3. To study the socio-economic profile of rural customers and beneficiaries of MRB, engaged in agricultural activities;
4. To examine the problems and prospects of the MRB’s rural customers and beneficiaries engaged in agricultural activities;
5. To offer suitable suggestions concerning the role and working of the MRB, so as to make them contribute more to agricultural development in particular and rural development in general.

### 1.8.3 Hypotheses of the study

The study tested the following hypotheses:

- a. H<sub>0</sub>: Rural people do not depend on MRB for agricultural development.  
H<sub>1</sub>: Rural people depend on MRB for agricultural development.
- b. H<sub>0</sub>: MRB do not play an important role for agricultural development in the State  
H<sub>1</sub>: MRB plays an important role for agricultural development in the State.
- c. H<sub>0</sub>: Rural customers and beneficiaries of MRB who are engaged in agricultural activities do not face problems of access to finance.  
H<sub>3</sub>: Rural customers and beneficiaries of MRB who are engaged in agricultural activities face problems of access to finance.

### 1.8.4 Research methodology

- a) *Population of the study*: The aforesaid 61 branches of MRB in Mizoram (as on 31<sup>st</sup> March 2010) along with its rural customers and beneficiaries, out of which 39 are located in the rural areas of the state, selected as the population of the study.
- b) *Sample of the study*: The study covered the entire state of Mizoram but select the samples from all the rural branches (39) of MRB, i.e. 10 customers each from each rural branch who are engaged in agricultural sector. Thus, 390 customers of MRB selected as the sample of the study under simple random sampling method.
- c) *Data Collection*: The field survey for the necessary data of the study was collected from the selected rural customers/beneficiaries of MRB during June-October 2012.



The primary data was collected through:

- 1) Questionnaire Method: Questionnaires were distributed to rural customers and beneficiaries of MRB for collecting information regarding their socio-economic profile, deposits, advances, profitability and recovery etc. with regards to their agricultural activities.
- 2) Interview Method: Interviews with rural beneficiaries and rural customers were organised and at the same time, discussions were held with the concerned MRB officials.

Secondary data was collected and analysed from various reports and publications of the MRB and other annual reports from NABARD, RBI and Department of Economics and Statistics, Mizoram.

- d) *Analysis of Data:* For analysis or interpretation of data, appropriate statistical as well as financial analysis tools are used for drawing inferences for the study.
- e) *Periodicity of study:* For analysing the performance of MRB with regards to agricultural development, 2000 – 2010 has been selected as study period.

### **1.9 Limitations of the study**

The present study pertains to only the rural beneficiaries of MRB in the state. As such, only 390 beneficiaries i.e. 10 beneficiaries from each of the 39 rural branches of MRB are selected as a sample. As the study is rural area specific of the state of Mizoram, generalisations can be limited to the state only. The findings and conclusions of this study are based on data collected from the selected MRB beneficiaries in the study areas. The methodology followed and tools employed in the analysis of the data involved certain merits as well as demerits of their own and also reflect the limitations of the data base.

Data pertaining to respondents income, saving, expenditure, borrowing were gathered from selected respondents directly. There were no proper records maintained at the individual level. Cross-checking at every level was made as far as possible in order to ascertain correct data from the respondents.

### **1.10 Organisation of chapters**

The thesis divided into five chapters is organised in the following manners:

**Chapter-1:** Banking and Agricultural Development: An Introduction.

**Chapter-II:** Working and performance of Mizoram Rural Bank (MRB).

**Chapter-III:** Socio-economic profile of the respondents.

**Chapter-IV:** Analysis of Role of Mizoram Rural Bank for Agricultural Development

**Chapter- V:** Conclusion and Suggestions.

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## Chapter-II

### Performance of Mizoram Rural Bank

#### 2.1 Introduction

In India rural people such as small and marginal farmers, landless laborers, artisans and socially and economically backward castes and classes have been exploited in the name of credit facility by informal sector. The rural credit market consists of both formal and informal financial institutions and agencies that meet the credit needs of the rural masses in India. The supply of total formal credit is inadequate and rural credit markets are imperfect and fragmented. Moreover, the distribution of formal sector credit has been unequal, particularly with respect to region and class, cast and gender in the country. Regional rural banks mobilised financial resources from rural/semi-urban areas and grant loans and advances mostly to small and marginal farmers (Ibrahim: 2010).

Like all other third world countries<sup>27</sup> India has been facing the problem of chronic poverty since its inception. Even at the beginning of the twenty-first century a considerable percentage of people remain poor (Hadi *et al*: 2006). According to National Sample Survey Organisation (NSSO) report, during 1999-2000, the percentage of people below poverty line (BPL) was 26.10 per cent in India but it is now decreased to 22 per cent in the year 2011-2012. The above scenario is also present in the state of Mizoram.

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<sup>27</sup> *Third world'* refers to countries that either lack development totally or have so little development that there is really not much of an impact. Most of the countries in the world are third world. Also where there is no urbanisation or development, and fatal diseases such as AIDS and measles are part of everyday life. Example: Most African countries, south-east Asia, the majority of Latin American countries.

Above 47 per cent of the total population of the state live in the rural areas. In actual numbers, males and females were 269,135 and 256,300 respectively. Total population of rural areas of Mizoram state was 525,435. The population growth rate recorded for the decade (2001-2011) was 47.89 per cent (Mizoram Census: 2011) and a major part of the rural people have been facing the financial problems in their agricultural development due to low level of income.

Capital is one of the four factors of production along with land, labour and organisation. Be it industry or agriculture the four factors are necessarily important. Credit is an important input for agricultural production. Traditional cultivation cannot meet the food demand of the rising population. Use of modern agro-technology<sup>28</sup> and chemical fertilizers is absolutely necessary to increase the food production as well as the income of the farmers. The farmers are still deprived of the basic amenities of life due to low income followed by less production. The farmers are basically small and marginal and they cannot deploy fund on their own to procure agricultural implements, improved seeds and chemical fertilizers to boost agricultural production (Hrushikesh: 2008).

To overcome this difficulty of farmers a network of banks branches is providing credit to needy farmers across the country including the state of Mizoram. Commercial banks branches, co-operative banks and regional rural banks in particular are meeting the credit needs of the farming community.

Regional rural banks play an important role in the state in credit deployment to the agricultural sectors. There are 83 RRBs in the country all together with only one rural

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<sup>28</sup> The technology of agriculture, as the methods or machinery needed for efficient production.

bank in the state i.e., Mizoram Rural Bank (MRB) with 61 branches catering to the credit needs of the farmers over the decades.

## **2.2 Mizoram Rural Bank: An overview**

In a developing country like India, rural development is the most important concern of the national economy. From the time of independence of the country, a number of plans and programmes have been adopted and implemented by the central and state governments for improving the standard of living of rural community. Among these, the schemes of bank nationalisation, creation of lead bank and new licensing policy are the corner stone for availability of bank finance to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas. Implementation of these plans and programmes are also important to fulfill the basic need of the rural people through their involvement in various economic activities of rural development scheme. But in spite of all these efforts, the expected benefit from scheduled commercial banks have not trickled down to the majority in rural areas and ultimately this state of affairs lead the Government of India on 26<sup>th</sup> September 1975. As a result, initially, five regional rural banks (RRBs) were set up on 2<sup>nd</sup> October, 1975 which followed the recommendation made by the working group constituted by the Government of India on 1<sup>st</sup> July 1975.

The proposal for setting up of 'rural banks' was mooted by the Banking Commission in 1972. According to the Commission such rural banks could be created in one of the three possible ways: i) by the converting selected viable primary agricultural credit societies into rural co-operative banks offering a full range of banking facilities, as

well as certain closely allied non-banking services; ii) by structuring good primary agricultural credit societies as subsidiaries of commercial banks; and iii) commercial banks setting up their own subsidiaries. The need for setting up of some kind of new institution of rural banks for providing rural credit was again thought after launching the 20 Points Economic Programme which had direct bearing on rural credit were liquidation of rural indebtedness, legislation for moratorium on recovery of debts from landless labourers, small farmers and artisans (Shete & Karkal: 1989).

### **2.2.1 Objectives of Regional Rural Banks**

The RRBs have following objectives:

- i) to develop rural economy;
- ii) to provide credit for agriculture and allied activities;
- iii) to encourage village industries, artisans, carpenters, craftsmen, etc.;
- iv) to reduce dependence of weaker sections on money-lenders;
- v) to identify a specific and functional gap in the present institutional structure;
- vi) to supplement the other institutional agencies in credit delivery to rural areas,
- vii) to make backward and tribal areas economically better by opening new branches.

### **2.2.2 Characteristic features of Regional Rural Banks**

- i) *Sponsorship*: Every regional rural bank is sponsored by a commercial bank, usually the lead bank of the district. In some areas state cooperative banks and private banks are allowed to sponsor RRBs.



- ii) *Jurisdiction:* The operational area to be covered by each RRB varies from one to two districts for efficient functioning. The number of branches in the area covered by each RRB may range from 50 to 60 keeping in view the operational and financial efficiency. Each branch of a RRB is expected to serve a population of approximately 20,000. However, these are subject to change as per the direction of the Central Bank of the country.
- iii) *Management:* The management of the bank is in the hands of a Board of Directors numbering eight, headed by a chairman, who is an officer of the sponsoring bank. Of the eight directors, three are nominees of the sponsoring bank, two from state government dealing with district development programmes and three from the central government. The sponsoring bank provides assistance to RRBs for the first five years in recruitment and operational matters.
- iv) *Share Capital:* The authorised share capital of a RRB has been fixed at Rs. 1 crore and issued capital at Rs. 25 lakhs. This is contributed by the central government, state government and the sponsoring bank in the ratio of 50:15:35, respectively. On the recommendation of working group of 1986, the government has increased the authorised capital to Rs. 5 crores and issued capital to Rs. 1 crore to improve their viability.
- v) *Functions:* The main functions of RRBs are to grant loans and advances particularly to small and marginal farmers, agricultural labourers, cooperative societies, artisans and small entrepreneurs within its operational area. They extend other banking facilities also such as issuing of drafts, collection of

cheques etc. They also play a vital role in the rural developmental programmes of the government.

- vi) *Rate of Interest:* The rate of interest on the loans charged is the same as collected by PACS. They have been allowed to offer 0.50 per cent higher interest on deposits than offered by CBs.
- vii) *Special Concessions to RRBs:*
  - a) Statutory Liquidity Ratio(SLR) to be maintained is fixed at 25 per cent as against 38 per cent by CBs;
  - b) RRBs are allowed to pay 0.5 per cent higher interest rate to its depositors over the interest rates paid by CBs;
  - c) Cash Reserve Requirement (CRR) of 3 per cent to be maintained with RBI as against 10 per cent by CBs;
  - d) They are allowed to draw refinance from NABARD to the extent of 50 per cent or more depending upon the type of advance of the eligible outstanding loans at a concessional interest rate of 7 per cent per annum; and
  - e) The RRBs are registered as insured banks with Deposit Insurance and Credit Guarantee Corporation of India (DICGC). All deposits up to Rs. 30,000 in each bank are accordingly insured with the DICGC thus providing protection to the depositors.

The working group on RRBs felt that there is an urgent need to try out new experiments. The group observed that the idea in setting up the new institution is two-fold:

- i) to provide employment to the rural educated youth who are properly oriented to look after the needs of the of the rural borrower; and
- ii) ii) to bring down the cost of rural banking

In pursuance of the recommendations of the Working Group on Rural Banks (1975), the Government of India initiated to establishment the Regional Rural Banks (RRBs) from 1975. As a process of it, the Government of India has established five RRBs on 2<sup>nd</sup> October 1975 and followed by other RRBs over a period of time. As on 31<sup>st</sup> March 2002, there were 196 RRBs with a network of 14,350 branches spread over in different parts of the country (Misra: 2007).

Regional Rural Bank in Mizoram was set up on 27<sup>th</sup> September 1983 under the Regional Rural Bank Act 1975. It is perhaps the only RRB in the country to be spread out in all the districts and blocks of the State. It covers all the eight (8) districts and 25 rural development blocks including 1 urban and 11 semi urban centers. The entire state populations are 8.89 lakhs as per 2001 census which is increased to 10.9 lakhs (22.78 per cent growth rate) as per 2011 census and the area is 21000 sq. km. About 66 per cent of the state is covered by forests and the mainstay of occupation is agriculture. Mizoram became a State as late as in 1986 yet its literacy percentage is 88.80 per cent which is increased to 91.58 per cent as per 2011 census, the second highest in the country.

### **2.2.3 Financial inclusion**

The regional rural banks have emerged as a strong intermediary for Financial Inclusion in rural areas by opening a large number of “No Frills” accounts and financing

under General Credit Card (GCC). Total number of business accounts (deposit plus loan accounts) with RRBs stood at 1,363.09 lakh, as on 31 March 2012 (MRB: 2012).

Mizoram Rural Bank (MRB) has taken upon itself the task of reaching out to remote and unbanked villages by way of Business Correspondents (BCs) model banking. Under the financial inclusion technology fund, NABARD has sanctioned Rs 42 lakhs for engaging BCs to cover 5 blocks with a target of opening 4000 accounts under the financial inclusion programme. With a view to achieving the objectives of greater financial inclusion as per Reserve Bank of India's directives, MRB introduced the following basic banking schemes during the study period:

- a) No Frills Account: A huge number of rural customers have been brought under this scheme. Basic banking with '*no frills account*' either '*nil*' or with very low of minimum balances savings bank account in all the branches. In these accounts, depositors are allowed overdraft facility up to a limit of Rs 500/-. These accounts are meant for channelising funds of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) beneficiaries.
- b) General Credit Card: To strength the credit delivery system at affordable cost, the GCC scheme has been introduced in the bank as per Reserve Bank of India guideline. Credit limit has been fixed at Rs. 25,000/-. This scheme has started getting momentum in rural areas.
- c) O.T.S: A one-time settlement (O.T.S) scheme has also been introduced by MRB with a limit fixed at Rs. 25,000/- to reduce the burden of rural borrowers (non intentional

defaulters) and also to make them eligible for fresh credit. This will also help in reducing non-performing assets.

#### **2.2.4 Core Banking Solution**

Core Banking Solutions (CBS) or Centralised Banking Solutions is the process which is completed in a centralised environment i.e. under which the information relating to the customer's account (i.e. financial dealings, profession, income, family members etc.) is stored in the Central Server of the bank (that is available to all the networked branches) instead of the branch server. Depending upon the size and needs of a bank, it could be for the all the operations or for limited operations. This task is carried through advance software by making use of the services provided by specialised agencies.

Due to its benefits, number of banks in India in recent years has taken steps to implement the CBS with a view to build relationship with the customer based on the information captured and offering to the customer, the customized financial products according to their need.

Adoption of the CBS process is advantageous both to the customers and the banks in the following manner:

##### **a) Customer**

- i) Transaction of business from any branch, ATM offers him anytime anywhere banking facility.
- ii) Lower incidence of errors. Hence accuracy in transactions.
- iii) Better funds management due to immediate availability of funds.

**b) Banks**

- i) Standardisation of process within the bank.
- ii) Better customer service leading to retention of customer and increased customer traffic.
- iii) Availability of accurate data & better use of available infrastructure.
- iv) Better Management Information System (MIS) and reporting to external agencies such as Govt., RBI etc.
- v) Increased business volume with better asset liability management and risk management.

In pursuant to Reserved Bank of India (RBI) guidelines, MRB has initiated the progress of computerisation on Core Banking Solution (CBS) platform using “B@NCS 24”<sup>29</sup> application software through the application server provider (ASP) model. Up-gradation of the 61 branches of the bank is completed in the year 2010. MRB has already fully computerised all its branches on a standard alone basis.

**2.2.3 Risk fund**

As per the prudential norms applicable to Regional Rural Banks (RRBs), MRB made a total provision of Rs. 597.00/- lakhs as on 31<sup>st</sup> March 2010, which cover all risks including bad and doubtful debts, assessable losses on frauds and misappropriations. No separate risk fund other than provision for bad and doubtful debts and assessable losses and fraud and misappropriation has been made during the study period (2000-2010).

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<sup>29</sup> Core Banking Solution (Well Version of B@Ncs24)

### **2.2.5 Write off loan**

MRB undertook a write off exercise of loans under agriculture segment classified as loss assets with very bleak prospect of recovery.

### **2.2.6 Non-fund based mechanism**

The Bank is yet to start issuing Letter of Credits (LCs), inland and foreign. The BGs issued are also still insignificant as a source of income.

### **2.2.7 Transfer price mechanism**

MRB has introduced the Fund Transfer Price Mechanism between its Head Office and the branches on almost similar lines being followed by its sponsor bank i.e., State Bank of India (SBI) with a view to eliminate loss making branches. The number of loss making branches has been reduced from 3 to 2 during the year of 2010.

### **2.2.8 Rural Housing Loan Scheme**

Under the Rural Housing Loan Scheme, MRB's exposure to housing sector stood at Rs. 9224.16/- lakhs in the year 2010. MRB's target being individual in the lower and middle income groups, their application for housing loan have been sanctioned under priority sectors.

### **2.2.9 Self-Help Group**

A large portion of Indian population has limited access to formal banking. The credit needs of this segment, which is primarily low income, is largely met by informal

channels such as money lenders, traders, family and friends, etc, which has its own limitations. One of the models designed to provide access to formal sources of finance to this segment of under-banked population is the Self Help Group - Bank Linkage Program (SBLP). Under this program, group of 10-20 individuals are organised into groups known as Self Help Groups (SHGs) by NGOs, commonly known as Self Help Promoting Institutions (SHPIs). The SHGs are also encouraged to take up livelihood activities for which skill training is provided by certain NGOs. The members of SHG are encouraged to save and internally lend the savings to members at the time of need. SHPIs also impart knowledge on managing books of accounts.

NGOs also link SHGs to banks for opening savings account and credit requirements. Banks lend to these groups after assessing the credit worthiness of an SHG on various parameters like group discipline on regularity of meetings, savings, rotation of funds, maintenance of books of accounts, group record keeping, repayment of loans, etc.

Laying emphasis on the Central Government policy on promotion of micro-enterprises in rural areas through the mechanism of self-help groups, MRB branches have formed and also promoted a good number of self-help groups. It is intended that SHGs linkage be a part of bank's mainstream credit operation.

#### **2.2.10 Kisan Credit Card Scheme**

Several policy measures were undertaken to improve the credit delivery system, such as revision of priority sector norms to refocus direct agricultural lending by banks, modification of the Kisan Credit Card (KCC) Scheme to suit the current requirements of



farmers and a special and concessional refinancing facility to improve the flow of credit to agriculture (RBI: 2012).

The performance of agricultural sector has a significant effect on the growth of Indian economy. The agriculture and allied sector contributed 14.6 per cent to the gross domestic product (GDP at constant price), 58.2 per cent to employment and 10.6 per cent to national exports in 2009-10 (GoI: 2011). In the sustained growth of agricultural sector, credit plays a crucial role. Considering the problems being faced by the farmers in having access to credit, the Government of India introduced the Kisan Credit Card (KCC) scheme in the year 1998-99 to provide timely and adequate credit support to the farmers from formal banking system in a flexible, hassle-free and cost effective manner. This scheme has facilitated the availability of credit in time and has simplified the procedure for availing loan from banks to a large extent (Nahatkar *et al*: 2002). The timely availability of crop loan has helped the farmers realise higher returns from farming (Singh and Sekhon: 2005). Most of the farmers are aware about the benefits of the KCC scheme irrespective of their literacy level (Vedini and Durga: 2007). The factors like age, gender, household size, farm size, education level, etc. positively influence the decision of adoption of KCCs (Kumar *et al*: 2007). Although KCC has gained popularity, there are growing concerns among farmers about this program; these include: (i) it should involve less paper work, (ii) interest rate should be lower, (iii) there should be flexibility in installment payment or some rebate in times of hardship/crop failure, and (iv) should have higher credit limits than the existing ones. The simplification of procedure is also required (NABARD: 2009).

In spite of various measures to rejuvenate farm credit, the flow of credit remained quantitatively and qualitatively poor. The institutional sources of credit meet only 51 per cent of the credit requirements of farm sector. The non-institutional sources were mainly reached by farmers due to lack of collaterals, frequent needs, undue delays, complicated procedures and malpractices adopted by institutional lending agencies. With a view to inquire into the reasons for the problems of the farm credit and suggest measure for improving the delivering system, RBI set up a one man Committee of Shri R. V. Gupta in December 1997. The Committee submitted its report in April 1998. It was against this background that RBI directed all Public Sector Banks (PSBs), RRBs and cooperative banks to introduce “Kisan Credit Card Scheme (KCCS)” on the lines of the model scheme formulated by NABARD and in due course of time the KCCS was adopted by all the directed agencies.

The KCCS aims at adequate and timely support from banking system to the farmer for crop production and ancillary activities. The credit limit (loan) is sanctioned in proportion to the size of the owned land but some flexibility is provided for leased-in land in addition to owned land. The borrowing limit is fixed on the basis of proposed cropping pattern. Most of the banks are adhering to Scales of Finance (SOF) decided by the State Level Bankers Committee (SLBC) but some banks have fixed their own SOF. The nature of credit extended under KCCS is revolving cash credit i.e., it provides for any number of withdrawals and repayments within the limit. This feature would provide flexibility and reduce the interest burden upon KCCS beneficiary. Security and margin norms would be in conformity with the guidelines issued by RBI and NABARD from time to time. With effect from 2001-2002, it was made obligatory for the implementing

agencies to operate the KCCS with an in-built component of life-insurance for KCCS beneficiary. The KCCS as envisaged has substituted all other existing institutional modes of short term credit delivery. By July 2005, implementation of KCCs was taken up by 27 PSBs, 378 Cooperative Banks and 196 RRBs throughout the country.

The cooperative banks account for 65 percent of KCCs issued and 63 per cent of the amount sanctioned. The Public Sector Banks (PSBs) and RRBs together accounted for 35 per cent of the KCCs issued and 37 per cent of the loan sanctioned. In accordance with the Government of India's policy on credit delivery and providing adequate and timely credit support to the farmers for their cultivation needs, MRB started implementing the new Kisan Credit Card (KCC) Scheme so as to enable farmers to meet their production and credit requirements in a cost effective and flexible manner. MRB has taken steps to sensitize the farmers and promote awareness about the Kisan Credit Card Scheme among farmers. The scheme has been recognised as a thrust area for implementation of the bank's credit deployment.

### **2.2.11 Share capital**

With an aim to strengthen Regional Rural Banks (RRBs), the government India introduced a Bill in the Lok Sabha to raise their authorised capital by 100 times to Rs 500 crore. Currently, the authorised capital of RRBs is Rs 5 crore and as per the proposed Bill raising it to Rs 500 crore would help those widening banking services in rural areas. Regional Rural Banks (Amendment) Bill, 2013 also seeks to allow RRBs to raise capital from sources other than the central government or the state government or the sponsor bank (The Economics Times: 2013).

**Table 2.1: Contribution made by Sponsors***(Rs. in lakhs)*

Sl/no	Sponsors	% of Share	Paid up capital	Equity Support	Total
1	Govt. of India	50	301.38	150.53	451.91
2	State Bank of India	35	210.97	105.37	316.34
3	Govt. of Mizoram	15	90.41	45.16	135.57
	<b>TOTAL</b>	<b>100</b>	<b>602.76</b>	<b>301.06</b>	<b>903.82</b>

**Source:** *Mizoram Rural Bank Annual Report 2010*

MRB is the second largest bank in the state next to the State Bank of India which is also the sponsoring bank. It has a market share of 8.55 per cent in deposits and 17.64 per cent in advances. (MRB: 2010). The paid up share capital (Table 2.1) of Rs. 602.76 lakhs have been contributed by all the share holders, Government of India, Government of Mizoram and State Bank of India (Sponsor Bank) in the ratio of 50:35:15. In addition to this, an additional equity share capital of Rs. 301.06 lakhs towards equity support for the purpose of cleansing of the balance sheet has received from the share holders.

### **2.3 Branch expansion**

The branch expansion policy of the Mizoram Rural Bank (MRB) indicates that there is a steady growth of branches over these years. The total number of branches has increased from 31 during the years 1983-86 to 61 in the year 2006-10. In the year 1983-86, it opened the highest number of branches (31) in the state. Its position was 12 in 2006-10. As compared to other commercial banks in the state, MRB opened the highest number of branches in the state.

**Table 2.2: Branch Expansions by Mizoram Rural Bank (1983-2010)**

Years	Number of branches opened	Total Number of Branches
1983-86	31	31
1986-90	7	38
1990-94	4	42
1994-98	7	49
1998-02	0	49
2002-06	0	49
2006-10	12	61

**Source:** Annual Report of the MRB

The number of branches opened was nil in the years 1998-02 and 2002-06. Till 2006, number of branches opened was stagnant at 49. It is a matter of fact that MRB covered all the districts of the state and opened 39 branches in rural areas of the state. Branch expansion is generally limited by topography, infrastructural facilities available, level of socio-economic development and attitude of people in the area concerned. The attitude of people is governed by the level of education (Kalkundrikar: 1990). The following Table 2.3 shows the trends in growth of MRB branch expansion in the state.

**Tale 2.3: Trends in the growth of Branches of MRB (1983-2010)**

Years <b>X</b>	Variable <b>Y</b>	<b>X=x-(1994-98)</b> (Central Value)	<b>Y<sub>x</sub></b>	<b>Y<sup>2</sup></b>	<b><math>\hat{Y}</math></b>
1983-86	31	-3	-93	9	32.8214
1986-90	38	-2	-76	4	37.0714
1990-94	42	-1	-42	1	41.3214
1994-98	49	0	0	0	<b>45.5714</b>
1998-02	49	1	49	1	49.7214
2002-06	49	2	98	4	53.9714
2006-10	61	3	183	9	58.2214
<b>n=7</b>	<b>319</b>		<b>119</b>	<b>28</b>	Annual growth rate <b>4.25%</b>

Since linear relation is indicated by;

$$Y = a + bx,$$

The normal equations are:

$$\sum Y = na + b\sum x \quad \dots\dots\dots (i)$$

$$\sum XY = a\sum x + b\sum x^2 \quad \dots\dots\dots(ii)$$

Substituting the values obtained, we get

$$\sum Y = na + b\sum x$$

$$319 = 7a + b\sum x$$

Therefore,

$$a = 319/7$$

$$= 45.57 \quad \dots\dots\dots(iii)$$

$$\sum XY = a\sum x + b\sum x^2$$

$$119 = 0a + b28$$

Therefore,

$$b = 119/28$$

$$= 4.25 \quad \dots\dots\dots \text{(Annual Average Rate of Growth of Branches in the State)}$$

From this calculation it can be concluded that the average annual growth rate of MRB branch expansion in the state is 4.25.

## 2.4 Deposit mobilisation

The most important aim of business for banks is accepting deposits and granting loans. The more the loans the banks disburse the more profit they make. At the same time, banks do not have a lot of their own money to give as loans. They depend on customer deposits to generate funds for granting loans to other customers. So a deposit mobilisation scheme would encourage customers to deposit more cash with the bank and this money in turn will be used by the bank to disburse more loans and generate additional revenue for them.

Mizoram Rural Bank (MRB) has been dealing with only small borrowers from the beginning. They were precluded from lending to activities other than those pertaining to the prescribed target groups. More of the borrowing accounts are from the rural areas having fewer amounts of advances. There has been very little effort made to reorient their lending programmes. Table 2.4 highlights the deposit mobilisation of MRB during the study period (2000-2010).

**Table 2.4: Deposit Mobilisations by MRB** (*Rs. in thousands*)

<b>Years</b>	<b>No. of Accounts</b>	<b>Deposit Amount</b>
2000-01	47063	505177
2001-02	51047	683434
2002-03	899000	860809
2003-04	61030	1007068
2004-05	66288	1245462
2005-06	72622	1471026
2006-07	74113	1660182
2007-08	100411	1988504
2008-09	114743	2831902
2009-10	144517	3262356

**Source:** *Various annual report of MRB*

It is very clear from the table that the number of accounts opened in the year 2000-2001 was 47063 which again increased to 144517 accounts in the year 2009-10. It is 73.4 fold increases during the study period.

## 2.5 Trend in growth of deposits

The financial system of the country remains robust. Risks to stability are, however, elevated due to global and domestic macroeconomic factors. The trends in the growth of number of deposit accounts and the amounts mobilised has been summarised in Table 2.5. Since no other tests of goodness could fit in the data available on deposits as well as accounts increases including the linear relation as assumed for branch expansion, there is no alternative than to study the trend in terms of percentage increase over previous year and to calculate geometric mean to indicate the average trend. This method has been attempted in the following Table 2.5

**Table 2.5: Trends in growth of Deposit Accounts of MRB**

*(Rs. in thousands)*

Years	No. of Accounts	Increase in absolute terms	% increase over previous year
2000-01	47063	-	-
2001-02	51047	3984	8.47
2002-03	899000	38853	76.11
2003-04	61030	-28870	-32.11
2004-05	66288	5258	8.61
2005-06	72622	6334	9.55
2006-07	74113	1491	2.05
2007-08	100411	26298	35.5
2008-09	114743	14332	14.3
2009-10	144517	29774	25.94
<b>Average Growth Rate – 14.7</b>			

**Source:** MRB Annual Reports (200-2010)



Notes:

- 1) % increase over the previous year = Absolute Increase  $\times$  100/ No. of Accounts.
- 2) Absolute Increase = Present No. of Accounts – Previous year No. of Accounts.
- 3) Geometric Mean: Geometric mean is a kind of average of a set of numbers that is different from the arithmetic average. The geometric mean is well defined only for sets of positive real numbers. This is calculated by multiplying all the numbers (call the number of numbers  $n$ ), and taking the  $n$ th root of the total. A common example of where the geometric mean is the correct choice is when averaging growth rates.

$$\text{Geometric Mean} = ((x_1)(x_2)(x_3)\dots(x_n))^{1/n} \quad \dots\dots\dots (i)$$

Also,

$$\bar{x}_{geom} = \sqrt[n]{\prod_{i=1}^n x_i} = \sqrt[n]{x_1 \cdot x_2 \cdot x_3 \dots x_n} \quad \dots\dots\dots (ii)$$

Where  $x$  is % increase over previous year and  $n$  is Sample size (i.e. No. of Accounts)

Since only the positive units are calculated in this geometric mean for finding the average growth of the units, only the positive percentage which is increased over previous year is selected as calculation to find the average growth rate of the accounts opened in MRB. This technique is also used in other calculations of this chapter.

The trends in the growth of number of deposit accounts has been found as only 14.7 rate of growth during 2000-2010. It shows that during the study period (2000-2010) MRB could not achieve much higher deposits account in the state.

## 2.6 Credit-Deposit Ratio (C-D Ratio) of MRB

A ratio of aggregate outstanding advances and aggregate outstanding deposits multiplied by hundred is called Credit-Deposit (CD) ratio. This ratio indicates the extent of deployment and utilisation of resources by bank and issued for evaluating the performance of a bank. According to Hasmoni (2002) “This measure acts as an indirect

means of assessing the monetary management by the bank.” Regional Rural Banks are required to deploy credit for the financial assistance to the weaker sections residing in their jurisdiction and to decrease the rural urban disparities. Mizoram Rural Bank serves the rural populace of the state much more than the other financial institutions in the state. Table 2.6 gives the scenario of credit-deposit ratios of total business of MRB during the financial years 2000-2001 to 2009-2010. The data revealed the changing trends of MRB during the last decade in terms of increase in public deposits and credit availed by the public. CD ratio was maximum in 2006-2007 (65.38 percent) as compared to 2002-2003 (32.76 percent) which was the least in the period under the present study (Vanlalkulhpuia & Nixon: 2012). The trend of this ratio of MRB is significantly not good. After 2006-2007 when the ratio hit the highest percentage at 65.38 per cent, during the year of 2010 the credit deposit ratio was decreased to 49.19 per cent.

**Table 2.6: Aggregate Total Deposits and Credit**

*(Rs. in thousands)*

<b>Years</b>	<b>Deposits</b>	<b>Credits</b>	<b>C.D Ratio</b>
2000-01	505177	175579	<b>35</b>
2001-02	683434	230091	<b>33.67</b>
2002-03	860809	281969	<b>32.76</b>
2003-04	1007068	337272	<b>33.49</b>
2004-05	1245462	502624	<b>40.36</b>
2005-06	1471026	802074	<b>54.52</b>
2006-07	1660182	184427	<b>65.38</b>
2007-08	1988504	1283307	<b>64.54</b>
2008-09	2831902	1610642	<b>56.87</b>
2009-10	3262356	1771272	<b>54.29</b>

**Source:** *Mizoram Rural Bank Annual Reports 2000-2010*

The performance of Mizoram Rural Bank in the deployment of resources mobilised by way of deposits was very good during the period from 2000-2010. The

more important criteria for judging the performance is how far the bank has been able to meet the credit needs in its area of operations according to the planned allocation of credit under District Credit Plan<sup>30</sup> and Annual Action Plan. As on 31 June 2010 the Credit Deposit ratio of Mizoram Rural Bank (MRB) in rural areas is 34.61 per cent while that of all India level was 65.30 per cent. And it is 34.34 per cent in semi urban area while that of all India level is 54.26 per cent. Again in urban area MRB achieved 36.21 per cent (RBI: 2010). The credit deposit ratio of MRB in 2000-2001 is 35 per cent but in the next two years it has decreased (33.67 per cent in 2001-2002 and 32.76 per cent in the year 2002-2003). But from the year 2003-2004 the credit deposit ratio of MRB increased from 33.49 per cent to 65.48 per cent at the year 2006-2007. During these years MRB achieved highest percent in credit deposit ratio. After MRB reached highest credit deposit ratio during 2006-2007, it has gradually been seen decreasing from 2007-2008 to 2010-2011. *i.e.* 64.54 per cent in the year 2007-2008 to 54.29 per cent in the year 2009-2010.

In order to examine the degree of relationship between growth of deposits and growth of advances of MRB, coefficient of correlation analysis has been used. For this purpose, deposits and advances during the study period have been considered *i.e.*, 2000-2001 to 2009-2010. The result is obtained as under:

**Table 2.7: Correlation between deposits and advances of MRB**

	<b>Deposits</b>	<b>Advances</b>
<b>Deposits</b>	1	0.925587
<b>Advances</b>	0.925587	1

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<sup>30</sup> This is a *document* prepared by the Lead Bank of the district in coordination with the other banks. The plan contains the business potential (*loan and deposits*) of the district for next financial year. The planned targets are divided among the banks in the districts to achieve the credit growth to the priority sectors and other sectors in the district.

The high correlation i.e.,  $r = 0.925587$  value between deposits and advances of MRB during the study period are strongly correlated. It confirms that over the years, deposits and advances of the Mizoram Rural Bank are increasing in the same proportion. The high correlation coefficient will clearly indicate more saving habit of the people affect higher volume of credit deployment of MRB.

## **2.8 Loans and advances distributed to priority sectors**

Table 2.8 shows the growth rate and performance of MRB on agricultural sector, industrial sector and service sector. As can be seen, MRB gives first priority to service sector in terms of disbursed loan and agricultural sector get the second place while industrial sector stands at the third position.

During the year 2000-01 MRB disbursed loan to agricultural sector amounting to Rs 7174 thousands followed by service sector (Rs 35722 thousand) which is 15.12 per cent from the total loan disbursed whereas that of service sector is 75.31 per cent. In the next year loan disbursed to agricultural sector declined to 10.76 per cent from the total loan but service sector increase to 82.69 per cent in 2002-03.

The percentage from the total loan disbursed by Mizoram Rural Bank (MRB) under agricultural sector increased to 11.76 per cent from 10.95 per cent in the previous year. During this period the total loan disbursed by MRB to different sector declined from Rs 85442 thousand to Rs. 64,74,7 thousand. Again in 2003-04, even the total loan amount disbursed by MRB to priority sectors increased to Rs, 17, 36, 91 thousand.

**Table 2.8: Total Loans and Advances distribution to Priority Sectors**  
(Rs. in Thousands)

Years	Agriculture	Industries	Services	Total
2000-01	7174 (15.12%)	4537 (9.56%)	35722 (75.31%)	47433 (100%)
2001-02	9364 (10.95%)	5419 (6.34%)	70659 (82.69%)	85442 (100%)
2002-03	7617 (11.76%)	4081 (6.30%)	53049 (81.93%)	64747 (100%)
2003-04	12249 (7.05%)	8128 (4.67%)	153314 (88.26%)	173691 (100%)
2004-05	86989 (29.09%)	20683 (6.91%)	191283 (63.98%)	298955 (100%)
2005-06	135680 (67.48%)	39856 (19.82%)	25526 (12.69%)	201062 (100%)
2006-07	120830 (37.14%)	96961 (29.80%)	107545 (33.05%)	325336 (100%)
2007-08	186178 (45.49%)	163862 (40.04%)	59190 (14.46%)	409230 (100%)
2008-09	231822 (38.49%)	42459 (7.04%)	327990 (54.45%)	602271 (100%)
2009-10	236158 (31.28%)	60144 (7.79%)	458580 (60.74%)	754882 (100%)
<b>Total</b>	<b>1034061</b> <b>(34.89%)</b>	<b>446130</b> <b>(15.04%)</b>	<b>1482858</b> <b>(50.05%)</b>	<b>2963049</b> <b>(100%)</b>

**Source:** Mizoram Rural Bank Annual Reports (2000-2010)

*Note: Figure in the parentheses indicates percentage of growth over the previous year.*

The loan disbursed to agricultural sector declined to 7.05 per cent only while services sector reach 88.26 per cent. Industrial sector is still lower than the other sectors. In 2004-05 the loan disbursed to agricultural sector increased to 29.09 per cent but service sector is still higher at 63.98 per cent.

2005-06 to 2007-08 (three years) is the most important years for agricultural sector because MRB disbursed a higher amount of loan to agricultural sector rather than service sector i.e., 67.48 percent in 2005-06, 37.14 percent in 2006-07, 45.49 percent in 2007-08. Even though the loan disbursed to priority sectors declined MRB give first priority to agricultural sector during these three years.

The total loans and advances disbursed by MRB to different sectors like agriculture went up to Rs.1034061 thousands, industries (Rs.446130 thousands) and services (Rs. 1482858 thousands) within last ten years (2000-2010).

The increases of loans and advances from 2008-2009 in agricultural sector and Services are Rs. 4336 thousands and Rs.130590 thousands respectively. From this table it can be concluded that total loans and advances issued by the MRB gradually increases year by year. But agricultural sector has not been given much priority as compared to service sector.

## **2.9 Non Performing Assets (NPA) of MRB**

The efficiency of bank is reflected by the size of its balance sheet but the level of return on its assets is also an important factor. The NPA adversely affected to generate interest income at the same time parallel banks are required to give some provision for NPAs from their current profits.

Non-Performing Asset (NPA) is an asset called when the borrower fails to repay the interest and/or principal amount on agreed terms. It means stop to generate income for the bank. NPAs are treated as past amount in respect of credit facility in terms of

interest and/or principal amount for two quarters or more. The past due means the amount has not been paid within 30 days from the due date. This concept comes with effects from 31<sup>st</sup> March 2001.

Mizoram Rural Bank (MRB) follows the new prudential norms for recognition of income based on classification of loans and advances as standard, sub-standard, doubtful and loss assets. Out of the total advances outstanding 94 per cent has been classified as standard assets. The bank has made provisions of 0.25 per cent on standard assets. The position of NPA and advances outstanding during the study period of 2000 to 2010 can be observed from Table 2.9. The bank total advances outstanding as on 31<sup>st</sup> March 2001 aggregate is Rs. 2300.91lakhs, as against Rs. 1758.04 lakhs in previous year 2000. The percentage rate of growth is 30.88 per cent. As on 31<sup>st</sup> March 2002 aggregate advances outstanding is Rs. 2819.69 lakhs, which shows 22.55 per cent increased growth rate in total advances over the previous year's advances. In 2003 the total advances shows 19.61 per cent increased (Rs. 3372.72 lakhs). At the same time, as on 31<sup>st</sup> March 2004 aggregate advances outstanding is Rs. 5026.24lakhs which is 49.03 per cent increase as against total outstanding in the previous year. The highest growth of advances was achieved in 2004-2005 (59.58 per cent) while the highest percentage of NPA to gross advances was in 200-01 (44.64).

The following table (Table 2.9) shows that the non-performing assets of MRB during the study period had a good picture. The percentage of NPA to gross advances decreased to 5.65 per cent in 2009-10 from 44.64 per cent of NPA to gross advance in the year 2000-01. As compared with the national level it is lower than the all India level NPA

to gross advance. The national performance of NPA to loans outstanding was 3.72 per cent in 2010 (NABARD: 2011-12). The quality of loan assets determines the financial viability and strength in MRB. The increasing overdue advances are turning as a cause of non-per-forming assets in financial institution.

**Table 2.9: Gross NPAs and Gross Advances**

*(Rs. in thousands)*

Years	Gross NPA	% of NPA to Gross Advances	Gross Advances	% of Growth in Advances over previous year
2000-01	78474	44.64	175804	-
2001-02	81026	35.21	230091	30.88
2002-03	93459	33.15	281969	22.55
2003-04	103327	30.64	337272	19.61
2004-05	12075	2.4	502624	49.03
2005-06	95550	11.91	802074	59.58
2006-07	116623	10.74	1085458	35.33
2007-08	97931	7.63	1283307	18.23
2008-09	46160	2.87	1610642	25.51
2009-10	100111	5.65	1771272	9.97

**Source:** MRB Annual Reports 2000-2010

*Note: Percent in the parenthesis shows that percentage of NPA to Gross Advances and percentage of Growth in Advances over previous year*

The correlations coefficient was performed to test the relationship between Gross NPAs and Gross Advances in respect of non-performing assets of MRB during the study period. From the following correlations Table 2.10, it can be observed that the calculated value of correlation coefficient is positive. The correlation coefficient is **.473** which shows that there is positive correlation between gross NPA and gross advances during the study period.



**Table 2.10: Correlations between Gross NPA & Gross Advances**

			Gross of NPA	Gross of Advances
<b>Spearman's rho</b>	<b>Gross of NPA</b>	Correlation Coefficient	1.000	<b>.473</b>
		Sig. (2-tailed)	.	.142
		N	11	11
	<b>Gross of Advances</b>	Correlation Coefficient	<b>.473</b>	1.000
		Sig. (2-tailed)	.142	.
		N	11	11

## 2.10 Recovery performance

The state is being served by only one Regional Rural Bank (i.e., MRB) with the network of 61 branches spread all over the 8 districts of the state till the end of study period (2000-2010).

**Table 2.11: Recovery Position of MRB**

Years	Recovery (%)
2000-01	61
2001-02	53.88
2002-03	55.04
2003-04	50.23
2004-05	50.49
2005-06	61.22
2006-07	71.34
2007-08	77.81
2008-09	79.33
2009-10	87.48

**Source:** *Mizoram Rural Bank Annual Reports 2000-2010*

It can be seen from the Table 2.11 that the recovery performance of MRB was progressive in picture. The information regarding the percentages of recovery of MRB during the study period from 2000-2010 is presented in the above table:

As on March 2000 the recovery performance of MRB in the state was 61 per cent, but in the next year it declined to 53.88 per cent and continued to 50.49 per cent in the year 2004-05. And after 2005-06 the performance of recovery begins to increase at 61.22 per cent. From the year 2006-07 onward the recovery performance of MRB gradually increased to 87.48 per cent in the year 2009-10. This clearly shows that the performance of MRB on recovery percentage is quite very high as compared to other state of India. The national recovery performance of RRBs is 77.85 per cent in 2010. The following Table 2.12 highlights the national frequency distribution of states according to levels of recovery of RRBs as on 30<sup>th</sup> June 2010. It can be seen that the performance of MRB on recovery is one of the highest in the country as compared with the other states.

**Table 2.12: Frequency Distribution of States, according to Levels of Recovery**  
(As on 30 June 2010)

<b>Recovery %</b>	<b>States</b>
<b>&lt; 40</b>	<b>NIL</b>
<b>&gt; 40 and &lt; 60</b>	Bihar (1), Jharkhand (1), Manipur (1), West Bengal (1)
<b>&gt; 60 and &lt; 80</b>	Andhra Pradesh (2), Arunachal Pradesh (1), Assam (1), Bihar (2), Chhatisgarh (2), Haryana (1), J & K (1), Jharkhand (1), Karnataka (3), Maharashtra (3), Madhya Pradesh (5), Meghalaya (1), Nagaland (1), Odisha (5), Uttar Pradesh (7), Uttarakhand (1), West Bengal (2)
<b>&gt; 80</b>	Andhra Pradesh (3), Assam (1), Bihar (1), Chhatisgarh (1), Gujarat (3), Haryana (1), Himachal Pradesh (2), J & K (1), Karnataka (3), Kerala (2), M.P (3), <b>Mizoram (1)</b> , Puducherry (1), Punjab (3), Rajasthan (6), Tamil Nadu (2), Tripura (1), U.P. (3), Uttaranchal (1) .

**Source:** NABARD Annual Report 2011-2012

*Notes: Figure in the bracket is number of RRBs in the States*

## **2.11 Comparison of productivity between MRB and RRBs**

### **2.11.1 Regional Rural Banks in India**

In economics, productivity is the ratio of output produced by per unit of input (Ahuja: 2006). It also refers to the technical efficiency of production relative to the allocation of resources of enterprises. The increase productivity directly result in improved profitability for bank that achieves it, but the relationship between productivity and profit becomes more complicated over the long term.

In the present competitive environment, the most sustainable source of profitability is constant productivity improvement. In other words, profitability is the fleeting reward of productivity improvement. This dynamic also holds true in more complex market situations. The productivity analysis may be said as an evaluative activity of the performance of an entity. The purpose of it being employed is to provide the appropriate solution to a problem that hinders the attainment of production goals in the present and future of the company or bank. The findings from productivity analysis being undertaken are indeed of great help in providing an entity the necessary changes to be implemented for the realisation of its production goals (Miller: 2010).

Productivity is the corner stone of the banking growth and economic development. It means efficiency and effectiveness of services. Optimum productivity is reached when there is a balance between all factors of production that yield maximum output for least effort (Choudhary: 1988). The productivity measures the extent to which the actual input is necessary to produce the actual output level (Ahmed: 2003). The

productivity ratios of banks are worked out by relating to the total deposits, total advances and total business (deposit plus advances) of the banks to the total number of branches and also total number of employees. The following are the commonly used ratios measuring productivity of the banks.

**a) Labour productivity**

$$\text{i) Deposit per employee} = \frac{\text{Total Deposits}}{\text{No.of employees}}$$

$$\text{ii) Advances per employee} = \frac{\text{Total Deposits}}{\text{No.of employees}}$$

$$\text{iii) Business per employees} = \frac{\text{Deposits+Advances}}{\text{No.of employees}}$$

**b) Branch productivity**

$$\text{i) Deposit per branch} = \frac{\text{Total Deposits}}{\text{No.of branches}}$$

$$\text{ii) Advances per branch} = \frac{\text{Total Deposits}}{\text{No.of branches}}$$

$$\text{iii) Business per branch} = \frac{\text{Deposits+Advances}}{\text{No.of branches}}$$

**c) Return on Investment and Return on Assets**

The productivity of banks can also be measured with return on investment (ROI) and profit as percentage of volume of business. The return on investment enables us to know profitability of capital employed. Higher the profits as a percentage of volume of business, the better will be the productivity performance of a bank. The return on investment (ROI), profit as percent of assets (ROA), and profit as percentage of volume of business can be calculated with the help of the following formulas.

$$\begin{aligned}
 \text{i) Return on Investment (ROI)} &= \frac{\text{Net Profit}}{\text{Investment}} \times 100 \\
 \text{ii) Profit as percent of Assets (ROA)} &= \frac{\text{Net Profit}}{\text{Total Assets}} \times 100
 \end{aligned}$$

The total numbers of RRBs in all India level were 196 in 2000-2001, which is reduced to 82 in the year 2009-10. This decrease in number is due to restructuring strategies adopted and amalgamation of various RRBs in the country which started after the implementation of Narasimham Committee recommendation by the Government of India. Even though the numbers of Regional Rural Banks (RRBs) decreased, the branch network has increased to 15,475 in 2009-2010 from 14,301 branches in 2000-2001. During the period of 11 years under consideration, 1,357 branches increased in order to cover more number of districts in the country. This has been confirmed by the fact that the number of districts covered by the RRBs in the country has increased from 484 in 2000-2001 to 619 districts in the year 2009-2010. It indicates that an additional 137 districts were covered by setting up of new branches in the various uncovered and under banked districts of the country. The population served per branch of RRBs is interestingly high. i.e., roughly 84.6 thousand in 2000-2001 which slightly improved and figured at 77.3 thousand populations served per branch in 2009-2010. The scenario is extremely poor while compared with the population per branch of commercial bank as a whole which covered 18 thousand populations by each branch during 2009-2010 (IBA: 2011). The number of employee per branch is found to be very low, i.e., around 4 to 5 persons throughout the period. In the year 200-2001, the average number of employees per office was 4.90 which declined to 4.14 during the year 2010-2011. This decrease in average

number of employees per branch may be due to computerisation in certain branches of RRBs. The data relating to the background of RRBs are presented in Table 2.13.

**Table 2.13: Performances of Regional Rural Banks in India**

(Rs. in crore)

Year	No. of RRBs	Branches	Employees per Branch	Districts Covered	Deposits	Loans & Advance	CD ratio
2000-01	196	14,301	4.9	481	37,027	15,794	41
2001-02	196	14,390	4.86	511	43,220	18,629	41.8
2002-03	196	14,433	4.82	516	48,346	22,158	44.2
2003-04	196	14,446	4.79	518	57,010	26,115	46.3
2004-05	133	14,484	4.76	523	62,143	32,871	52.8
2005-06	94	14,494	4.73	525	71,329	38,520	55.6
2006-07	90	14,520	4.7	534	83,144	47,326	58.3
2007-08	90	14,761	4.6	594	99,093	57,568	59.5
2008-09	86	15,181	4.51	616	1,20,189	65,609	56.4
2009-10	82	15,475	4.22	619	1,45,035	79,157	57.6

**Source:** Reserve Bank of India, *Basic Statistical Return of Scheduled Commercial Banks, Various Issues*

*RBI Report on Trend and Progress of Banking in India, Various Issues*  
*RBI, Statistical Tables Relating to Banks in India 2003*

The resource mobilisation is an integral part of banking activity. The government has directed the banks to make all possible efforts to access to new deposits that can only expedite the pace of lending activities. There has been a substantial rise of deposits of RRBs during the period under consideration. The amount of deposit in the year 2000-2001 was Rs. 37,027 crore and this has gone up to Rs. 1,45,035 crore in 2009-2010, recording 4043 times increase in deposit over the years. Although there has been decrease in the total numbers of RRBs in the country, the quantum of deposit has increased over the years.

The bank credit is an important input variable in the production functions of agriculture, industry, commerce and allied productive activities for the socio-economic development of the backward region of the country (Ahmed: 2012). The loans and advances offered by the RRBs in the country are also increasing over the years in a continuous manner as observed from table 1. The total amount of loans and advances of RRBs in the country was Rs. 15,794 crore in 2000-2001. The amount has gone up to a total of Rs. 79,157 crore in the year 2009-2010. It is clear that the total amount of loans and advances of RRBs in the country has increased by more than 5 times over the period.

The credit deposit of the RRBs in the country has been increased over the study period. In 2000-2001 the credit deposit ratio of the RRBs in the country was 41 percent which was increased to 57.6 percent in 2009-2010. The trend of credit deposit ratio of commercial banks is much higher than that of the RRBs. The figure was 45.9 percent in March 2001 which has reached to the level of 73.9 percent in March 2001 (RBI: 2008). Hence, the apparent fact remains that the RRBs failed to maintain the CD ratio of commercial banks of the country during the study period. The reason of significantly low CD ratio of RRBs may be attributed to nature of loans sanctioned, non-recovery of loans, stubborn cheaters, lack of implementation of bankable schemes and so on (Ahmed: 2012).

### **2.11.2 RRBs in North East India**

Table 2.14 represents the position of branch and labour of all the Regional Rural Banks in North East region. It can be observed that branch productivity i.e., volume of business per branch of Tripura Gramin Bank (Rs. 2567.42 lakhs) is highest in north-east

region which is followed by Assam Bramin Vikas Bank (Rs. 1427.13 lakhs), Meghalaya (Rs. 1259.63 lakhs), Mizoram Rural Bank (Rs. 1166.05 lakhs), Arunachal Pradesh Rural Bank (Rs. 963.53 lakhs), Langpi Dehangi Rural Bank (Rs. 864.90 lakhs), Manipur Rural Bank (Rs. 438.33 lakhs) and Nagaland Rural Bank Rs. (418.86 lakhs). In case of business per employee also Tripura Gramin Bank is the highest in the North East Region (Rs. 437.76 lakhs) which is followed by Mizoram Rural Bank (Rs. 333.94 lakhs). From the analysis of RRBs in North East Region in term of both business per employee and business per branch, it can be concluded that Mizoram Rural Bank had performed better in North East Region as on March, 2010.

**Table 2.14: Regional Rural Banks in North East India**  
(as on March 2010)

*(Rs. in lakhs)*

Sl.no	Name of Branches	Business per Branch	Business per Employee
1	Arunachal Pradesh Rural Bank	963.53	298.56
2	Assam Bramin Vikas	1427.13	298.68
3	Langpi Dehangi Rural Bank	864.9	205.23
4	Manipur Rural Bank	438.33	140.89
5	Meghalaya Rural Bank	1259.63	317.8
6	Mizoram Rural Bank	1166.05	333.94
7	Nagaland Rural Bank	418.86	113.2
8	Tripura Gramin Bank	2567.42	437.76
	North East Region	1138.23	268.26
	All India RRBs	1471.93	330.02

**Source:** RRB Monitoring, Key Performance Indicators and Statistics of RRBs 2009-2010

### 2.11.3 Mizoram Rural Bank

In Mizoram the first Regional Rural Bank (RRB) known as Mizoram Rural Bank (MRB) was set up on 27<sup>th</sup> September 1983 under the Regional Rural Bank Act 1975. It is



perhaps the only RRB in the country to be spread out in all the districts and blocks of the State. It covers 8 districts and 25 RD blocks including 1 urban and 11 semi urban centers.

MRB is the second largest bank in the state next to the State Bank of India which is also the sponsoring bank. It has a market share of 8.55 per cent in deposits and 17.64 per cent in advances. (MRB Annual reports 2000-10). The following Table 2.15 clearly shows MRB branches located in urban, semi urban and rural areas in the state.

**Table 2.15: District-wise no. of MRB branches in Mizoram**  
(As on 31.03.2010)

Sl. No	No of Districts	Branches	Urban	Semi Urban	Rural
1	Aizawl	22	11		11
2	Lunglei	8		3	5
3	Champhai	8		1	7
4	Kolasib	6		2	4
5	Mamit	6		1	5
6	Serchhip	6		2	5
7	Saiha	2		1	1
8	Lawngtlai	3		1	2
<b>Total</b>		<b>61</b>	<b>11</b>	<b>11</b>	<b>39</b>

*Source: Mizoram Rural Bank Annual Report 2009-10*

## 2.12 Productivity analysis of MRB

The total amount of deposit mobilised by MRB in 2000-2001 was Rs. 50,51,77 thousands and the amount has increased to Rs. 32,62,356 thousands in the year 2009-2010. It indicates that the increase in total deposit mobilisation of MRB is 9.43 fold during 2000-2001 to 2009-2010. Similarly, the total loans and advance outstanding of the MRB in 2000-2001 was Rs. 17,55,79 thousands. In 2009-2010 the quantum of total loans and advances outstanding has increased to Rs. 17,71, 272 thousands. A ratio of aggregate outstanding advances and aggregate outstanding deposits multiplied by hundred is called

Credit-Deposit (CD) ratio. This ratio indicates the extent of deployment and utilisation of resources by bank, and issued for evaluating the performance of a bank. According to Hasmoni (2002) “This measure acts as an indirect means of assessing the monetary management by the bank.” Regional Rural Banks are required to deploy credit for the financial assistance to the weaker sections residing in their jurisdiction and to decrease the rural urban disparities. As can be seen from above, Mizoram Rural Bank serves the rural populace of the state much more than the other financial institutions in the state. Table 2.16 gives the scenario of credit-deposit ratios of total business of MRB during the financial years 2000-2001 to 2009-2010. It reveals the changing trends of MRB during the last decade in terms of increase in public deposits and credit availed by the public. CD ratio was maximum in the year 2006-2007 (65.38 percent) as compared to 2002-2003 (32.76 percent) which was the least during the study period. The credit deposit ratio of the Mizoram Rural Bank was 35 percent in 2000-2001 which is increased to 54.29 percent in 2009-2010.

**Table 2.16: Productivity performance of Mizoram Rural Bank**

Years	No. of Branches	No. of employee per office*	No. of Districts Covered	Deposits (thousands)	Loans & Advances (thousands)	C/D Ratio
2000-01	54	3.3	8	50,51,77	17,55,79	35
2001-02	54	3.2	8	68,34,34	23,00,91	33.67
2002-03	54	3.2	8	86,08,09	28,19,69	32.76
2003-04	54	3.2	8	10,07,068	33,72,72	33.49
2004-05	54	3.1	8	12,45,462	50,26,24	40.36
2005-06	54	3.2	8	14,71,026	80,20,74	54.52
2006-07	54	3.1	8	16,60,182	18,44,27	65.38
2007-08	60	3.8	8	19,88,504	12,83,307	64.54
2008-09	60	3.6	8	28,31,902	16,10,642	56.87
2009-10	61	3.4	8	32,62,356	17,71,272	54.29

**Source:** Annual Reports of Mizoram Rural Bank, Various Issues.

*Note: \*No. of employee per office of MRB is calculated with total no. of staff divided by no. of branches.*

Further, an attempt is made here for a correlation analysis for deposits and advances between MRB and other RRBs of the country in order to examine the performance and productivity of MRB. The result found is shown as under:

**Table 2.17: Correlation between MRB and RRBs on advances and deposits**

<b>Deposits</b>	<b>Advances</b>
0.87	0.90

The high positive 'r' values for both the parameters indicate a close relationship between MRB and RRBs in respect of their performance. It observed that MRB is performing as good as RRBs as a whole particularly for acquiring deposits and advances during 2000-01 to 2009-10. It can be concluded that the Mizoram Rural Bank is performing its volume of business at par with Regional Rural Banks of the country.

The following Table 2.18 indicates the deposit per employee, advance per employee and business per employee of MRB. It widely used parameter to measure the labour productivity. The deposit per employee in 2000-2001 was Rs. 2822.218 thousand and it increased to Rs. 15316.23 thousand in 2009-10. Over the years, the increase in deposit is Rs 0.065 thousand per employee. Similarly in the case of advance per employee it was Rs. 980.8883 thousand in the year 2000-2001 and increased to Rs. 8315.831 thousand in 2009-2010. Over the years it increased by 0.093 time. In the same manner, the business per employee was Rs. 3803.106 thousand in the year 2000-2001 which is increased to Rs. 23632.06 thousand in 2009-2010 recording 0.1 time increased.

The Mizoram Rural Bank maintained the similar trend of business growth of per employee with the per employee business growth of RRBs. During the year 2000-2001 the business per employee of RRBs was Rs. 7500 thousand which increased to Rs. 40400 thousand in 2009-2010.

**Table 2.18: Productivity Ratio of Mizoram Rural Bank**

*(Rs in thousands)*

Year	Labor Productivity			Branch Productivity		
	<i>Deposit per employee</i>	<i>Advance per employee</i>	<i>Business per employee</i>	<i>Deposit per branch</i>	<i>Advance per branch</i>	<i>Business per branch</i>
2000-01	2822.21	980.888	3803.10	9355.13	3251.46	12606.59
2001-02	3839.51	1292.64	5132.16	12656.19	4260.94	16917.13
2002-03	4863.32	1593.04	6456.37	15940.91	5221.64	21162.56
2003-04	5754.67	1927.26	7681.94	18649.41	6245.77	24895.19
2004-05	7283.40	2939.32	10222.73	23064.11	9307.85	32371.96
2005-06	8503.04	4636.26	13139.31	27241.22	14853.22	42094.44
2006-07	9823.56	1091.28	10914.85	30744.11	3415.31	34159.43
2007-08	8534.35	5507.75	14042.11	33141.73	21388.45	54530.18
2008-09	13050.24	7422.31	20472.55	47198.37	26844.03	74042.4
2009-10	15316.23	8315.83	23632.06	53481.25	29037.25	82518.49
2010-11	18551.1	9125.55	27676.65	76897.31	37826.89	114724.2

**Source:** *Calculated from MRB annual reports*

The above table again reveals that deposit per branch in the year 2000-2001 was Rs. 9355.13 thousands, which is increased to Rs.53481.25 thousands in the year 2009-2010. Over the year, the increase is 0.082 time per branch. The advance per branch in 2000-2001 was Rs. 3251.463 thousand which is increased to Rs.29037.25 thousand in 2009-2010. During that period, there has been 0.11 time increase in advance per branch. Lastly, the business per branch was Rs. 12606.59 thousand in 2000-2001 which is

increased to Rs. 82518.49 thousand in 2009-2010 recording 0.1 time increase. The MRB is still having higher performance but not much good in terms of volume of business per branch while compared with RRBs as a whole. The business per branch of RRBs was Rs. 36900 thousand in 2000-2001 which is increased to Rs. 167400 thousand in 2009-2010.

Total income and expenses is an indication of branch financial efficiency. If the income per branch is more it indicates that the branch is doing well in terms of financial management and vice versa and also the lower expenditure per branch greater is the efficiency of branch (Makandar: 2013). This ratio is a measure of total income earned by per branch. This ratio is computed by dividing the amount of total income divided by the number of branches in the bank.

**Table 2.19: Per Branch total income, total expenditure and net profit**  
(Rs. in thousands)

Years	Income per Branch	Expenditure per Branch	Net profit per Branch
2000-01	1008.64	953.14	55.5
2001-02	1142.67	1109.98	32.69
2002-03	1532.93	1485.9	55.35
2003-04	1953.4	1890.93	47.03
2004-05	2031.58	2079.46	62.47
2005-06	2616.24	2583.48	47.89
2006-07	3542.59	3424.03	32.76
2007-08	4185.33	3903.88	118.56
2008-09	5191.43	4587.79	281.45
2009-10	6762.09	5854.14	603.65

**Source:** Calculated from MRB Annual Reports

The above Table 2.19 indicates that the average of total income per branch during 2000-2001 was Rs. 1008.645 thousand which is increased to Rs. 6762.09 thousand in

2009-2010. Again, the average total expenditure per branch during 2000-2001 was Rs. 953.14 thousand which is increased to Rs. 5854.14 thousand in 2009-2010 with the increase of branches as well as deposits and advances during the study period.

The perusal of the above Table 2.19 observed that per branch net profit of MRB has marginally improved. Net profit per branch during the year of 2000-2001 was Rs. 55.50 thousand which is increased to Rs. 603.65 thousand in 2009-2010.

Further, Table 2.20 reveals the correlation analysis<sup>31</sup> between per branch income and per branch expenditure in order to examine the extent of performance productivity.

**Table 2.20: Correlations between *per branch total income and expenditure***

	<b>Income</b>	<b>Expenditure</b>
<b>Income</b>	1	0.99
<b>Expenditure</b>	0.99	1

The high positive 'r' values i.e., 0.99 indicates that, there is a strong correlation between per branch income and per branch expenditure which means that if income increases expenditure will also increase.

### **2.13 Comparison of expenditure of MRB: Kruskal-Wallis Test**

The Kruskal-Wallis Test is a non-parametric test. Non-parametric tests are distribution free, since these tests do not depend on the shape of the distribution (Silvakumar *et al*: 2013)). Non-parametric tests are applicable to all types of data: qualitative (nominal scale) data in rank form (ordinal scale). Many non-parametric

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<sup>31</sup> In statistics, *dependence* refers to any statistical relationship between *two random variables* or *two sets of data*. *Correlation* refers to any of a broad class of statistical relationships involving *dependence*.

methods make it possible to work with very small samples. Non-parametric tests require less restrictive assumptions concerning the level of data measurement.

Kruskal-Wallis Test can be used with ordinal data as well as with interval or ratio data. This test does not require the assumptions of normality and equal variances. The Kruskal-Wallis Test statistic, which is based on the sum of ranks for each of the samples, can be computed as follows:

$$W = \frac{12}{n_T(n_T + 1)} \sum_{i=1}^k \frac{R_i^2}{n_i} - 3(n_T + 1)$$

Where,

$k$  = Number of population groups

$n_i$  = Number of items in sample I

$n_T$  = Total number of items in all samples

$R_i$  = Sum of the ranks for sample I

The Kruskal-Wallis Test is used when  $k \geq 3$

In order to compute the W value for this study, ranks are assigned to combined data from low to high. The lowest value receives the rank of 1, whereas, the highest value assigned rank 30. Tied growth rates are assigned average rank values.

Kruskal and Wallis were able to show that under the null hypothesis the population is identical; the sampling distribution of W can be approximated by a  $\chi^2$  Chi-square distribution with k-1 degrees of freedom. This approximation is generally acceptable if each of the sample sizes is greater or equal to 5. The calculated value of W is compared with the table value of chi-square ( $\chi^2$ ), at 5 percent level of significance. If the calculated value of W is less than or equal to the table value of chi-square ( $\chi^2$ ), at 5 percent level of significance the performance of MRB in the state is considered statistically the same. In other words, there is no significant difference in the performance of MRB in the state. In case the calculated value exceeds the table value, the difference will be termed as significant. If it is found to be significant at 5 per cent level, it is further checked at 1 per cent level of significance.

**Table 2.21: Comparison of Expenditure of MRB:  
Kruskal-Wallis Test**

Year	Interest expenditure		Operating expenditure		Provisions and contingencies	
	Growth rate	Rank	Growth rate	Rank	Growth rate	Rank
2000-01	22.87	23	3.91	6	34.24	30
2001-02	26.713	25	29.204	26	-9.021	2
2002-03	18.541	19	6.4705	10	-10.25	1
2003-04	17.916	18	7.4597	11	21.568	21
2004-05	10.371	14	2.8922	5	5.4078	8
2005-06	13.39	17	11.9	16	19.702	20
2006-07	33.027	29	11.036	15	22.111	22
2007-08	26.536	24	8.0753	12	-6.213	3
2008-09	30.166	27	4.2334	7	-2.413	4
2009-10	31.415	28	8.2073	13	5.8788	9
<b>Total</b>		<b>224</b>		<b>121</b>		<b>120</b>

**Source:** Calculated from MRB Annual Reports



$$\begin{aligned}
W &= \frac{12}{n_T(n_T+1)} \sum_{i=1}^n \frac{K R_j^2}{n_1} - 3(n_T + 1) \\
W &= \frac{12}{30(31)} + \left[ \frac{(224)^2}{10} \frac{(121)^2}{10} \frac{(120)^2}{10} \right] - 3(31) \\
&= \frac{12}{930} + [5017.6 + 1464.1 + 1440.0] - 93 \\
&= 102 - 93 \\
&= 9
\end{aligned}$$

In order to analyse statistically significant difference in the growth rates of various classification of expenditure of MRB in the state, the W value was calculated. The calculation of Kruskal-Wallis Test is given in the Table 2.21.

From the table, it can be inferred that the calculated value of W for total expenditure (9) is less than the table value of  $\chi^2$  (9.21 at 1 percent level of significant). It means that there is no statistically significant difference in the growth rates of various classification of expenditure of MRB in the state.

### **2.15 Comparison of Interest Income and Other Income of MRB: Mann-Whitney – Wilcoxon Test**

In order to know whether there is any statistically significant difference between the growth rate of interest income and other income of MRB in the state, Mann-Whitney-Wilcoxon-Test was used. The application of Mann-Whitney-Wilcoxon-Test<sup>32</sup> is given in Table 2.22.

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<sup>32</sup> In statistics, *the Mann-Whitney U test (also called the Mann-Whitney-Wilcoxon (MWW), Wilcoxon rank-sum test, or Wilcoxon-Mann-Whitney test)* is a non-parametric test of the null hypothesis that two populations are the same against an alternative hypothesis; especially a particular population tends to have larger values than the other.

For testing this hypothesis, the  $T_L$  and  $T_U$  values were calculated.

The table value of  $T$  ( $T_L$ ) for  $n_1 = 10$  and  $n_2 = 10$  at 5 per cent level of significance is 78.

$$T_U = n_1 (n_1 + n_2 + 1) - T_L$$

$$n_1 = 10 \text{ (growth rate at interest income)}$$

$$n_2 = 10 \text{ (growth rate at other income)}$$

$$T_U = 10 (10 + 10 + 1) - 78 = 132$$

It is inferred thus that the  $T$  value (139) is greater than  $T_L$  and less than  $T_U$  for the growth rates of interest income and other income at 5 per cent level of significance. That means there is no statistically significant difference between the growth rates of interest income and other income of MRB in the state.

**Table 2.22: Comparison of Interest income and other income of MRB  
Mann-Whitney – Wilcoxon Test**

Year	Interest Income		Other Income	
	Growth rate	Rank	Growth rate	Rank
2000-01	10.4	7	243.09	20
2001-02	45.366	18	5.4857	5
2002-03	16.739	11	-3.125	3
2003-04	38.23	13	10.619	8
2004-05	13.933	9	-6.231	2
2005-06	42.529	16	9.6625	6
2006-07	43.593	17	29.336	12
2007-08	41.105	14	-3.067	4
2008-09	60.273	19	-12.46	1
2009-10	41.818	15	14.038	10
Total	-	139	-	71

**Source:** Calculated from MRB Annual Reports

## **2.16 Trends of investment portfolios**

The RRBs, in following the trend set by the commercial banks, have taken steps to increase the share of investment assets in the portfolio. To augment the profit position of RRBs, RBI has authorised them to make investment in government approved securities and other securities like debenture and bonds of different companies/institutions. The surplus fund of RRBs thus can be invested in SLR bonds and non- SLR bonds/debentures/deposits of different financial institution like IFCI, ICICI, IDBI, and UTI etc. So far as MRB is concerned, it started its first investment in the year 1994 amounting to Rs. 5,000 thousand on debentures and bonds in Non-SLR head (MRB: 2010).

## **2.17 Return on investment and profit as a percentage of total assets**

The productivity of MRB has also been assessed with the return on investment (ROI) and profit as percentage of total assets and the calculated figures are presented in Table 2.22. It reveals that during the year 2000-01 the return on investment was 0.40 per cent which is very less but increased to 0.43 per cent in 2009-10.

The return on investment in 2005-06 (0.22 per cent) indicated a less variation in MRB productivity. The average return on investment is 0.9 per cent throughout the period.

Similarly, the profit as percent of total assets in 2000-01 was 0.88 per cent. In 2009-10, this has increased to 2.40 per cent and it is the highest percentage over the period. The average profit as percentage assets of MRB is 1.03 per cent which is better

than the RRBs as a whole i.e. 0.78 per cent (ibid: 2012). This is a positive sign for Mizoram Rural Bank operating in the rural areas of the state.

**Table 2.23: ROI and Profit as Percent of Total Assets of MRB**

<b>Years</b>	<b>Return on Investment (ROI)</b>	<b>Profit as a percentage of Assets (ROA)</b>
2000-01	0.4	0.88
2001-02	0.63	1.21
2002-03	0.46	0.86
2003-04	0.52	0.77
2004-05	0.42	0.37
2005-06	0.22	0.19
2006-07	0.74	0.45
2007-08	1.29	1.08
2008-09	3.66	2.11
2009-10	0.43	2.4
<b>Average</b>	<b>0.9</b>	<b>1.03</b>

**Source:** *Calculated from MRB annual reports*

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## **Chapter-III**

### **Socio – economic Profile of the Respondents**

#### **3.1 Introduction**

Socioeconomics (also known as socio-economic or social economics) is the social science that study how economic activity affects social processes. In general it analyses how societies progress, stagnate or regress because of their local or regional economy or the global economy. Socioeconomics is sometimes used as an umbrella term with different usages. 'Social economics' may refer broadly to the "use of economics in the study of society (John *et al*: (1987-1989). More narrowly, contemporary practice considers behavioral interactions of individuals and groups through social capital and social "markets" (Becker *et al*: 1974). In the latter, it studies the relation of economics to social values (Benhabib *et al*: 2001).

#### **3.2 Profile of the State**

Mizoram is one of the states among the twenty eight state of India, situated in the north east corner of India. Mizoram is located between 21.58 degree north to 24.35 degree north latitude and 92.15 degree to 93.29 degree longitude. After the Indian independence of 1947, the Bordoloi Committee was set up to advice on the tribal affairs of the North East. In 1952, the Lushai Hills Autonomous District Council was formed. However a demand for a separate state was raised and in 1955, a new political outfit - the Eastern Indian Union was founded. After many years of protests, Mizoram was recognised as a fully fledged state of the country in 1987.

### 3.2.1 State Information

It occupies an area of great strategic importance as it is sandwiched between Burma now Myanmar and Bangladesh in the north eastern corner of India.

**Table 3.1: State Information at a Glance**

Sl. no	Location	Latitude 21,58, and 24, 35, N Longitude 92,15, & 93,29, E
1	Total Area North - South East - West	21,087 Sq Kms 277 Kms 121 Kms
2	Inter State Border	i) With Assam - 123 Kms ii) With Tripura - 277 Kms iii) With Manipur - 95 Kms
3	International Border	i) With Myanmar - 404 Kms ii) With Bangladesh - 318 Kms
4	Temperature	11 -21 degree Celsius in winter 20 -30 degree Celsius in summer
5	Average Rainfall	250 per annum

**Source:** *Economic Survey Mizoram 2012-13*

It spreads over an area of 21,087 km; the length is 277 km north to south and 121 km east to west. Since Mizoram is located at the corner of India it shares international boundary with Myanmar for about 404 km and with Bangladesh 318 km and national boundary with Manipur for 95 km, with Assam about 123 km and Tripura 66 km. Mizoram is a mountainous region spreading from north to south and covered with forest. The temperature in winter generally ranges from 11 to 21 Degree Celsius while during summer; it is usually in between 20 to 30 Degree Celsius and average rainfall is 250 per annum.



### 3.2.2 Sample Districts and Blocks of Mizoram

The administrative division of the state is divided into 8 districts, viz. Aizawl, Lunglei, Champhai, Saiha, Lawngtlai, Mamit, Serchip and Kolasib.

#### a) Aizawl

Aizawl district is one of the eight (8) districts of the state. The district is bounded on the north by Kolasib district, on the west by Mamit district, on the south by Serchhip district and on the east by Champhai district. The district occupies an area of 3576.31 km<sup>2</sup>. The head-quarter of the district is Aizawl, the capital of Mizoram. As of 2011 it is the most populous district of Mizoram.

The district is named after headquarter of the district, Aizawl. In Mizo language, *ai* also known as *aidu* refers to a herb (one of the turmeric speci) and *zawl* means *plain* or *field*. The name of the city was probably derived from the abundance of the *aidu* in the area during the previous years.

The district has five (5) R.D. Blocks, viz, Aibawk, Darlawn, Phullen, Thingsulthliah and Tlangnuam. The district has 14 legislative assembly constituencies. These are Tuivawl, Chalfilh, Tawi, Aizawl North-I, Aizawl North-II, Aizawl North-III, Aizawl East-I, Aizawl East-II, Aizawl West-I, Aizawl West-II, Aizawl West-III, Aizawl South I, Aizawl South II and Aizawl South III.

**b) Lunglei**

Lunglei district is one of the 8 districts of the state in India. As of 2011 it is the second most populous district in the state (out of 7), after Aizawl.

The district is named after its headquarter Lunglei. Lunglei sometime spelled Lungleh, in Mizo means a bridge of rock. It derived its name from a bridge like rock found in the reverie area around the Nghaish, a small tributary of the river Tlawng. The district is bounded on the north by Mamit and Aizawl districts, on the west by Bangladesh, on the south by Lawngtlai district, on the southeast by Saiha district, on the east by Myanmar and on the northeast by Serchhip District. The district occupies an area of 4538 kms. Lunglei town is the administrative headquarter of the district.

The district has three (3) sub-division; Hnahthial, Lunglei and Tlabung. The district has 7 assembly constituencies. These are South Tuipui, Lunglei North, Lunglei East, Lunglei West, Lunglei South, Thorang and West Tuipui.

According to the 2011 census Lunglei district has a population of 154,094, roughly equal to the nation of Saint Lucia<sup>33</sup>. This gives it a ranking of 597th in India (out of a total of 640). The district has a population density of 36 inhabitants per square kilometre (93 /sq mi). Its population growth rate over the decade 2001-2011 was 17.64 per cent. Lunglei has a sex ratio of 947 females for every 1000 males, and a literacy rate of 88.86 per cent.

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<sup>33</sup> Also known as the "*Helen of the West Indies*", Saint Lucia is a sovereign island country in the eastern Caribbean Sea on the boundary with the Atlantic Ocean. It is located north/northeast of the island of Saint Vincent, northwest of Barbados and south of Martinique.

**c) Champhai**

Champhai is a border town in the state. It is the headquarters of Champhai District, one of the eight districts in the state. It is located on the Indo-Myanmar border and is situated in a strategically important location. Because of this, it is the main business corridor for India and Myanmar in the area. The area of Champhai is 3,185.83 square kilometres (1,230 sq mi). The average annual rainfall is 1,814 millimetres (71.4 in).

The economy of Champhai is mainly agricultural based economy. It has a flatland measuring 113 kilometres and 48 kilometres in width for wet rice cultivation which can produce 19,200 quintals of rice per year and 10,000 quintals of Grape were cultivated in 2011 alone churning 20,000 bottles a year. Champhai is also the main trading center of the state with goods like clothes, silverware and electronics imported from Myanmar through the trading post in Zokhawthar.

**d) Serchhip**

Serchhip district is one of the 8 districts of Mizoram state in India. The district is bounded on the north and northwest by Aizawl district, on the west and south by Lunglei district, on the southeast by Myanmar and on the east by Champhai district. The district occupies an area of 1421.60 km<sup>2</sup>. Serchhip town is the administrative headquarter of the district. This district came into existence on 15 September 1998. As of 2011 census, it has the highest literacy rate in India, and is the second least populous district of Mizoram (out of 7), after Saiha.

The district has three sub-divisions, Serchhip Sadar, North Vanlaiphai and Thenzawl. There are three (3) legislative assembly constituencies in this district: Tuikum, Hrangturzo and Serchhip. According to the 2011 census Serchhip district has a population of 64,937, roughly equal to the nation of Marshall Islands<sup>34</sup>. This gives it a ranking of 626th in India (out of a total of 640). The district has a population density of 46 inhabitants per square kilometre (120 /sq mi). Its population growth rate over the decade 2001-2011 was 20.56 per cent. Serchhip has a sex ratio of 977 females for every 1000 males, and a literacy rate of 97.91 per cent.

**e) Saiha**

Saiha district is one of the eight districts of the state. The district is bounded on the north and northwest by Lunglei district, on the west by Lawngtlai district and on the south and east by Myanmar. The district occupies an area of 1399.9 km<sup>2</sup>. Saiha town is the administrative headquarters of the district. The population had decreased from 60,823 (2001 census) to 56,574 (2011 census). It is the least populous district of the state (out of 8 districts).

Administratively, it is divided into two blocks-Saiha and Tuipang. Saiha block has 37 Village Councils and Tuipang block has 41 Village Councils. The total population is 61056 and the literacy rate is 82.20 per cent (Male: Female = 31242:29814). Average humidity is 120 and the total area of land is 1399 sq.km. The district area comes under a Mara Autonomous District Councils under the Sixth Schedule of the Constitution of

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<sup>34</sup>*Republic of the Marshall Islands* is an island country located in the northern Pacific Ocean. Politically, the Marshall Islands is a presidential republic in free association with the United States, with the US providing defense, funding grants, and access to social services.

India. The councils function like Mini- Legislative Assemblies with powers to pass their own laws and rules, subject to ratification by the Administrator (Governor of Mizoram).

#### **f) Lawngtlai**

Lawngtlai District is one of the eight administrative districts in Mizoram. The district was created on 11<sup>th</sup> November 1998. Prior to 1998, Lawngtlai District was a part of undivided Chhimtuipui District comprising of Saiha and Lawngtlai. The history of Lawngtlai district as a part of Mizoram dated back to the days of Chieftainship (Lal in Mizo language).

Since time immemorial, before the British entered into Mizoram, their own chiefs from generation to another without any disturbance from any quarter ruled this virgin land. This state of affairs kept on continuing till the British appeared on the scene in the late 18<sup>th</sup> century. On 21<sup>st</sup> February, 1888, Lai Chief Dokulha Chinzah, Chief of the then Fungkah Village raided the survey team and killed Lt. Steward, two other Englishmen and one army personnel. Punitive action was taken by the British and in the process, Lawngtlai district came under the direct control of the British after the expedition of 1889 by the British.

After India attained independence in 1947, the Lushai Hills Autonomous District Council was created under the provision of the Sixth Schedule in 1952 for the purpose to preserve and protect the identities of the Lushai<sup>35</sup>. The district continued to remain as one

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<sup>35</sup> The *Mizo language*, or *Mizo ṭawng*, is spoken natively by the Mizo people in the state, Chin State in Burma, and the Chittagong Hill Tracts of Bangladesh. The language is also known as *Lushai*, a colonial term, as the Lushei (Mizo) people were the first to have external exposure. Though still common, *Lushai* (or Lusei, or Lushei) is considered incorrect by the Mizo themselves.

of the districts of Assam, which later was changed in Mizo district in 1954. Along with the creation of Lushai Hills autonomous district Council in 1952, leaders of the Lai (it was then called Pawi), Mara (it was then called Lakher) and Chakma demanded a separate Autonomous District Councils as they felt they were distinct stock of tribes. Accordingly, both the Governments of India and Assam having taken all aspects of the political, social and economic lives of the Lai, Mara and Chakma into consideration ultimately created in April 1953, a separate Autonomous Regional Councils under the Sixth Schedule to the Constitution of India. The two Councils continued their existence side by side till the creation of the Union Territory of Mizoram in 1972, under the North Eastern Areas Re-organisation Act of 1971. Eventually the Mizo Autonomous District Council was abolished and the erstwhile Pawi-Lakher Regional Council was tri-furcated into three Autonomous District Councils viz. Pawi, Lakher and Chakma Autonomous District Councils under the same Act.

**g) Mamit**

Mamit district was created by way of bifurcation of the erstwhile Aizawl District in 1998. The temperature ranges from 9C to 24C and from 24C to 36C during winter and summer respectively. The district experiences monsoon during summer receiving abundant rainfall and is neither too hot nor too cold throughout the year. The district witnessed in the past years, natural calamities like cyclonic storm, landslide, hailstorm etc.

All rivers flow in South-North direction, except Khawthlangtuipui. The five main big rivers are Tlawng, Tut, Teirei, Langkaih and Khawthlangtuipui. Most of the hills are

covered by thick forest. As a result, the district is quite self-sufficient in forest products like timber, bamboo and broomstick. The district is bounded on the north by Hailakandi district of Assam, on the west by North Tripura district of Tripura and Bangladesh, on the south by Lunglei district and on the east by Kolasib and Aizawl districts. The district occupies an area of 3025.75 km sq..It is 4th largest district in Mizoram and 395th largest in India in terms of total area. Mamit town is the administrative headquarter of the district.

According to the 2011 census Mamit district has a population of 85,757. This gives it a ranking of 619th in India (out of a total of 640). The district has a population density of 28 inhabitants per square kilometre (73 /sq mi) . Its population growth rate over the decade 2001-2011 was 36.59 per cent. Mamit has a sex ratio of 924 females for every 1000 males and a literacy rate of 85.96 per cent.

#### **h) Kolasib**

The district is bounded on the north and northwest by Hailakandi district of Assam, on the west by Mamit, on the south and east by Aizawl and on the northeast by Cachar district of Assam. The district occupies an area of 1382.51 km. Kolasib town is the administrative headquarter of the district. The district has 2 R.D. Blocks, Bilkhawthlir and Thingdawl. The district has 3 assembly constituencies, Tuirial, Kolasib and Serlui.

According to the 2011 census Kolasib district has a population of 83,054, roughly equal to the nation of Andorra<sup>36</sup>. This gives it a ranking of 620th in India (out of a total of

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<sup>36</sup> Officially the *Principality of Andorra*, also called the *Principality of the Valleys of Andorra* is a landlocked microstate in Southwestern Europe, located in the eastern Pyrenees Mountains and

640). The district has a population density of 61 inhabitants per square kilometre (160 /sq mi). Its population growth rate over the decade 2001-2011 was 27.28 per cent. Kolasib has a sex ratio of 956 females for every 1000 males, and a literacy rate of 93.50 per cent.

### **3.2.3 The land**

Out of total geographical area of 255.09 lakhs ha in the North East India, area under forest is 164.3 lakhs ha (64 per cent). Arunachal Pradesh has the highest area (93.79 per cent) under forests followed by Mizoram (61.98 per cent). In Manipur forest area is sharply declining. Net Sown Area (NSA) in the region has increased from 31.61 lakhs ha in 1977 to 38.05 lakhs ha in 1995-96. The proportion of net sown area to total area is as low as 15 per cent as against 46.6 per cent for all-India average. Although the mono-cropped area dominates the region, the gross cropped area has increased from 39.41 lakhs ha to 54.3 lakhs ha due to newer area under cultivation and introduction of newer crops. There are a few exceptions like Arunachal Pradesh and Mizoram, where only 2.68 per cent and 3.09 per cent of the total reporting area are respectively cultivated, primarily on account of adverse conditions, difficult terrains and barren land. The cropped area in Manipur, Meghalaya and Nagaland is 8.32, 9.02 and 12.40 per cent respectively.

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bordered by Spain and France. It is the sixth smallest nation in Europe, having an area of 468 km<sup>2</sup> (181 sq m) and an estimated population of 85,000 in 2012. Its capital, Andorra la Vella, is the highest capital city in Europe, at an elevation of 1,023 metres (3,356 ft) above sea level. The official language is Catalan, although Spanish, Portuguese, and French are also commonly spoken.



Mizoram attained statehood and became the 23<sup>rd</sup> State of Union, on 20<sup>th</sup> February 1987. It is a mountainous region and the average height of the hills is about 900 metres. The highest peak in Mizoram is the Phawngpui (Blue Mountain) with a height of 2210 metres.

### **3.2.4 The people**

The people of Mizoram are known by the generic name of Mizo, which literally means people (mi) or the hills (zo). There are different tribes under the general ethnic broad group of Mizo. The people of Mizoram have acquired multiple-culture from multiple tribes who comes from different parts of the eastern countries in the past. The Chinese, Burmese and Tibetan cultures influenced them to form their own lifestyle and craftsmanship. Being under the influence of British Missionaries in the 19<sup>th</sup> century, Christianity is the main religion of the region which further greatly influences their lifestyles. One of the beneficial results of Missionary activities was the spread of education. The Missionaries introduced the Roman Script for the spread of formal education. The Mizo are also known for their hospitality.

### **3.2.5 Demographic Profile**

The total population of Mizoram as per 2011 Census is 1,091,014. The density of population is 52 persons per Sq. Km. and the literacy rate is 91.58 per cent which is the third highest in India. Mizoram is one of the north eastern states of India, and like its sister states its rich in every aspect of nature and culture. Dense forests, lush green hills and lots of bamboo everywhere, pristine waterfalls and transparent lakes present great tourism opportunities. Spreading of a small population of about 10 lakhs over an area of

20000 kilometre square, has led to a low population density of about 50 per kilometre square, which makes Mizoram the third state in India with the lowest population density, as shown by the Mizoram state census done in 2011. The density has increased in last 10 years. Population growth rate, however, has decreased by approximately 10 per cent, and currently stands at about 20 per cent. The percentage of literate population is in the 90's, and has also been subjected to positive increment. Increase in female literacy is more than double of that in males. The gender ratio has also undergone a positive change and is increasing slowly. The child sex ratio, on the other hand, has significantly increased. The distribution of population is equal in rural and urban areas. In urban areas, the gender ratio has a perfect a score, which means there are as many females as males. Literacy in urban areas is naturally high. The official language Mizo is widely spoken in the state of Mizoram, which is the language of the hill folks. English is also widely used, as is the case with most north eastern states of India. Aizawl is the main city in Mizoram and it's also the state capital. As with most of the land, bamboo has found its way in Mizoram's culture as well. The exclusive dance forms of Mizoram use bamboo for a special effect. The attires of Mizo people are colorful kimono style drapes with native beaded jewelry. All in all, the state presents a great blend of cultures. The following Table 3.2 indicates the comparison of population with previous census and distribution of population, male and female with literacy percentage in the state.

Sex Ratio in Mizoram is 976 i.e. for each 1000 male, which is below national average of 940 as per census 2011. In 2001, the sex ratio of female was 938 per 1000 males in Mizoram. Out of total population of Mizoram, 52.11 per cent people live in urban regions. The total figure of population living in urban areas is 571,771 of which

286,204 are males and while remaining 285,567 are females. The urban population in the last 10 years has increased by 52.11 per cent; sex ratio in urban regions of Mizoram was 998 females per 1000 males. For child (0-6) sex ratio the figure for urban region stood at 974 girls per 1000 boys. Total children (0-6 age) living in urban areas of Mizoram were 75,147.

**Table 3.2: Comparison of Population with previous Census in Mizoram**

Descriptions	2011	2001
Approximate population	10.9 Lakhs	8.89 Lakh
Actual population	1,097,206	888,573
Male	555,339	459,109
Female	541,867	429,464
Population growth	23.48%	29.18%
Percentage of total population	0.09%	0.09%
Sex Ratio	976	938
Child Sex Ratio	970	883
Density/km <sup>2</sup>	52	42
Density/mi <sup>2</sup>	135	109
Area km <sup>2</sup>	21,081	21,081
Area mi <sup>2</sup>	8,139	8,139
Total Child Population (0-6 Age)	168,531	143,734
Male Population (0-6 Age)	85,561	73,176
Female Population (0-6 Age)	82,970	70,558
Literacy	91.33%	88.80%
Male Literacy	93.35%	92.53%
Female Literacy	86.72%	86.75%
Total Literate	848,175	661,445
Male Literate	438,529	350,105
Female Literate	409,646	311,340

**Source:** *Census Mizoram 2001 & 2011*

Out of the total population in urban region, 13.14 per cent is children (0-6).

Average literacy rate in Mizoram for urban regions was 97.63 per cent in which males

were 97.98 per cent literate while female literacy stood at 97.02 per cent. Total literates in urban region of Mizoram were 484,841.

Of the total population of Mizoram state, around 47.89 per cent live in the rural areas. In actual numbers, males and females were 269,135 and 256,300 respectively. Total population of rural areas of Mizoram state was 525,435. The population growth rate recorded for this decade (2001-2011) was 47.89 per cent. In rural regions of the state, female sex ratio per 1000 males was 952 while same for the child (0-6 age) was 966 girls per 1000 boys. Further, 93,384 children (0-6) live in rural areas. Child population forms 17.77 per cent of total rural population. In rural areas of Mizoram, literacy rate for males and female stood at 88.16 per cent and 75.23 per cent respectively. Average literacy rate in Mizoram for rural areas was 84.10 per cent. Total literates in rural areas were 363,334.

### 3.2.6 Information on District Councils

The following Table 3.3 shows the details of Autonomous District Councils in the state.

**Table 3.3: Details of District Council**

Sl no	Name of District Council	HQRs.	District	Main ethnic group
1	Mara Autonomous District Council (MADC)	Saiha	Saiha District	Mara and Mizo
2	Lai Autonomous District Council (LADC)	Lawngtlai	Lawngtlai District	Lai, Mizo and Mara
3	Chakma Autonomous District Council (CADC)	Lawngtlai	Lawngtlai District	Chakma and Mizo

**Source:** *Statistical Abstract 2012.*

Besides the eight districts, i.e., Aizawl, Mamit, Kolasib, Champhai, Serchhip, Lunglei, Lawngtlai and Saiha, there are three Autonomous Districts Councils such as, Lai, Mara and Chakma which are administered under the 6<sup>th</sup> Schedule of the Constitution of India. These District Councils are located at the Southern and South West tip of the state.

### **3.2.7 Shifting cultivation**

In Northeastern India more than two-third of total geographical area is covered by hills. Shifting cultivation (jhum cultivation) is the common practice in the hills. About 4.43 lakh families solely depend on shifting cultivation. The practice of jhum has been undergoing rapid changes particularly in the recent times. Jhum cycle declined from 3 to 10 years to 2-3 years. Since the jhum system has a number of merits, declining jhum cycle would have serious adverse implication to the poor. The strategy for jhum improvisation in tune with socio-cultural milieu would benefit the society. Among the alternative methods of improvement include adoption of improved cultural practice, planting perennial crops, control of soil erosion, encouraging allied agricultural activities.

Agriculture in the state is by and large still remained primitive due to practice of jhum cultivation. This traditional practice brought down the agriculture productivity due to practice of jhum cultivation. For various reasons the method of cultivation has not undergone significant changes till date. The main reasons attributed to the persistence of the old farming method are the lack of suitable land for wet rice cultivation (WRC), lack of adequate water, ignorance and lack of resources. Even though shifting cultivation is destructive for environment, back breaking, and un-remunerative for cultivators, the vast

majority of rural and urban households have to resort to this attempts taken for progressively weaning away the jhumia farmers to permanent system of cultivation or other means of livelihood have not yielded the desired results. The state government accords highest priority in solving the critical issues of backwardness and unemployment particularly in rural areas, harnessing available local resources and generating income and employment amongst the rural poor. There are nearly 80 thousand jhumia families and the area under jhum cultivation is 45 thousand ha, approximately.

### 3.2.8 Land use statistics

The seven states of Northeastern India, comprising Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Tripura cover 255.09 lakhs hectares, which is 7.76 per cent of total land area of the country.

The total geographical area of the state is 21.08 lakhs ha. Land use classification of the area for the last three years are presented in the following table-

**Table 3.4: Showing Land use Statistics (in '000 Ha)**

Sl. no	Category	2005-06	2006-07	2007-08
1	Forest Area	1593.7	1593.7	1593.7
2	Area not available for cultivation	134	134	134
3	Other uncultivated land other than fallow land	20.8	79.2	79.2
4	Fallow land	234.2	207.5	210.9
5	Net area sown	117.2	94.2	92.8
6	Gross area sown	122.6	105.6	102.9

**Source:** Department of Agriculture Mizoram, Annual Report 2010

The region has unique distinction of having diverse hill ecosystems covering more than two-third of total geographical area. The hill areas have wide range of altitude upto 5,000 metres. The riverine plains, swamps, *tilla* land and char areas are the other agro-ecological situations.

The region receives abundant rainfall with the world's highest rainfall of 12,000 mm at Mawsynram in Meghalaya, in one hand and the rain shadow belt in Nagaon district of Assam with  $\pm 1,200$  mm rainfall, on the other hand (Anuva: 2001).

### **3.2.9 Rivers**

Rivers like Tlawng – 185.15 kms, Tiau-159.39 kms, Chhimtuipui River – 138.46 kms, Khawthlang Tuipui – 128.08 kms, Tuichang – 120.75 kms, and Tuirial – 117.53 kms, Tuichawng – 107.87 kms and their respective tributaries drain in Mizoram.

### **3.2.10 Topography**

The topography of the state is not very different from its other north eastern neighbors. Mizoram is a land of rolling hills, valleys, rivers and lakes. As many as 21 major hills ranges or peaks of different heights run through the length and breadth of the state, with plains scattered here and there. Topography is conspicuous with the presence of hills and mountain ranges. The tall green hills are mooted with free flowing rivers. The eastern side of the state is situated at a higher altitude than the western side of the state. The average height of the hills is approximately 900 metres. The tallest among the hills is the Phawngpui - Blue Mountain with a height of 2210 metres. The picturesque valleys and flat lands of Cachar, Mat, Champhai, Chamdur and Tlabung are blessed with very

fertile soil and natural resources suitable for excellent agricultural and horticultural production.

The picturesque lakes of Mizoram have emerged as popular tourism destinations of the state. Mizoram's lakes are the venues of a lot of activities like boating, fishing, camping and trekking. Some of the important lakes are:

- 1) Palak Lake
- 2) Tamdil Lake
- 3) Rengdel Lake
- 4) Rungdil Lake

Tamdil lake has an interesting legend attached with its creation. Situated in Aizwal district, the Tamdil lake is 110 kilometres away from the capital city. One of the most beautiful lakes of the state, the Palak lake lies in the Lakher region. The oval shaped lake is bordered with stretches of deciduous and tropical evergreen forests. The lake is visited by numerous migratory birds making the place a haven for the bird watchers. The Rengdil lake is an artificial lake in Aizawl. It has emerged as one of the prime tourist attractions of the state. The Rungdil lake covers an area of 2.5 hectares. The lake is divided into two parts and surrounded by long stretches of forests.

### **3.2.11 Flora and Fauna**

The lush green vegetations and forests infested with many type of animals signify the rich Mizoram flora & fauna. The excellent flora and fauna of Mizoram is a strong reason behind its popularity among the tourists. The abundance of bamboo forests is one



high point of state's flora. The hills of Mizoram have dense deciduous vegetations. The valleys and the mountain peaks are blessed with many known and unknown orchids. The ever admirable rhododendron is seen in abundance in these areas. The Blue Mountain is one such place where the Veitchiunum and Arboretum species of Rhododendron<sup>37</sup> are found in plenty.

The presence of thick forests and good climate facilitated the fauna of the state. The animal kingdom of Mizoram comprises of several rare and endangered species. Some of the animals found in the Mizoram forests, wild life sanctuaries and national parks are:

- Bear
- Tiger
- Hoolock Gibbon
- Leopard
- Porcupine
- Mongoose
- Claw-less Otter
- Chinese Pangolin

The forest areas and the lakes of Mizoram attract large number of migratory birds beside the local birds. Several species of Pheasants, Hawks, Eagles, Bulbuls, Herons and Egrets are sighted in Mizoram. Numerous species of butterflies, moths and many colorful insects are also found in these regions

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<sup>37</sup> *Rhododendron veitchianum* is a rhododendron species native to Burma, Thailand, and Laos, where it grows at altitudes of 900-2400 meters. It is a shrub that grows to 2-3 m in height, with leaves that are obovate or narrowly elliptic, 65-100 x 28-40 mm in size. Flowers are fragrant and white, often with a yellow blotch at the base

### **3.2.12 Soils and Minerals**

The folded structure of the state ranges is at the junction of two moving tectonic plates. The hilly or mountainous North South belts, with perpendicular faults, comprise sediments of the Surma, Barail and Tipam groups. There is Alluvium in river beds consisting of deposits of argillaceous and arenaceous sandstones, shale, siltstones and mudstones and greywacke. A 560m thick rock succession of the Middle Bhuban type exposed between Bawngkawn and Durtlang shows 7 normal and 7 reverse magneto strata (North and South pole reversals) showing its age to be around 20 million years old.

The rock system is generally weak, unstable, weathered and prone to seismic and weather influence producing landslides. The soft, black to grey rock is used locally for building materials and for low trafficked road construction work. There are no useful minerals of economic significance apart from clays in the River Tlawng beds. Typical soils are sandy loam, clay loam that has been heavily leached due to the high slopes leaving it porous and lacking in minerals or humus.

A number of oil and gas exploration activities have taken place due the geological condition with which Mizoram has been formed, leading to the possibilities and high expectation that reserves would be confirmed. France, Russia and Cyprus as well as several Indian companies have already signed 12 per cent oil and 10 per cent gas royalty arrangement with proceeds going direct to state on any production.

### **3.2.13 State Economy**

#### **a) State Domestic Product**

Estimates of State Domestic Product are one of the most important single economic indicators to measure the overall economic development of a State. It is the estimates of the value of all goods and services produced within the State during a reference period of one year, commonly referred to as Gross State Domestic Product (GSDP) or simply State Domestic Product (SDP) (Economic Survey Mizoram: 2012)

#### **b) Economic Growth**

The GSDP of Mizoram is continuously increasing over the years. Gross State Domestic Product (GSDP) at factor cost at constant (2004-2005) prices is expected to attain an amount of Rs. 553687/- lakhs in 2012-2013 against the advance estimates of Rs. 501661/- lakhs for the year 2012-2013 showing a growth of about 10 per cent over the previous year.

The GSDP at constant (2004-2005) prices clocked 8 per cent average annual growth rate during the financial years 2004-2005 to 2011-2012. GSDP at factor cost at current prices is projected to touch Rs. 809186/- lakhs in 2012-2013, a change of 15.74 per cent over the previous year's (2011-2012) figure of Rs. 6,99,140/- lakhs (ibid: 2012).

The Per capita income of Mizoram for the year 2011-2012 is estimated at Rs. 54689/- as against the previous year's estimate of Rs. 48591/-. Per capita income at the national level is Rs. 61564/- for the year 2011-2012 (Quick Estimates).

**Table 3.5: Per capita income of Mizoram (2011-2012)**

Year	Per Capita Income (in Rs.)
2007-2008	32488
2008-2009	38582
2009-2010	42715
2010-2011(Q)	48591
2011-2012(A)	54689
2012-2013(Pr)	61732

**Source:** *Economic Survey Mizoram 2012-11*

*Note: Q= Quick Estimate, A = Advance Estimate, Pr= Project Estimate*

### c) Work force and Occupation structure

The important aspect of a country's population relate to the size and structure of its total work force. The total number of healthy person with capabilities to work constitutes the total work force in the country. Agriculture is the main stay of Mizoram where more than 60 per cent of the total population depends upon agriculture and allied sector. The share of agriculture and allied sector to the economy during the 11<sup>th</sup> plan period could be averaged at 14 per cent. About 32 per cent of the cultivated area is under Jhuming cultivation.

**Table 3.6: Percentage Workers to Total Workers**

District	Cultivators		Agriculture Laborer		Household Workers		Others Workers	
	2001 (Census)	2012 (P)	2001 (Census)	2012 (P)	2001 (Census)	2012 (P)	2001 (Census)	2012 (P)
Mamit	77.51	66.27	3.29	4.74	0.80	1.18	18.39	27.81
Kolasib	61.52	47.32	3.83	2.67	1.13	0.84	33.52	49.17
Aizawl	31.41	18.41	2.51	1.00	1.47	0.79	64.61	79.81
Champhai	70.19	53.50	6.37	9.74	1.12	1.77	22.31	35.00
Serchhip	72.77	60.82	2.32	3.72	2.64	4.81	22.27	30.65
Lunglei	65.23	53.10	1.52	0.51	0.59	0.54	32.65	45.85
Lawngtlai	71.52	51.65	3.09	4.47	0.99	5.67	24.40	38.20
Saiha	67.66	60.46	1.28	0.44	0.80	0.77	30.26	38.33

**Source:** *Economic Survey Mizoram 2012*

**Note:** (P) = projected

The population census of 2001 reveals that out of the total population of 888573 in the state, 52.57 per cent i.e. 467159 were workers and the rest 421414 were non workers. It also reveals that proportion of workers was higher in the rural areas than urban areas at 55 per cent which was about 44 per cent of all workers.

The occupational structure given in Table 3.6 clearly shows the distribution of the district wise work force in their respective sectors of the economy. Occupational structure means the distribution of the work force in various economic activities or occupation. The economic activities are divided into three categories such as, cultivator, agriculture labor, household industrial worker and others.

**d) Public Debt and GSDP of the State: An analysis**

In the Keynesian model, increase in government expenditure or public debt leads to higher economic growth. Contrary to this view, the neoclassical growth models argue that government fiscal policy does not have any effect on the growth of national output.

However, it has been argued that government fiscal policy helps to improve failure that might arise from the inefficiencies of the market (Nurudeen & Usman: 2010). Large debt stocks are typically expected to lower growth through the channel of reduced investment or expenditure which is usually described by the debt overhang hypothesis where debt is translated into sluggish economic growth.

**Table 3.7: Outstanding Liabilities/Public debt and GSDP at current Prices**

Years	Outstanding Liabilities/Public debt (in crore)	GSDP at current Prices (in crore)	Public Debt as % of GSDP
1999-2000	1178	1409	83.61
2000-2001	1375	1737	79.16
2001-2002	1713	1947	87.98
2002-2003	1967	2166	90.81
2003-2004	2606	2325	112.09
2004-2005	2922	2682	108.95
2005-2006	3154	2971	106.16
2006-2007	3354	3290	101.95
2007-2008	3951	3816	103.54
2008-2009	4147	4577	90.61
2009-2010	4655	5633	82.64

**Source:** RBI Handbook of Statistics of State Government Finances 2010, State Finances: A Study of Budgets of 2010-2011

In the process of investigation, the present study use data of GSDP and public debt (outstanding liabilities) on annual time series. For each variable the data have been constructed returns based on the actual time series. The returns (relative change) of the series are calculated based on the formula:

$$\left[ \frac{x_t - x_{t-1}}{x_{t-1}} \right]$$

**Table 3.8: Descriptive Statistics (Return on Debt and Return on GSDP)**

	RET_DEBT	RET_GSDP
Mean	0.172674	0.148099
Median	0.148278	0.130819
Maximum	0.399050	0.232789
Minimum	0.049608	0.073407
Std. Dev.	0.110161	0.052890
Skewness	0.883419	0.487714
Kurtosis	2.728142	2.020975

To find out the relationship between GSDP and Public debt in Mizoram the study analyses annual time series data from 1999-2000 to 2009-2010 (RE). The study first employed correlations analysis to check the association and interdependent of variables

**Table 3.9: Correlation Result  
(Return on Debt & Return on GSDP)**

	<b>RET_DEBT</b>	<b>RET_GSDP</b>
<b>RET_DEBT</b>	1.000000	<b>-0.138216</b>
<b>RET_GSDP</b>	-0.138216	1.000000

The correlation coefficient ‘r’ quantifies the direction and magnitude of correlation. As per the simple correlation results, it can be observed that the GSDP is having negative correlation with the public debt during the study period. However, the correlation between public debt and GSDP has not very strong (-0.138216).

The cross correlation results indicated that the growth (GSDP) and public debt having a correlation with either signs consequently with negative 0, 8 and 9 lags. The cross correlations between the two series **x** and **y** are given by;

$$c_{xy}(l) = \frac{c_{xy}(l)}{\sqrt{c_{xy}(0)} \cdot \sqrt{c_{yy}(0)}}$$

$$c_{xy}(l) = \begin{cases} \sum_{t=1}^{T-1} ((x_t - \bar{x})(y_t - \bar{y})/T \\ \sum_{t=1}^{T-1} ((y_t - \bar{y})(x_t - \bar{x})/T \end{cases}$$

**Table 3.10: Cross Correlation**

RET_DEBT,RET_GSDP(-i)	RET_DEBT,RET_GSDP(+i)	i	lag	Lead
. ***  .	. ***  .	0	-0.3317	-0.3317
.  * .	.  ** .	1	0.0863	0.2413
.  * .	. ****  .	2	0.0848	-0.3754
.  *****	. ****  .	3	0.5703	-0.4616
.   .	. ****  .	4	0.0069	-0.4711
.  * .	.   .	5	0.0805	0.0300
.   .	.  * .	6	0.0059	0.0562
.  * .	. *  .	7	0.1283	-0.1295
. **  .	.  * .	8	-0.1570	0.1447
.   .	.  ** .	9	-0.0364	0.1917

Note: \*\*\*, \*\*, and \* denote the results are significant at 1%, 5% and 10% level

The above findings indicate that, unlike the autocorrelations, cross correlations are not necessarily symmetric around lag 0. The dotted lines in the cross-correlograms are approximate two standard error bounds computed as  $\pm 2/(\sqrt{T})$ .

Correlation does not necessarily imply causation in any meaningful sense of that word. The econometric graveyard is full of magnificent correlations, which are simply spurious or meaningless. Economists debate correlations which are less obviously meaningless.

The Granger (1969) approach to the question of whether  $x$  causes  $y$  is to see how much of the current  $y$  can be explained by past values of  $y$  and then to see whether adding lagged values of  $x$  can improve the explanation.  $y$  is said to be Granger-caused by  $x$  if  $x$  helps in the prediction of  $y$ , or equivalently if the coefficients on the lagged  $x$ 's are statistically significant. Note that two-way causation is frequently the case;  $x$  Granger causes  $y$  and  $y$  Granger causes  $x$ .



It is important to note that the statement “ $x$  Granger causes  $y$ ” does not imply that is the effect or the result of  $x$ . Granger causality measures precedence and information content but does not by itself indicate causality in the more common use of the term

Even if a negative correlation between public debt and growth (GSDP) was found, it still would not be a sound basis on which to draw policy conclusions as the result did not provides causality. Pair-wise Granger Causality tests<sup>38</sup> are performed on public debt and growth (GSDP) for the entire sample allowing the lag length to 2 and 3 years.

**Table 3.11: Pair-wise Granger Causality Test Summery Result**

Null Hypothesis:	Lag = 2		Lag = 3	
	F-Statistic	Prob.	F-Statistic	Prob.
RET_GSDP does not Granger Cause RET_DEBT	0.22	0.81	47.39	0.10
RET_DEBT does not Granger Cause RET_GSDP	5.26	<b>0.07</b>	52.37	0.10

In every case it cannot reject the hypothesis that GSDP growth in does not Granger cause public debt; On the other hands it can reject the hypothesis that public debt does not Granger cause GSDP growth at 2<sup>nd</sup> lag. Thus, the statistical evidence suggests that the causality runs from growth to debt and not the reverse but this evidence is clearly seen at 2<sup>nd</sup> lag only. The result may indicate two year plan periodicity. Since the sample size is not large enough to draw that conclusion. The result may also indicate that GSDP

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<sup>38</sup> The *Granger causality test* is a statistical hypothesis test for determining whether one time series is useful in forecasting another. Ordinarily, regressions reflect "mere" correlations, but Clive Granger argued that causality in economics could be reflected by some sort of tests. Since the question of "true causality" is deeply philosophical, econometricians assert that the Granger test finds only "predictive causality". A time series  $X$  is said to Granger-cause  $Y$  if it can be shown, usually through a series of t-tests and F-tests on lagged values of  $X$  (and with lagged values of  $Y$  also included), that those  $X$  values provide statistically significant information about future values of  $Y$ .

growth does not necessarily slow down public debt but GSDP positively contributed to growth in public debt during the study period, which is clearly indicated by the results of the study.

### **3.3 Socio-Economic Profile of the Sample Respondents**

Socio economic aspects such as gender, age, marital status, literacy level, income, expenditure provide a base for studying the performance of MRB. The socio-economic conditions are studied in this paper with reference to the respondents and their opinion. For studying the socio-economic background of the beneficiaries, a sample of 390 beneficiary respondents with a similar socio-economic profiles have been selected as control group in order analyse the performance of MRB in disbursement of loan on agricultural development.

As such, the socio- economic origins of selected respondents are discussed in the following paragraphs:

#### **3.3.1 Classification of Age-wise Respondents**

First of all, an attempt is made here to classify the selected sample respondents on the basis of age-group. All together 390 respondents were selected for the study consisting of 10 each from each rural branch of Mizoram Rural Bank covering all the districts of the state.

**Table 3.12: District-wise Age of Respondents**

Districts	Age Group of Respondents in Years					Total	%
	Below 30	30-40	40-50	50-60	above 60		
Aizawl	14	29	32	27	8	<b>110</b>	28.2
Lunglei	6	9	16	11	8	<b>50</b>	12.9
Champhai	8	17	20	21	4	<b>70</b>	17.95
Kolasib	5	13	10	11	1	<b>40</b>	10.25
Mamit	3	12	16	17	2	<b>50</b>	12.9
Serchhip	4	10	12	12	2	<b>40</b>	10.25
Saiha	0	6	4	0	0	<b>10</b>	2.6
Lawngtlai	3	3	5	8	1	<b>20</b>	5.12
<b>Total</b>	<b>43</b>	<b>99</b>	<b>115</b>	<b>107</b>	<b>26</b>	<b>390</b>	100
%	11.02	25.4	29.5	27.43	6.7	100	

**Source:** *Field Survey*

As can be seen from Table 3.12, maximum 115 of the selected respondents (29.5 per cent) are mainly from the age-group of 40-50 years whereas the minimum 26 respondents (6.7 per cent) from 'above 60' years. 107 respondents were from the age-group of 50-60 years (27.43 per cent), followed by 99 from 30-40 years group' (25.4 per cent) and 43 respondents (11.02 per cent) from 'below 30' years.

District-wise, it can be observed that, maximum respondents (110 i.e., 28.20 per cent) are mainly from Aizawl district followed by Champhai district (70 i.e., 17.95 per cent), 50 respondents (12.9 per cent) each from Lunglei and Mamit districts, followed by 40 respondents (10.25 per cent) each from Kolasib and Serchhip district, (20 i.e., 5.12 per cent) from Lawngtlai district and minimum 10 respondents (2.6 per cent) from Saiha district.

Thus, it can be concluded that respondents who are in the age-group of 40-50 years are more and maximum out of the total sample respondents and are also highest from Aizawl district.

### 3.3.2 Gender of Sample Respondents

As can be seen from the following Table 3.13, there are 269 (68.97 per cent) males out of the total sample respondents while that of female respondents were 121 (31.02 per cent). Thus, it can be concluded that, although both male and female are fairly found, more number of male respondents are included as sample respondents in this study. District-wise, 38 out of 121 female are from Aizawl while least females (3) are from Saiha.

**Table 3.13: Gender-wise District of Respondents**

Districts	Gender of Respondents		Total	%
	Male	Female		
Aizawl	72	38	<b>110</b>	28.2
Lunglei	37	13	<b>50</b>	12.9
Champhai	47	23	<b>70</b>	17.95
Kolasib	29	11	<b>40</b>	10.25
Mamit	32	18	<b>50</b>	12.9
Serchhip	29	11	<b>40</b>	10.25
Saiha	7	3	<b>10</b>	2.6
Lawngtlai	16	4	<b>20</b>	5.12
<b>Total</b>	<b>269</b>	<b>121</b>	<b>390</b>	100.00
<b>%</b>	68.97	31.02	100	

*Source: Field Survey*

### 3.3.3 Age-wise Classification of Respondents on the basis of Gender

Continuing with the classification of respondents, an effort has been made here to find out the different age groups of the respondents on the basis of genders. From Table 3.14, male respondents (77) are mainly from the age-group of 40-50 years, followed by 50-60 years (74), 30-40 years (68), 'below 30' years (30) and minimum (20) are from the age-group 'above 60' years. On the other hand, the age-group pattern of female respondents is similar with male respondents. The maximum numbers are mainly from the age-group 40-50 years (38), followed by 50-60 years (33), 30-40 years (31) and (13) are from age-group of 'below 30' years and minimum (6) are from age-group of 'above 60' years.

**Table 3.14: Age-wise Gender of Respondents**

Gender	Age Group of Respondents					Total	%
	Below 30	30-40	40-50	50-60	Above 60		
Male	30	68	77	74	20	<b>269</b>	68.97
Female	13	31	38	33	6	<b>121</b>	31.02
<b>Total</b>	<b>43</b>	<b>99</b>	<b>115</b>	<b>107</b>	<b>26</b>	<b>390</b>	100.00
%	11.02	25.4	29.5	27.43	6.7	100	

**Source:** *Field Survey*

Thus, it can be concluded that there are maximum male and female respondents mainly from the age-group of 40-50 years and the minimum respondents, both male and female, from age-group of 'above 60' years.

### 3.3.4 Educational Qualification of the Selected Respondents

As can be observed from Table 3.15, respondents are found from illiterates to post graduate (PG) in varying numbers.

Under matriculation (275 i.e., 70.5 per cent) are found maximum among the total sample respondents of 390 which is followed by those having educational qualification of matriculation (77 i.e., 19.74 per cent) and graduate (25 i.e., 6.41 per cent), post graduate (PG) (6 i.e., 1.53 per cent) and illiterates (7 respondents i.e, 1.8 per cent).

It also interesting to note that, the maximum number of respondents is mainly from under matriculation and minimum respondents are found to have educational qualification 'post graduate (PG)'.

**Table 3.15: District-wise Educational Qualification of Respondents**

Districts	Educational level of Respondents					Total	%
	Post Graduate	Graduate	Matric	Under Matric	Illiterate		
Aizawl	6	22	41	36	5	<b>110</b>	28.20
Lunglei	0	1	16	33	0	<b>50</b>	12.90
Champhai	0	1	9	60	0	<b>70</b>	17.95
Kolasib	0	0	1	39	0	<b>40</b>	10.25
Mamit	0	0	5	45	0	<b>50</b>	12.90
Serchhip	0	1	3	34	2	<b>40</b>	10.25
Saiha	0	0	1	9	0	<b>10</b>	2.60
Lawngtlai	0	0	1	19	0	<b>20</b>	5.12
<b>Total</b>	<b>6</b>	<b>25</b>	<b>77</b>	<b>275</b>	<b>7</b>	<b>390</b>	100.00
%	1.53	6.41	19.74	70.51	1.8	100	

Source: Field Survey

### 3.3.5 Education-wise classification of the Respondents on the basis of Gender

As can be seen from Table 3.16, out of the total selected sample respondents, on enquiry, it is found that maximum 275 respondents (70.5 per cent) are having educational background with under-matriculation followed by 77 respondents (19.7 per cent) matriculation, 2 respondents (6.4 per cent) having graduate level, 7 respondents (1.8 per cent) illiterates and only 6 respondents (1.5 per cent) with post graduation (PG).

Gender-wise, it is found that maximum of the male respondents (188) are found to be under-matric, followed by 57 matriculates, 16 graduates and 4 post-graduates. On the other hand, 87 of the female respondents are under-matric, followed by 20 matriculates, 9 graduates and 2 post-graduates. It is pertinent to mention here that the number of illiterates is higher among male respondents (4) than that of females (3).

**Table 3.16: Education-wise Gender of Respondents**

Gender	Educational level of Respondents					Total	%
	Post Graduate	Graduate	Matric	Under Matric	Illiterate		
Male	4	16	57	188	4	<b>269</b>	69.00
Female	2	9	20	87	3	<b>121</b>	31.00
<b>Total</b>	<b>6</b>	<b>25</b>	<b>77</b>	<b>275</b>	<b>7</b>	<b>390</b>	100.00
%	1.5	6.4	19.7	70.5	1.8	100	

*Source: Field Survey*

### 3.3.6 Education-wise classification of Respondents on the basis of Age-group

An attempt has been made here to study the classification of education-wise respondents on the basis of age-group. The maximum respondents (115 respondents i.e. 29.5 per cent) are from the age-group of 40-50 years. Out of these, 81 respondents are under-matric, followed by 24 matriculates, 7 graduates and 3 illiterates.

**Table 3.17: Education-wise Age-group of Respondents**

Age Group in Years	Educational level of Respondents					Total	%
	Post Graduate	Graduate	Matric	Under-Matric	Illiterate		
Below 30	5	2	6	30	0	<b>43</b>	11.02
30 - 40	0	11	22	65	1	<b>99</b>	25.38
40- 50	0	7	24	81	3	<b>115</b>	29.49
50- 60	1	5	19	81	1	<b>107</b>	27.43
Above 60	0	0	6	18	2	<b>26</b>	6.66
<b>Total</b>	<b>6</b>	<b>25</b>	<b>77</b>	<b>275</b>	<b>7</b>	<b>390</b>	100.00
<b>%</b>	1.5	6.4	19.7	70.5	1.8	100	

**Source:** *Field Survey*

At the same time, out of the 275 respondents (70.5 per cent) who are found to be under-matric, maximum (81) are from the age-group of 40-50 years and 50-60 years (81) whereas minimum are from ‘above 60 years’ (18). Among the illiterates, it is interesting to note that illiterates are more common among the aged respondents starting from 30 years and above.

At the same time, the study also finds that most of the post-graduate (PG) degree holders are mainly constituted by respondents who are below 30 years of age (5) followed by age-group of 50-60 years (1).

### **3.3.7 Marital Status-wise classification of Respondents on the basis of District**

It is attempted here to ascertain the marital status of the selected respondents. As can be observed from Table 3.18, respondents are found maximum from married (304 i.e., 77.94 per cent) followed by 61 unmarried (15.64 per cent), (23 i.e., 5.89 per cent) from other conditions and 2 respondents (0.51 per cent) having no response.



**Table 3.18: District-wise Marital Status of Respondents**

Districts	Marital Status of Respondent				Total	%
	Un-married	Married	Others	No Response		
Aizawl	5	97	8	-	<b>110</b>	28.20
Lunglei	4	45	1	-	<b>50</b>	12.82
Champhai	20	47	3	-	<b>70</b>	17.94
Kolasib	15	23	1	1	<b>40</b>	10.25
Mamit	8	35	6	1	<b>50</b>	12.82
Serchhip	3	35	2	-	<b>40</b>	10.25
Saiha	2	7	1	-	<b>10</b>	2.56
Lawngtlai	4	15	1	-	<b>20</b>	5.12
<b>Total</b>	<b>61</b>	<b>304</b>	<b>23</b>	<b>2</b>	<b>390</b>	100.00
%	15.64	77.94	5.89	0.51	100	

**Source:** *Field Survey*

District-wise, (97) married respondents are mostly from Aizawl, followed by (47) Champhai, Lunglei (45), (35) each from Mamit and Serchhip, (23) Kolasib, (15) Lawngtlai and the least (7) from Saiha.

### **3.3.8 Marital Status-wise classification of Respondents on the basis of Gender**

An attempt has been made here to classify the marital status of the respondents on the basis of their gender. As can be seen from Table 3.19, male respondents are mainly married (215), while of female respondents are 89. On the other hand unmarried male respondents (41) are higher than female (20). Again, the respondents from other categories are male (12) and female (11) and one respondent each from male and female not have any response.

**Table 3.19: Gender-wise Marital Status of Respondents**

<b>Gender</b>	<b>Marital Status of Respondents</b>				<b>Total</b>	<b>%</b>
	Unmarried	Married	Others	No Response		
Male	41	215	12	1	269	69
Female	20	89	11	1	121	31
Total	61	304	23	2	390	100
%	15.6	77.9	5.9	0.5	100	

*Source: Field Survey*

### **3.4 Economic Status of Respondents**

An effort has been made here to study the economic status of the selected respondents on the basis of occupation, income and expenditure, nature of land holdings, loans borrowed from bank and recovery performance.

#### **3.4.1 District-wise Classification of Respondents on the basis of Occupation**

Here, an attempt is made here to examine the district-wise classification of occupational background of the selected respondents. It may be seen from the Table 3.20 that the number of respondents whose occupational background is farmer are maximum (319 i.e., 81.79 per cent, followed by laborers (37 i.e., 9.48 per cent), other occupational background (32 i.e., 8.20 per cent) and the least (2 i.e., 0.51 per cent) are artisans.

Further, since the maximum respondents are mainly from farmers, on examining the respondents' district-wise occupation. Champhai district (67) is found to be having maximum respondents from farmers, followed by Aizawl (64), Mamit (48) Serchhip (40), Kolasib (38), Lunglei (32), Lawngtlai (20) and the least Saiha (10).

**Table 3.20: District-wise Occupation of Respondents**

Districts	Occupation of Respondents				Total	%
	Farmer	Artisans	Labourer	Others		
Aizawl	64	1	18	27	<b>110</b>	28.20
Lunglei	32	1	14	3	<b>50</b>	12.82
Champhai	67	0	2	1	<b>70</b>	17.94
Kolasib	38	0	2	0	<b>40</b>	10.25
Mamit	48	0	1	1	<b>50</b>	12.82
Serchhip	40	0	0	0	<b>40</b>	10.25
Saiha	10	0	0	0	<b>10</b>	2.56
Lawngtlai	20	0	0	0	<b>20</b>	5.12
<b>Total</b>	<b>319</b>	<b>2</b>	<b>37</b>	<b>32</b>	<b>390</b>	100.00
%	81.79	0.51	9.48	8.20	100.00	

Source: Field Survey

### 3.4.2 District-wise Parental Occupation of Respondents

Regarding the selected respondents' parental occupations, it can be seen, quite interestingly that same as the selected respondents, again in parents' occupation, maximum number (337 i.e., 86.41 per cent) are farmers, followed by (29) services (7.43 per cent) and (24 i.e., 6.15 per cent) are from business.

**Table 3.21: District-wise Occupation of the Parents**

Districts	Occupation of Parents			Total	%
	Farmer	Business	Service		
Aizawl	71	18	21	<b>110</b>	28.20
Lunglei	50	0	0	<b>50</b>	12.82
Champhai	61	6	3	<b>70</b>	17.94
Kolasib	40	0	0	<b>40</b>	10.25
Mamit	46	0	4	<b>50</b>	12.82
Serchhip	39	0	1	<b>40</b>	10.25
Saiha	10	0	0	<b>10</b>	2.56
Lawngtlai	20	0	0	<b>20</b>	5.12
<b>Total</b>	<b>337</b>	<b>24</b>	<b>29</b>	<b>390</b>	100.00
%	86.41	6.15	7.43	100.00	

Source: Field Survey

On the other hand, among the maximum number of farmer parent's, Aizawl (71) is found higher than the rest of other districts, followed by Champhai (61), Lunglei (50), Mamit (46), Kolasib (40), Serchhip (39), Lawngtlai (20) and the least Saiha (10).

The correlation coefficient was performed to test whether relationship between the respondents' occupational background and their parent's occupational background. The correlation coefficient table was framed as under the following:

**Table 3.22: Correlation between Parents and Respondents Occupations**

	<b>Parents</b>	<b>Respondents</b>
<b>Parents</b>	1	0.52
<b>Respondents</b>	0.52	1

It can be observed from Table 3.22, the r value (0.52) is positively relationship to 1, that mean there is positively correlation between parents' occupation background and respondents' occupational background. Thus, it can be concluded that the occupational background of the respondents depends on the occupation of their parents.

### **3.4.3 Classification of Respondents on the basis of Income and Expenditure**

The following Table 3.23 analyse the monthly income and expenditure of the sample respondents i.e., 390 respondents. Only 29 respondents (7.43 per cent) who have monthly income ranging between Rs. 2000-3000, followed by respondents who have monthly income range of Rs. 3000 - 4000 (19 i.e., 4.87 per cent), Rs. 4000-5000 (25 i.e., 6.41 per cent) and 202 respondents (51.79 per cent) having monthly income 'above Rs. 6000'.

The total monthly expenditure amounting to ‘above 6000’ was incurred by the maximum respondents (151 i.e.38.71 per cent), followed by 81 respondents (20.76 per cent) who spend between Rs. 5000 – 6000, 76 respondents (19.48 per cent) each who have spend in the range of Rs. 4000-5000 and Rs. 3000-4000 and the minimum respondents (6 i.e., 1.53 per cent) who have spend Rs. 2000-3000 every month are found in this study.

**Table 3.23: Monthly Income vis-à-vis Expenditure of Respondents**

Income (in Rs)	Expenditure (in Rs)					Total	%
	2000 - 3000	3000 – 4000	4000 - 5000	5000 - 6000	Above 6000		
2000 – 3000	5	24	0	-	-	29	7.43
3000 – 4000	1	17	1	-	-	19	4.87
4000 – 5000	0	21	4	-	-	25	6.41
5000 – 6000	0	12	53	44	6	115	29.48
Above 6000	0	2	18	37	145	202	51.79
<b>Total</b>	<b>6</b>	<b>76</b>	<b>76</b>	<b>81</b>	<b>151</b>	<b>390</b>	<b>100.00</b>
%	1.53	19.48	19.48	20.76	38.71	100.00	

**Source:** *Field Survey*

Thus, it can also be concluded that maximum of the respondents are found to be having income and expense ‘above Rs. 6000’ while the minimum respondents having monthly income of Rs. 3000-4000 and expenditure of Rs. 2000-3000 per month.

Chi-square test of independent has been used to study relationship between monthly income and expenditure of the respondents of MRB. It describes the magnitude of difference between two frequency variables. The equation of  $\chi^2$  test is stated as under:

$$\chi^2 = \sum \frac{O - E^2}{E}$$

Where,

$O$  - refers to the observed frequency

$e$  - refers to expected frequency

$\chi^2$  - symbol used for chi-square

Decision rule;

If,  $\chi^2 > \chi^2_U$  then reject  $H_0$ , otherwise accept  $H_0$ .

Where,

$\chi^2$  is calculated value of chi-square

$\chi^2_U$  is expected value of chi-square

Contingency co-efficient has been used because the  $\chi^2$  test measure only the association between the elements, where as contingency co-efficient has been calculated to measure the  $\chi$  between 0 to 1. If there is no association and then it can be said that the two variables are independent and if there is an association, then the two variables are dependent. The formula for calculating contingency co-efficient is as follows:

$$C = \sqrt{\frac{\chi^2}{N - \chi^2}}$$

Where,

- a.  $\chi^2$  is derive from Pearson's  $\chi^2$  test and,  
N is the grand total of observation

**Table 3.24: Test Statistics**

	Monthly Income (in Rs)	Monthly Expenditure (in Rs)
<b>Chi-Square</b>	323.763 <sup>a</sup>	133.481 <sup>a</sup>
<b>Df</b>	4	4
<b>Asymp. Sig.</b>	.000	.000

The growth of sample respondents income have statistical by associated with the growth of expenditure. The study revealed that rise in per capita income and other expenditure has been found to increase correspondingly. It has been observed that rise in income has acted as a catalyst for the growth of expenditure in the study area.

As income increase the consumption (C) is also increased but not proportionately to the increase in income (Y). As such consumption expenditure (C) is a function of personal income (Y). Total consumption expenditure is the usual proxy for income. This could be expressed as

$$C_t = f(Y_t) \dots\dots\dots (i)$$

The chi-square test revealed the significant association between the monthly income and monthly expenditure of the MRB respondents in the state of Mizoram.

From the chi-square test output table it can be observed that a significant level of .000 (Pearson's) has been achieved. This means the chi-square test is showing a significant strongly association between the above two variables at 95 per cent confident level. Thus it can be conclude that, at 95 per cent confidence level, the monthly income of the respondents and monthly expenditure of the respondents are associated significantly with each other.

The following Table 3.25 indicates the test of strength of the two variables used in chi-square test.

**Table 3.25: Symmetric Measures**

		<b>Value</b>	<b>Approx. Sig.</b>
<b>Nominal by Nominal</b>	Contingency Coefficient	.738	.000
<b>N of Valid Cases</b>		390	

As the contingency coefficient (C) is .738, it can be said that the association between the monthly respondents' income and expenditure is strongly significant since the value .738 is closer to 1 than to 0.

### 3.4.4 Classification of Respondents on the basis of Loan taken

The following Table 3.26 shows the purpose of loan taken from MRB. Out of the total 390 sample respondents, the respondents who had taken loan from MRB for agricultural sector are maximum 309 (79.23 per cent) and 37 (9.48 per cent) respondents had taken loan under the allied agricultural purpose. 15 respondents (3.84 per cent) are found buying tools for their agricultural development followed by 14 respondents (3.58 per cent) taking loan from MRB for their house construction (like, repairing, extension, and new construction etc.) while 8 respondents (2.05 per cent) borrowed loan for their consumption and 7 respondents (1.79 per cent) borrowed loan for other purpose from MRB.

**Table 3.26: Respondents Purpose of Loan *vis-a-vis* Make up of Deficit**

Purpose of Loan	Make up of Deficit by Respondents				Total	%
	Borrowing from friends & relatives	Loan from financial Institutions	From Savings	Others		
Agriculture	72	22	159	56	<b>309</b>	79.23
Allied agriculture	11	5	15	6	<b>37</b>	9.48
Buying for tools	3	0	9	3	<b>15</b>	3.84
House construction	4	1	6	3	<b>14</b>	3.58
Consumption	3	1	3	1	<b>8</b>	2.05
Others	0	0	5	2	<b>7</b>	1.79
<b>Total</b>	<b>93</b>	<b>29</b>	<b>197</b>	<b>71</b>	<b>390</b>	100.00
<b>%</b>	23.84	7.43	50.51	18.20	100.00	

Source: *Field Survey*



### 3.4.5 Classification of Respondents on the basis of ‘Make-up of Deficit’

Deficit is the amount by which a sum falls short of some reference amount. In economics, a deficit is an excess of expenditure over revenue in a given time period. The above Table (3.26) observes that 72 respondents (18.5 per cent) who borrowed for agricultural purposes lend money from their friends in order to make up their deficit and 11 (2.8 per cent) respondents who have taken loan for allied agriculture purpose also borrowed from their friends for making up their deficit.

For making up of deficit, 3 respondents (0.8 per cent) each are found taking loan for the purpose of buying tools and consumption makes up their deficit by borrowing money from their friends. On the other hand, 4 respondents who took loans from MRB for house construction makes up their deficit from friends.

Further, it is interesting to note that most of the beneficiaries (159) who have borrowed loan from MRB for agricultural purposes makes up their deficit from their savings, followed by 93 respondents (23.8 per cent) making up their deficit by borrowing from relatives and friends, 29 (7.4 per cent) from other financial institution and 197 (50.5 per cent) managed by themselves and 71 (18.2 per cent) make up their deficit from other sources.

From the above analysis it can be concluded that all the beneficiaries who borrowed loan from MRB manage their deficits by different other means.

### 3.4.6 Loan disbursed to Respondents on the basis of Gender

An attempt is made here to find out the gender-wise loan taken from MRB. Maximum (184 i.e., 47.2 per cent) of the respondents had taken loan in the range of Rs. (3000-5000) from MRB, followed by 119 respondents (30.51 per cent) in the range of Rs. (5000-7000), 47 respondents (12.05 per cent) in the range of 'below Rs. 3000' and the least range of 'above Rs. 7000' by 40 respondents (10.25 per cent).

Again, it can also be observed that there are 269 male respondents (68.97 per cent) who are found taking loan from MRB while that of the female respondents are 121 (31.02 per cent).

From the table value of Chi-Square i.e., 0.014 and Correlation (Pearson) .523 (Table 3.27), it can be concluded that there is statistically association between gender-wise loan borrowed from MRB and the amount disbursed to the customers.

**Table 3.27: Gender-Wise Loan Taken from MRB**

*(in thousands)*

Gender	Loan in Group				Total	%
	Below 3000	3000 - 5000	5000 - 7000	Above 7000		
Male	33	135	69	32	269	68.97
Female	14	49	50	8	121	31.02
<b>Total</b>	<b>47</b>	<b>184</b>	<b>119</b>	<b>40</b>	<b>390</b>	<b>100.00</b>
<b>%</b>	12.05	47.2	30.51	10.25	100	
Pearson Chi-Square	<b>0.014</b>					
Pearson's Correlation	<b>.523<sup>c</sup></b>					

**Source:** *Field Survey*

### **3.4.7 Respondents having required Tools for Agricultural Development**

Agricultural development is the back bone of economic development of the country. Since shifting (jhum) cultivation is still in practice in rural areas of the state as well as labor intensity, having required tools for every field is the most important issue for the development of agriculture. Without using enough tools as well as facilities the farmers suffer a lot by way of increasing their work load in the agricultural field. Table 3.28 observes the sample respondents having required tools for their agricultural work in the rural areas. Respondents having required tools are less than those who do not have required tools for their agricultural works. Out of the total sample respondents, 128 respondents (32.82 per cent) have required tools for their agricultural work while 261 respondents (66.92 per cent) do not have required tools for their agricultural work. Coming across this analysis, it can be concluded that out of the total sample respondents (390) of the study, higher number of respondents did not have enough tools for their agricultural development.

### **3.4.8 Repayment of Loan**

Regional Rural Banks play a vital role in economic development in the country especially in agricultural development in rural areas of the states. If there is any delay in loan repayment or default, it will affect the performance of the banks in the future. Again aggregate of non-payment of debts may lead to bank distress. Further, it may also result that there may be no funds available for banks to enable them to give more loans to other borrowers which may also affect the profit of the bank. It may also lead to distress and

distresses do have a danger signal; which if not controlled; it will lead to discouraging people from saving contagion effect and sporadic withdrawals from other banks.

The following Table 3.28 also highlights the percentage of loan recovery by the Mizoram Rural Bank from their selected sample respondents. It can be concluded that out of the total selected sample respondents, 355 respondents (91.02 per cent) can repay their loan taken from MRB while 35 (8.97 per cent) cannot repay loan in time.

**Table 3.28: Repayment of Loan *vis-à-vis* Possession of Tools**

Respondent having required tools	Can you repay loan on time		Total	%
	Yes	No		
Yes	113	15	128	32.82
No	241	20	261	66.92
No Response	1	0	1	0.25
<b>Total</b>	<b>355</b>	<b>35</b>	<b>390</b>	100.00
<b>%</b>	91.02	8.97	100.00	

**Source:** *Field Survey*

### 3.5 Hypotheses

The independent variables are the different groups of the respondents' ages and the dependent variables are the opinions of the respondents regarding people's dependence on MRB for agriculture development. *F-test* has been conducted under ANOVA in order to test the null hypothesis ( $H_0$ ), the mean values of the dependent variable are not significantly different from each other, at different levels of dependents variable, if the output from the *F-test* shows a significance level (*p-value*) of less than .05 on the ANOVA table, the null hypothesis ( $H_0$ ) is rejected.

On the other hand, if the *P-value* from the *test* output is greater than or equal to .05, the null hypothesis ( $H_0$ ) is accepted. Thus, if the *P-value* from the *F-test* is less than .05, it proves at the 95 per cent confidence level that variation in the independent variable is able to cause significant variation in the dependent variable. That is one variable depends on the other, assuming other variables are not in the picture. In order to examine and conclude the present study, the hypotheses are framed and tested:

- a)  $H_0$  : Rural people do not depend on MRB for agricultural development.  
 $H_1$  : Rural people depend on MRB for agricultural development.

It can be seen from Table 3.29, the *F* probability value or *P-value* of the Anova (0.1106) is greater than significance value (.05) i.e. (0.1106 > 0.05) also the *F-critical* value is greater than *F statistic value* (5.3177 > 3.2171). And as such, the null hypothesis (at the 95 per cent confident level) can be accepted.

**Table 3.29: Anova Test for Hypothesis (a)**

<i>Source of Variation</i>	<i>SS</i>	<i>Df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	1102.5	1	1102.5	3.2171	0.1106	5.3177
Within Groups	2741.6	8	342.7			
Total	3844.1	9				

Therefore, the probability value of *F* is greater than the significance value (0.05) the present study found and concluded that rural people do not depend on MRB for agricultural development in rural Mizoram.

b)  $H_0$  : MRB do play an important role for agricultural development in the state.

$H_1$  : MRB plays an important role for agricultural development in the state.

**Table 3.30: Anova test for Hypothesis (b)**

<i>Source of Variation</i>	<i>SS</i>	<i>Df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	6916.9	1	6916.9	11.9206	0.00866	5.31766
Within Groups	4642	8	580.25			
Total	11558.9	9				

From the above Table 3.30, it can also be inferred that the  $F$  probability value of the Anova F-test (0.00866) is less than .05, so that the null hypothesis is rejected (at the 95 per cent confident level). Therefore, since the null hypothesis is rejected and it can be concluded that MRB plays an important role for agricultural development in the State.

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## **Chapter-IV**

### **Analysis of Role of Mizoram Rural Bank for Agricultural Development**

#### **4.1 Introduction**

Activities of modern economy are significantly influenced by the functions and services of banks. Banking sector constitutes the core and central part of economic system. Indian economy is agricultural economy and real India lies in villages. Village economy is the backbone of Indian economy. Even after 60 years of independence, the rural economy in India is still handicapped in terms of infrastructure and other chronic problems of cultivators. In fact, economic progress and industrial development are determined by the rural sector. More than 70 per cent of Indians depend on agriculture; 60 per cent of industries are agro based; 50 per cent of national income is contributed by rural farmers and the agricultural sector is the largest foreign exchange earner to India. Such an essential and key sector is neglected by financial institutions and especially by the banks (Ibrahim: 2012).

Rural people in India such as small and marginal farmers, landless agricultural laborers, artisans and socially and economically backward castes and classes have been exploited in the name of credit facility by informal sectors. The rural credit market consists of both formal and informal financial institutions and agencies that meet the credit needs of the rural masses in India. The informal sector advances loans at very high rates of interest; the terms and conditions attached to such loans have given rise to an elaborate structure of intimidation of both economic and non-economic conditions in the rural population of India. The supply of total formal credit is inadequate and rural credit

markets are imperfect and fragmented. Moreover, the distribution of formal sector credit has been unequal, particularly with respect to region and class, cast and gender in the country side.

An overwhelming majority of the rural population in developing countries depends on agriculture for survival. Rural financial institutions thus often provide services for activities related to agriculture, such as input supply, production, or distribution and marketing of agricultural products. As pointed out above, providing financial services to the agricultural sector involves specific challenges related to sector-specific risks and to other specific characteristics of agricultural activities, such as seasonality and long maturation processes (InfoResources:2008). Loans for agricultural production or livestock breeding usually have longer terms than those for trade or small industry.

In case of Mizoram, rural respondent of the study need financial services that are adapted to the agricultural cycle, such as savings schemes to provide cash for the season in between harvests, or transfer schemes for remittances for migrants who leave the rural areas for seasonal work. There is also a need for agricultural insurance schemes among small farmers who have to protect themselves against weather-related risks in the rural areas. Providing affordable insurance to small farmers remains a challenge due to the pooled risks involved (natural disasters causing damage to many clients at once). Institutions especially Mizoram Rural Bank (MRB) providing such insurance schemes needs to be reinsured by big national and international insurance companies in order to spread the risk beyond their geographic region. An intermediate solution for insurance schemes is to offer safe and accessible savings and deposit services. Even though

profitability in agriculture is generally low and interest rates are high, it is possible for rural financial institutions especially MRB in the state to operate on a cost covering basis and offer financial services to rural farmers.

#### **4.2 Agriculture in Mizoram**

Agriculture is regarded as the mainstay and basic means of occupation of the hilly states of North East India. It is also the prevalent method of cultivation in Mizoram with traditional shifting cultivation dominating the scene. Mizoram is an agricultural state where the cultivators constituted 60.89 per cent of the total main workers as against all India figures of 38.13 per cent in 1991 which is decreased to 60 per cent in the year 2011<sup>39</sup>.

The total income of the state during 1998-99 was estimated at Rs. 1, 13,896.00 lakhs of which 29.39 per cent came from the agriculture and allied agriculture., while the figure for India stood at 26.03 per cent, As the time passes by, the percentage contribution to gross state domestic product by agricultural sector in the state decreased to 22.75 per cent in the year 2009-2010 (Eco. survey Mizoram: 2010). Paddy is the principal food crop and the staple food of Mizoram.

On the whole, Mizoram has not known any sort of monetised transaction until the British subdued and occupied it in 1891 (Zonuntluanga: 2003). However, as time goes by, agriculture of Mizoram seems to have gone commercialised to some extent now.

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<sup>39</sup> Census Mizoram: 2011

#### 4.2.1 Land utilisation for agriculture sector

It can be observed (Table 4.1) that out of the total area of 21, 08,700 ha, the gross cropped area of the state is 106.714 ha in the year 2008 - 2009 which is 5.06 per cent and decreased to 133.226ha in the year 2009-2010 account for 6.32 per cent of the total area and 133.000 ha is non-available of cultivation during the year 2008-2009, which is decreased to 102.188 ha in the year 2009-2010. On the other hand, land put to non-agriculture use is 124.000 ha during 2008-2009 and also decrease to 93.404 ha in the year 2009-2010.

**Table4.1: Land Utilisation for Agricultural Sector during 2008-09 to 2009-10**  
(in ha)

Sl.no	Particulars	2008-2009	2009-2010
1	Geographical area	2,108.700	2,108.700
2	Area for land utilisation	2,108.700	2,108.700
	Forest	1,593.700	1,585.700
	Non available of cultivation	133.000	102.188
	Land put to non agriculture use	124.000	93.404
	Barren and uncultivable land	9.000	8.784
3	Others uncultivated land excluding fallow land (a+b+c)	67.226	44.158
	Permanent pasture and grazing land	5.250	5.250
	Land under miscellaneous tree, crop and groves not included in net area sown	51.976	32.208
	Cultivable land waste	10.000	6.700
4	Fallow land (a+b)	210.939	246.823
	Fallow land other than current fallow	170.850	180.800
	Current fallow	40.089	66.023
5	Net sown area	103.835	130.226
6	Total crop area	106.714	133.226
7	Area sown more than once	2.879	3.000
8	Total irrigation area	11.153	10.361
9	Area irrigated for the year	11.022	10.244

**Source:** *Statistical Handbook Mizoram 2010*

#### 4.2.2 Area, production and yield of principal agricultural crops

Mizoram has a suitable climate for growing agricultural crops and it has been found that its agricultural economy has been widely influenced by the cultivation. But the cultivation of crops is concentrated only in rural areas of the state<sup>40</sup>.

The following Table 4.2 indicates the area, production and yield of principal agricultural crops during the year 2008-09 to 2009-10.

**Table 4.2: Area, production and yield of principal agricultural crops**

Sl. No	Crops	2008-2009			2009-2010		
		Area (in ha)	Production (mt)	Yield (mt/ha)	Area (in ha)	Production (mt)	Yield (mt/ha)
1	Paddy Kharif	51,859	68,637	1.32	47,085	65,894	1.4
	Rabi	131	280	2.13	119	138	2
	<b>Total</b>	<b>51,990</b>	<b>68,917</b>	<b>3.45</b>	<b>47,204</b>	<b>66,132</b>	<b>3.4</b>
2	Maize	9,558	3,318	0.97	8,551	11,510	1.35
3	Pulses	3,931	3,646	0.93	3,920	6,479	1.65
4	Oilseeds	3,275	2,514	0.76	2,741	2,988	1.09
5	Sugarcane	1,342	13,696	10.2	1,434	12,368	6.82
6	Potato	269	1,569	5.83	285	2,235	7.8
	<b>Total</b>	<b>122,355</b>	<b>162,577</b>	<b>26</b>	<b>111,339</b>	<b>167,744</b>	<b>26</b>

**Source:** *Statistical Handbook Mizoram 2010*

Note : Mt- metric ton  
Ha- Hacters

The cropping pattern in the state has undergone significant changes over time. The increased demand for food because of increase in population and urbanisation puts agricultural land under stress resulting in crop intensification and substitution of food crops with commercial crops.

<sup>40</sup> Department of Agriculture (20010-11), 'Statistical Abstract', Published by Government of Mizoram.

In fact, it is striking to observe in the state that area under paddy kharif declined by 51,990 Ha in 2008-2009 to 47,204ha in 2009-2010. The production per metric tons also declined from 68,917 mt in the year 2008-2009 to 66,132mt in 2009-2010. Maize has gained importance and shown interesting results during the two year time series with area allocation of only 9,558ha which produced 3,31MT in the year 2008-2009. The area for maize cultivation decreased to 8,551ha whereas its production increased to 11,510 MT in the year 2009-2010. At the same time, area under pulses and oilseeds cultivation decreases during the period under study whereas production per metric tons was increased from the previous year. Interestingly, the area cultivated for sugarcane and potato increased respectively during the said two years while the production per metric tons decreases.

#### **4.2.3 Area and crops irrigated**

An attempt has been made here to find out the district-wise area and crops irrigated (in ha) during 2010-2011. As can be seen from Table 4.3, it can be observed that the highest irrigated area and crops in the state is paddy (5320.7 ha) followed by vegetables (283 ha), oil palm (249 ha) and the least bitter ground (0.5ha).

District-wise, the highest number of area and crops irrigated in the state is Kolasib district i.e., 3381 ha, followed by Champhai (1305ha), Aizawl (530.6ha) and the least 42 in Lawngtlai district. Thus, it can be concluded that the total area and crops irrigated during the year 2010-2011 in the state was 6461.7 ha.

**Table 4.3: District-Wise Area & Crops Irrigated (in ha) during (2010-2011)**

Sl. No	Crops	Aizawl	Champhai	Kolasib	Lawngtlai	Lunglei	Mamit	Saiha	Serchhip	Total
1	Paddy	205	1015	3120	42	426.7	33	101	378	<b>5320.7</b>
2	Maize	5	-	102	-	10.4	-	-	-	<b>117.4</b>
3	French Bean	7	-	-	-	-	-	-	-	<b>7</b>
4	Field Pea		110	12	-	-	-	-	-	<b>122</b>
5	Cow Pea	16	180	15	-	-	-	-	-	<b>211</b>
6	Rape & Mustard	8.1	-	98	-	5	-	-	-	<b>111.1</b>
7	Cabbage	1.5	-	-	-	-	-	-	-	<b>1.5</b>
8	Potato		-	19	-	-	-	-	-	<b>19</b>
9	Pumkin	0.5	-	5	-	-	-	-	-	<b>5.5</b>
10	Soyabean		-	10	-	-	-	-	-	<b>10</b>
11	Oil Palm		-	-	-	-	249	-	-	<b>249</b>
12	Bitter ground	0.5	-	-	-	-	-	-	-	<b>0.5</b>
13	Brinjal	1	-	-	-	-	-	-	-	<b>1</b>
14	Iskut	2	-	-	-	-	-	-	-	<b>2</b>
15	Sweet Corn	1	-	-	-	-	-	-	-	<b>1</b>
16	Vegetables	283	-	-	-	-	-	-	-	<b>283</b>
	<b>Total</b>	<b>530.6</b>	<b>1305</b>	<b>3381</b>	<b>42</b>	<b>442.1</b>	<b>282</b>	<b>101</b>	<b>378</b>	<b>6461.7</b>

Source: Agriculture Census Mizoram 2010-2011

#### 4.2.4 Agriculture Potential Area Connectivity

The following Table 4.4 indicates the agriculture potential area connectivity statistics achieved during the year 2010-2011.

Before 2010-2011, there are 304.42 kms of agriculture link roads with motorable was constructed while that of not-motorable was 127 kms. During the year 2010-2011, 57.5 kms motorable roads were constructed along with 21 kms of not-motorable roads.

Again an attempt has been made here to find out the district-wise agriculture potential area connectivity statistics achieved. The longest potential area connectivity was constructed in Aizawl district (87.8 km) before 2010-2011 along with 52 kms not-motorable and during the year 2010-2011, 6 kms long motorable roads was constructed with 19 kms not-motorable. The shortest motorable connectivity was constructed in Lawngtlai districts (12.5 kms) long before 2010-2011. In the districts of Saiha and Serchhip, not-motorable connectivity was not constructed before 2010-2011.

**Table 4.4: Agriculture Potential Area Connectivity Statistics Achievements (2010-2011)**

Sl. no	Districts	Constructed before 2010-2011		Constructed during 2010-2011		Total Length of Constructed up to 2010-2011	
		Motorable (KM)	Not-Motorable (KM)	Motorable (KM)	Not Motorable (KM)	Motorable (KM)	Not Motorable (KM)
1	Aizawl	87.8	52	6	19	93.8	<b>71</b>
2	Champhai	23.5	3	16.5	-	40	<b>3</b>
3	Kolasib	37.62	2	-	-	37.62	<b>4</b>
4	Lawngtlai	12.5	30	-	-	12.5	<b>30</b>
5	Lunglei	40	37	7	-	47	<b>37</b>
6	Mamit	46.5	3	3	-	49.5	<b>3</b>
7	Saiha	23	-	25	2	47	<b>2</b>
8	Serchhip	33.5	-	-	-	33.5	-
	<b>Total</b>	<b>304.42</b>	<b>127</b>	<b>57.5</b>	<b>21</b>	<b>360.92</b>	<b>150</b>

**Source:** *Agriculture Census Mizoram 2010-2011*

As such, it can be concluded that the motorable connectivity was constructed in the 5 districts viz., Aizawl (6 kms), Champhai (16 kms), Lunglei (7 kms), Mamit (3 kms) and Saiha (25 kms) whereas, there has been no construction made in the 3 districts viz., Kolasib, Lawngtlai, and Serchhip. During the year 2010-2011, total length of



connectivity constructed up to 2010-2011 was 360.92 kms with 150 kms not-motorable in the state.

#### **4.2.5 NWDPRRA and WDPSC in the state**

Rain-fed agriculture is characterised by low levels of productivity and low input usage. Variability in rainfall results in wide variation and instability in yields. The bulk of the rural poor lives in the rain-fed regions. Therefore, Government of India accords highest priority to the holistic and sustainable development of rain-fed areas through watershed development approach.

The scheme of National Watershed Development Project for Rain-fed Areas (NWDPRRA) was launched in 1990-91 in 25 States and 2 Union Territories based on twin concepts of integrated watershed management and sustainable farming systems. During IX Plan, the scheme was extended to 3 newly formed states of Uttaranchal, Jharkhand and Chhattisgarh. The scheme of NWDPRRA has been subsumed under the Scheme for Macro Management of Agriculture (MMA) from 2000-2001. At present, this scheme is being implemented as a programme of Centrally Sponsored Scheme of Macro Management of Agriculture in 28 States and 2 UTs. Funds are released to the States based on Approved Annual Work Plan. The Scheme is presently being implemented on the basis of Common Guidelines for Watershed Development Projects issued by National Rain-fed Area Authority (NRAA) (MA & CO: 2011).

Watershed Development Programme in Shifting Cultivation Areas is a Special Central Assistance to State Plan Programme for the benefits of the jhumia families in the North East States who are living below poverty line. The financing of the scheme

includes treatment of arable and non - arable land, drainage line, creation of water bodies, development of Agriculture/ horticulture/ plantation crops/ forestry and land based/ household production system as package of rehabilitation components (ibid: 2012). As a whole the focus is on natural resources management, economic enhancement, leading to poverty alleviation and eco friendly living.

**Table 4.5: District-Wise Beneficiaries under NWDPR and WDPSC project (2010-2011)**

Sl. no	Districts	No. of Beneficiaries under NWDPR project	No. of Beneficiaries under WDPSC project	Total No. of Beneficiaries
1	Aizawl	924	394	<b>1318</b>
2	Champhai	1199	687	<b>1886</b>
3	Kolasib	770	380	<b>1150</b>
4	Lawngtlai	1082	463	<b>1545</b>
5	Lunglei	940	353	<b>1293</b>
6	Mamit	882	494	<b>1376</b>
7	Saiha	997	195	<b>1192</b>
8	Serchhip	827	302	<b>1129</b>
	<b>Total</b>	<b>7621</b>	<b>3268</b>	<b>10889</b>

**Source:** *Agriculture Census Mizoram 2010-2011*

An attempt has been made here to find out district-wise beneficiaries under NEDPR and WDPSC project during 2010-2011. As can be seen from the Table 4.5, the number of beneficiaries under NWDPR was 7621 beneficiaries while 3268 beneficiaries are selected under WDPSCA which is more than that of beneficiaries under NWDPR. An attempt has been made here to find out district-wise beneficiaries classification under NWDPR. 1199 beneficiaries from Champhai district was the highest number of beneficiaries followed by Lawngtlai district (1082) and the least (770) beneficiaries are selected from Kolasib district.

On the other hand an attempt has been made here to find out district-wise beneficiaries under WDPSCA project. Same as the beneficiaries selected under NWDPRRA, the highest beneficiaries under WDPSCA project are selected from Champhai district (687) followed by Mamit district (494) and the least are selected from Saiha district (195).

The correlation coefficient was performed to test the relationship between the numbers of beneficiaries selected under the two projects in the state. The result was shown under the following Table 4.6.

**Table 4.6: Correlation between NWDPRRA and WDPSCA**

	NWDPRRA	WDPSCA
NWDPRRA	1	0.564
WDPSCA	0.564	1

The calculated value of correlation coefficient is 0.564 is positively related to 1 and as such it can be concluded that the beneficiaries selected under NWDPRRA and WDPSCA are statistically correlated to each other or positively related to each other.

#### **4.2.6 Rashtryia Krishi Vikas Yojana (RKVY) / National Agriculture Development Programme (NADP)**

Concerned by the slow growth in the agriculture and allied sectors, the National Development Council (NDC), in its meeting held on 29<sup>th</sup> May, 2007 resolved that a special Additional Central Assistance Scheme (RKVY) be launched. The NDC resolved that agricultural development strategies must be reoriented to meet the needs of farmers and called upon the central and state governments to evolve a strategy to rejuvenate agriculture. The NDC reaffirmed its commitment to achieve 4 per cent annual growth in the agricultural sector during the 11<sup>th</sup> plan.

The state of Mizoram could not avail the scheme since its inception. But it became eligible during 2010-2011 after obtaining approval from Government of India. The first SLSC meeting convened on 11.3.2011 sanctioned Rs. 655.50 lakhs and an amount of Rs. 394.50 lakhs was released by the Government of India which was distributed among the implementing line departments (DoA Mizoram: 2010-11)

#### **4.2.7 Percent contribution to GSDP by agriculture**

Agriculture in India has a significant history. Today, India ranks second worldwide in farm output. Agriculture and allied sectors like forestry and fisheries accounted for 16.6 per cent of the GDP in 2009-10 and about 50 per cent of the total work force, while in the state agriculture contribute 22.75 per cent (Statistical handbook of Mizoram: 2010) to total GSDP during 2009-2010 which is higher than the country experience. The economic contribution of agriculture to India's GDP is steadily declining with the country's broad-based economic growth at the same time, the economic contribution of agriculture to GSDP declined from the previous year 2008-2009 (23.45 per cent) in the state (ibid: 2010).

Still, agriculture is demographically the broadest economic sector and plays a significant role in the overall socio-economic fabric of India particularly rural areas in the state.

#### **4.3 Mizoram Rural Bank (MRB) for agricultural development**

As mentioned in the previous chapters, institutional credit entered the rural areas long ago through the cooperatives in 1904 and later on by the commercial banks after

their nationalisation in 1996. But these institutions failed to penetrate the rural areas fully as the benefits of the institutional credit continued to be reaped by the influential, economically and politically powerful sections of the society, to utter neglects of the rural poor. To fill up this regional and functional gap in the financial credit available to rural areas, the Regional Rural Banks (RRBs) came into existence in 1975 on the basis of recommendations of the working group headed by Mr. M. Narasimham (Palit: 2008).

The agricultural credit given by Regional Rural Banks (RRBs) may be grouped under three categories;

**a) Direct agricultural advances**

The financial assistances granted to farmers and landless agricultural labourers are treated as direct agricultural advances and such loans can be given to eligible persons as investment credit for meeting seasonal requirements. Thus, RRBs are expected to take up the following schemes:

- i) Scheme for crop production credit.
- ii) Scheme for loans against pledge of cold storage receipt.
- iii) Scheme for loans for irrigation.
- iv) Scheme for land development.
- v) Scheme for equipments and implements.
- vi) Scheme for cart and drought animals.

**b) Allied activities**

Apart from agricultural credit these banks are expected to provide loans for allied agricultural activities *viz.* dairy, poultry, piggery, sheep and goat rearing etc

**c) Indirect agricultural advances**

The RRBs may also finance the Primary Agricultural Co-Operative Credit Societies (PACS) and Farmers Service Societies (FSS), which have preponderance of small and marginal farmers, landless agricultural labourers etc.

**4.3.1 Sector-wise break-up of loans and advances outstanding**

In accordance with the RRBs Act 1976, Mizoram Rural Bank (MRB) came into existence on 27 September, 1983. Since its inception, MRB was covering all the district of the state. It has 61 branches in the state till the end of 2010.

The following Table 4.7 indicates the increasing trend of sector-wise loans and advances outstanding of Mizoram Rural Bank during the study period. The perusal of the following table can inferred that loan and advances outstanding to agriculture stand at second position which is Rs. 1779616 thousands next to rural housing which is Rs. 3431820 thousands and loan and advances to allied and agriculture stand is only Rs. 294211 thousands which is the lowest position than other sectors.

Further, loan and advances to SSI and rural artisan is Rs. 8, 01,168 thousands and services and small business is Rs. 9, 82,971 thousands and also loan and advance to others sector is Rs. 14, 95,089 thousands. Thus it can be concluded that Mizoram Rural

Bank (MRB) gives the highest priority to rural housing loan instead of agricultural development.

**Table 4.7: Sector-wise break-up of loans and advances outstanding**  
(Rs. in thousands)

Years	Agriculture	Allied Agriculture	SSI & Rural Artisan	Services & Small Business	Rural Housing	Others	Total
2000	11022	26806	17135	56388	21970	42483	175804
2001	12638	27776	17982	86723	50882	34090	230091
2002	14520	34079	21650	58345	56477	96898	281969
2003	16986	34514	22182	108747	47743	154843	337272
2004	19377	38459	25802	186336	239030	179956	502624
2005	85831	39124	36654	113786	316151	210528	802074
2006	236144	20745	75515	118510	434094	200419	1085427
2007	228437	93744	132651	103115	519735	205625	1283307
2008	358209	107819	231824	105301	604493	202996	1610642
2009	414606	10679	170733	137653	712052	325549	1771272
2010	522843	22765	164643	332056	922416	380544	2345267
<b>Total</b>	<b>1779616</b>	<b>294211</b>	<b>801168</b>	<b>982971</b>	<b>3431820</b>	<b>1495089</b>	<b>8095915</b>

Source: Annual Reports of MRB

#### 4.3.2 Recovery performance on agriculture short term & agriculture /allied agriculture

An attempt is made here to ascertain the position of loan recovery for the study period under agricultural short term loan and agricultural term loan/allied agricultural sectors.

Table 4.8 indicates that the recovery performance of agriculture short term loan and agriculture term/allied agriculture grows from 14.77 percent in 2000-01 to 79.02 percent in 2009-10. The growth rate is 68.50 per cent during 2000-01 to 2009-10 in agriculture short term loan. The recovery rate of agriculture term loan and allied

agriculture during the year 2000-01 is 22.41 percent which is increased to 66.32 percent in the year 2009-10. The rate of growth within the study period is 56.24.

**Table 4.8: Recovery Performance on Agriculture Short term loan & Agriculture term loan /Allied Agriculture**

Year	Agriculture Short term loan (%)	Agriculture term loan /Allied Agriculture (%)
2000-01	14.77	22.41
2001-02	21.94	20.37
2002-03	37.23	33.04
2003-04	21.44	22.89
2004-05	46.91	43.21
2005-06	66.24	59.95
2006-07	78.70	64.17
2007-08	93.69	94.35
2008-09	76.73	72.50
2009-10	79.02	66.32
<b>Total</b>	<b>536.67</b>	<b>499.21</b>

**Source:** Annual Reports MRB

The correlation coefficient (Table 4.9) was used to test the relationship between the recovery rate of agriculture short term loan and agriculture term loan/allied agriculture under the following;

**Table 4.9: Correlation for Recovery Performance**

	Agriculture Short term loan (%)	Agriculture term loan /Allied Agriculture (%)
Agriculture Short term loan (%)	1	0.97892
Agriculture term loan /Allied Agriculture (%)	0.97892	1

The calculated value of correlation is 0.97892 which is closely and strongly positive related to 1. It means that the recovery performance of agriculture short term



loan and agriculture term/allied agriculture are positively strong and closely correlated to each other and it has also statistically significance relationship to each other. From the correlation it can be concluded that if the recovery performance of agriculture short term loan increase or decrease, the recovery performance of agriculture term loan or allied agriculture also increase/decrease in the same way.

#### **4.3.3 Sector-wise position of loans and advances outstanding under Government Schemes**

The local character and regional spread give the MRB an advantage in providing promotional and encourage support to the rural poor. Hence, along with the normal credit disbursement, MRB has been implementing government sponsored schemes for the development of rural areas in the state.

It may be mentioned here that the MRB actively started financing under Integrated Rural Development Programme (IRDP) since the beginning of 1987, self employment for ex-servicemen (SEMFEX) in 1998 and others viz., KCC, GCC, SCC, MMS etc., from 2007. Under these government schemes, selected poor families are given loans with subsidy for possessing income generating assets so as to enable them to increase their income level above the poverty line.

It is reflected from Table 4.10 that the share of government scheme loan to the total loan is less than 10 per cent almost all over the years. But after the implementation of several government schemes, the percentage has shown a considerable rise in 2007. Regarding the scheme-wise analysis, IRDP/SGSY dominated the total amount on loans disbursed under government schemes almost all over the study period.

**Table 4.10: Sector-wise position of Loans and Advances Outstanding under Government Schemes**

*(Rs. In thousands)*

Year	Schemes							Total	%
	IRDP/ SGSY	KCC	SHGs	SEMFEX	MMS	GCC	SCC		
2000-2001	6762	-	-	1061	-	-	-	<b>7823</b>	0.7
2001-2002	6972	-	-	2915	-	-	-	<b>9887</b>	0.9
2002-2003	7282	-	-	3021	-	-	-	<b>10303</b>	0.9
2003-2004	16803	-	-	3921	-	-	-	<b>20724</b>	1.82
2004-2005	17067	-	-	4952	-	-	-	<b>22019</b>	1.93
2005-2006	18643	-	-	6325	-	-	-	<b>24968</b>	2.2
2006-2007	10377	89125	51381	2483	59026	32924	7196	<b>252512</b>	22.24
2007-2008	9325	124215	40941	-	97403	23232	378	<b>295494</b>	26.02
2008-2009	11755	158510	30465	-	-	24386	5420	<b>230536</b>	20.3
2009-2010	26819	172795	44738	-	-	12705	4058	<b>261115</b>	23
<b>Total</b>	<b>131805</b>	<b>544645</b>	<b>167525</b>	<b>24678</b>	<b>156429</b>	<b>93247</b>	<b>17052</b>	<b>1135381</b>	100

*Source: Annual Reports of MRB (2000-2010)*

It must also be mentioned that in keeping with emphasis given by the central government on promotion of micro-enterprises in rural areas through the mechanism of Self-Help-groups, branches of the MRB have been advised to form SHGs. It is intended that SHG-bank linkage would be a part of the bank mainstream credit operation. In this endeavor, 1,165 SHGs have been formed out of which 1,080 groups has been credit linked. In the coming years, the thrust of the policy will be on formation of more groups and to bring such group under linkage programme. The loan disbursed during 2007 under

the policy was Rs. 513, 81 thousand and in 2010 it was decreased to Rs. 4, 47, 38 thousand.

Regarding KCC, in accordance with the government of India's policy of credit delivery and providing an adequate and timely credit support to the farmer for their cultivation needs, the MRB has started implementing the new KCC scheme so as to enable the farmers to meet their production credit requirements in a cost-effective and flexible manner. The MRB has taken steps to sensitise the farmers and promote awareness about the KCC scheme among farmers. The scheme has been recognised as a thrust area for implementation of the Bank's Credit deployment. And hence in 2007, loans amounting to Rs. 89,125 thousand have been disbursed which further went up to Rs. 1, 72,795 thousand in 2010.

#### **4.3.3 Land holding pattern of the respondents**

The study also tries to analyse the land holding status of respondents. Table 4.11 shows that 10 per cent of the respondents possess irrigated land and ninety (90) percent of the respondents possess un-irrigated land.

The table shows the average value of landholding. A perusal of the table reveals that highest number of land holding size which is 1-2 acres of land owned by respondents is 29 percent and between 2-3 acres size of landholding among the respondents is 28.2 percent and between 3-4 acres size of landholding among the respondents is 27.7percent. There are 10.5 percent of respondents who have land holding size of 4-5 acres and only 4.6 percent of respondents hold above 5 acres.

**Table 4.11: District-wise Nature of Land and Total Size of Land of Respondents**

Particulars		Name of the Districts							Total	%	
		Aizawl	Lunglei	Champhai	Kolasib	Mamit	Serchhip	Saiha			Lawngtlai
Total Size of Land (in Acre)	1 -2 acres	52	5	23	0	22	8	2	1	113	29
	2 -3 acres	20	12	24	9	21	11	3	10	110	28.2
	3 - 4 acres	19	17	16	19	6	19	5	7	108	27.7
	4 - 5 acres	12	14	2	9	1	1	0	2	41	10.5
	Above 5	7	2	5	3	0	1	0	0	18	4.6
	Total	110	50	70	40	50	40	10	20	390	100
	%	28.1	12.8	17.9	10.3	12.8	10.3	2.6	5.1	100	
Nature of Land	Irrigated	20	4	5	4	6	0	0	0	39	10
	Un-irrigated	90	46	65	36	44	40	10	20	351	90
	Total	110	50	70	40	50	40	10	20	390	100
	%	28.1	12.8	17.9	10.3	12.8	10.3	2.6	5.1	100	

Source: Field Survey

At the same time, Chi-square test was performed to find out the significance association between the respondents land size and their nature of land as under:

**Table 4.12: Chi-Square Tests for Land holdings**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.713 <sup>a</sup>	4	.008
Likelihood Ratio	15.323	4	.004
Linear-by-Linear Association	8.038	1	.005
N of Valid Cases	390		

The above chi-square test revealed the significance association between the size of land and respondents land in term of nature. Thus it can be inferred that a significance level of .008 (Pearson's) has been achieved. This means the Chi-square test is showing no significant association between the above two variables at 99.992 percent confidence level (100 - .008). Thus it can be concluded that at 95 percent level of confidence level,

the sample respondents land holding size and their nature of land are not associated significantly with each other.

#### 4.3.4 District-wise respondents having required tools and source of income

Table 4.13 reflects the gist of the response made by the sample respondents that was collected through questionnaires. It reveals that the district wise respondents having required tools and their sources of income. There are 66.9 percent of the total respondents who do not have required tools, whereas only 33.1 percent of the total respondents are having required tools for their working on agriculture which is insufficient for the rural farmers to increased their product and make a drastic change in farming methods. 26.7 percent opined that their main sources of income are agriculture and that of 73.3 percent having no agricultural income.

**Table 4.13: District-wise Respondents Having Required Tools and Source of Income**

		Name of the Districts								Total	%
Respondent having required tools		Aizawl	Lunglei	Champhai	Kolasib	Mamit	Serchhip	Saiha	Lawngtlai		
	Yes	36	17	26	11	16	12	4	7	129	33.1
	No	74	33	44	29	34	28	6	13	261	66.9
	<b>Total</b>	<b>110</b>	<b>50</b>	<b>70</b>	<b>40</b>	<b>50</b>	<b>40</b>	<b>10</b>	<b>20</b>	<b>390</b>	<b>100</b>
Agriculture (source of Income)	Yes	44	17	17	3	8	6	4	5	104	26.7
	No	66	33	53	37	42	34	6	15	286	73.3
	<b>Total</b>	<b>110</b>	<b>50</b>	<b>70</b>	<b>40</b>	<b>50</b>	<b>40</b>	<b>10</b>	<b>20</b>	<b>390</b>	<b>100</b>

Source: Field Survey

Again, an attempt has been made here to find out the significant relationship between respondents having required tools and sources of income. The data was selected only from the respondents who answer the question as 'YES'. The Anova results are found as under:

**Table 4.14: Anova for Respondents having Tools and Sources of Income**

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	110360	9	12262.22	11.85	1.08	2.21
Within Groups	31033	30	1034.433			
Total	141393	39				

The value of  $F$  statistic is 11.85 which is more than  $F$  critical value (2.21). Thus, it can be concluded that the respondents having required tools have direct impact on their main source of income. It means that respondents who have enough required tools increase their agriculture output as well as the quantity of the output.

#### **4.4 Loan taken by the respondents**

##### **4.4.1 Amount of loan**

The study attempts to find the average amount of loans received by the respondents. It is found that 47.2 percent of the total sample respondents took loan ranging between Rs. 3000 to Rs. 5000 from MRB.

##### **4.4.2 Loan utilisation pattern**

Group loans are not given strictly for the purpose of investing in productive activities. The members also utilise full or a part of loan for some other priority needs. During the survey group members were also asked about the different purposes for which

they utilise the group loans. Table 4.15 shows the loan utilisation pattern of the sample respondents.

A perusal of the Table 4.15 reveals that 79.2 per cent of the total respondents used their loan for agriculture purposes. The number is highest in Aizawl district (73) followed by Champhai district (59) and Mamit (45) district. 9.5 percent of respondents utilised loan for their allied and agricultural purposes, 2.1 per cent of the respondents utilised loan for consumption related needs; 3.6 per cent for buying household assets and construction; and similarly, 3.8 and 21.8 per cent of respondents utilised for buying tools and other consumptions viz., performing marriage ceremonies, education of the children and repaying the previous loans received.

**Table 4.15: District-wise Loan Amount and Utilisation of Loan**

Particulars		Name of Districts								Total	%
		Aizawl	Lunglei	Champhai	Kolasib	Mamit	Serchhip	Saiha	Lawngtlai		
Loan in Group	Below 3000	5	4	3	6	13	9	3	4	47	12.1
	3000 to 5000	48	23	33	19	24	20	5	12	184	47.2
	5000 to 7000	36	18	25	11	12	11	2	4	119	30.5
	Above 7000	21	5	9	4	1	0	0	0	40	10.3
	Total	110	50	70	40	50	40	10	20	390	100
	%	28.2	12.8	17.9	10.3	12.8	10.3	2.6	5.1	100	
Purpose of Loan Utilisation	Agriculture	73	36	59	37	45	32	9	18	309	79.2
	Allied Agriculture	14	5	8	2	1	5	0	2	37	9.5
	Buying tools	9	2	1	0	1	2	0	0	15	3.8
	House Construction	8	2	2	1	1	0	0	0	14	3.6
	Consumption	3	4	0	0	0	1	0	0	8	2.1
	Others	3	1	0	0	2	0	1	0	7	1.8
	Total	110	50	70	40	50	40	10	20	390	100
	%	28.2	12.8	17.9	10.3	12.8	10.3	2.6	5.1	100	

Source: Field Survey

In the preceding chapters, a detailed analysis of field survey has been presented. On the basis of these chapters, major problems faced by the Mizoram Rural Bank and the selected sample respondents are presented. At the same time, future prospects of MRB are also highlighted.

#### **4.5 Problems faced by MRB**

Although Mizoram Rural Bank (MRB) had an increasing expansion of branch network, good recovery performance and increase in volume of business, these institutions (RRBs) went through a very difficult evolutionary process due to the following problems:

##### **4.5.1 Branch expansion**

Although MRB had a rapid expansion of branch network and increase in volume of business, it suffers from the following problems.

- a. Very limited area of operations
- b. High risk due to exposure only to the target group
- c. Public perception that MRB are poor man's bank
- d. Mounting losses due to non-viable level of operations in branches located at resource poor areas.

##### **4.5.2 Lack of knowledge about banking among the rural population**

Traditionally, banking in India has been a commercial endeavor with ultimate aspects to earn as much profit as possible. Consequently, their operation were confined



to the metropolitan and ports town/city especially trade, industry and commerce. In such circumstances, ignorance of population about banking and complete absence of knowledge about banking among the rural population was quite natural. It is after social control over banks in December, 1968 and subsequently nationalisation of 14 major scheduled commercial banks in July 1969 that the policy of these banks was diverted from commercial aspects to development aspects.

Besides being illiterates, Indian villagers specially poor and belonging to the poor sections of the community are conservative and do not want to make any improvement in their routine functioning. No doubt majority of them have been coming towards banks especially after the development of Regional Rural Banks (RRBs) in the rural areas and neglected areas. But the position is still much far from satisfactory. They are mostly lacking in banking knowledge and they go to other friends and village money lenders, if they need credit. This is one of the major problems which have an adverse effect upon the working of Mizoram Rural Bank (MRB) in the state.

#### **4.5.3 Competition with other commercial banks**

The Reserve Bank of India (RBI) appointed a committee on Regional Rural Banks with the objective of reviewing their working and studying the hitherto problems under the chairmanship of Dantwala in late 1977. The committee pointed out the problem of competition being faced by RRBs with the rural branches of the commercial banks. It observed that 'It is obvious that the two patterns- one of Regional Rural Banks and its branches and the other of a rural branch network of commercial banks- cannot co-exist, if duplication is to be avoided.

These observations of the Dantwala Committee clearly prove the fact that the Regional Rural Banks (RRBs) have been facing competition with the branches of commercial banks and there is urgent need to find out solution to avoid the duplication being faced by these two.

In the subsequent paragraph, the attempts had been made to highlights the extent of competition with the RRBs specially the Mizoram Rural Bank has been facing with branches of the scheduled commercial banks in the state.

#### **4.5.4 Recovery of advances**

Recovery of loans is an important aspect in the economic viability of rural financial institutions as the range of services provided by them is limited and focused on advancing of loans only. Some empirical studies have suggested poor recovery performance of agricultural loans. Major reasons for high level of loan default are - low level of income generation, particularly on small farms, diversion of loans for unproductive purposes, inadequacy of loans leading to their diversion and willful default under the hope that they will be waived in future.

Performance of Regional rural Banks in absolute terms cannot be considered as satisfactory in respects of recovery of advances like all other scheduled commercial banks. RRBs have also been facing the problems of poor recovery of advances given by them. In their cases, the position is rather poor or worse as they have to deal the poor and weaker sections of the rural society.

The Mizoram Rural Bank like any other Regional Rural Banks has been suffering from this acute problem of poor recovery of advances given by it, even the recovery rate was high as compared to some other states of the country. On one hand, its resources are very limited and deposit mobilisation is poor and on the other hand, the localities where the branches are located are poor and faced shortage of income. In short, recovery of funds is hampered due to the following reasons:

**a. Misused of funds**

Sometimes, farmers are under impression that bank loan are like subsidies granted by the Government, which need not to be repaid. Thus, farmers or borrowers should be adequately informed of the terms and conditions under which the loan is granted.

**b. Integrated credit**

Credit is only one of the several factors responsible for the development of agriculture as well as rural development unless pre-conditions are laid for all other factors, satisfactory results cannot be achieved. The fact is that unless conditions conducive to the agricultural growth as an industry and not merely as a way of life are created, the advances granted to farmers may lead to conspicuous consumptions. What is important is the integration of farm credit with the availability of inputs, technical guidance, and storage, processing and organised marketing.

**c. Defective and complex behaviors**

Prediction of repayment behavior of borrowers is defective and complex particularly in adverse socio-economic situations existing in the state. As a result

decision making in regard to their lending policies by the Mizoram Rural Bank also become difficult.

#### **4.5.5 Defective management pattern**

The Management patterns of all the Regional Rural Banks including Mizoram Rural Bank are altogether defective. Consequently, every Regional Rural Banks has to face a number of organisational and managerial problems which create a great difficulty in their profitability operations.

The management of the Regional Rural Banks including Mizoram Rural Bank is in the hands of untrained staff in the sense that they are quite ignorant of the sound rural banking practices befitting in the rural areas. The orientation of staff of rural bank, educated in the cities is almost totally urban. The staff members of officer's level or above always look for a higher emoluments and more perks at least for the availability of household construction and vehicles etc.

They have not adopted themselves sufficiently to become an integral part of the rural people with whom they function. They have not been fully indentified with the inhabitants of the villages where their branches are situated. Given a choices many of them would prefers to settle down in cities. This tendencies has well pored some problems for the Mizoram Rural Bank.

#### **4.5.6 Poor resources and limited scope of investment**

Resource availability is a universal problem as almost all the institutions engaged successfully in any trade, industry etc., are also facing the problem in this situation. In a

financial institution like banking this problem is much acute. The Regional Rural Banks which have been set up with a view to improve economic condition of rural areas and weaker section of the community have no enough resources to fulfill the task for which they are meant for. In case of the MRB, this problem is rather worse as it has achieved a commendable success in creating deployment to the rural public but its resources are not up to the mark. It has to work under typical circumstances, on one hand, its resources are poor and on the other, its credit demand is higher. The problem of resource availability with the Mizoram Rural Bank has been becoming more and more acute because of a small increase in its advances deposit ratio.

The basic objective of MRB was to provide credit facilities to poor and weaker sections of society, i.e., to small and marginal farmers and other weaker sections. They were originally having limited scope to invest their surplus funds freely.

#### **4.5.7 Poor staffing and lack of banking expert**

In the Mizoram Rural Bank like any other Regional Rural Banks, the problem of staffing is much acute. The staff is short in view of the ever increasing quantum of the business in one side and on the other side, ever-increasing number of its branches has made the problem further acute. Besides, the bank is totally lacking expertise in services as there are no experts in credit planning, rural survey, deposit mobilisation etc.

The other reason which aggravated the problem of staffing of this bank is the fact that people do not want to live in village, while operation of the branches are almost confined to villages. Therefore, the staffs of these branches leave the service of the bank if they get opportunity elsewhere in urban areas. Generally the staff of MRB is urban-

oriented and they may not know the problems and conditions of rural areas. Lack of training facility concerning these areas also affects the growth of MRB.

#### **4.5.8 Delay in decision making**

The MRB is controlled directly and indirectly by other agencies, i.e., the sponsoring bank, NABARD, RBI, besides Central Government as well as State Government.

Thus, it takes long time to take decisions on some important issues. This, in turn affects the progress of MRB. However, since the end of 1997, the operational responsibility of MRB has been passed on to sponsor bank.

#### **4.5.9 Difficulties in deposit mobilisation**

The MRB is aiming at catering to the needs of poor and are not serving the needs of the rich. As such, MRB is not able to attract the deposit from that potential sector.

#### **4.5.10 Capital inadequacy**

The capital adequacy is the very basis to financial soundness. MRB, on the other hand, suffers capital inadequacy by:

1. Switch over to narrow investment banking as a turn-over strategy
2. Heavy reliance on sponsor banks for investment avenues with low returns barring exceptions, step-motherly treatment from sponsor banks.
3. Burden of government subsidy schemes and inadequate knowledge of customers leading to low quality assets

4. Unionised staff with low commitment to profit orientation and functional efficiency.
5. Inadequate skills in treasury management for profit orientation
6. Inadequate exposure and skills to innovate products limiting the lending portfolios
7. Inadequate effort to achieve desired levels of excellence in staff competence for managing the affairs and business as an independent entity

#### **4.5.11 Restrictive nature of operational regulations**

The regulations/operation of MRB include high statutory liquidity and cash reserve requirements, low interest rate spreads, particularly for priority sector lending, rural-urban branch ration maintenance and location licensing. All these cumulatively erode profitability and make rural bank operations non-viable.

#### **4.5.12 Lack of insurance services**

Poor people are vulnerable to financial shocks. A small change in their earning patterns due to natural calamities, health problems, death of earning member etc. can push them to destitute. So, a provision of insurance under the microfinance programme is very essential to help the poor to cross the poverty line. But, in reality, the current rural development especially in agricultural sectors in India is just focused on regular saving and micro-credit. However, some of the rural banks including Mizoram Rural Bank (MRB) have started providing insurance services but the efforts are still at an experimental stage. The penetration of life insurance is only 12 per cent among the rural

poor and 19 per cent among the urban low-income population (IIMS: 2007). The penetration ratio for insurance in India was estimated at 4.80 in 2006, whereas for Asia it was 6.60 and for Europe at 8.30 (Srinivasan: 2009). So, in India as well as in Mizoram the provision of insurance services is at the initial stage and this integral part of the agricultural development is still neglected.

#### **4.5.13 Non-fund based business**

The bank is yet to start issuing LCs, both inland and foreign. The BGs issued are also still insignificant as a source of income.

### **4.6 Problems faced by sample respondents**

India is a country of villages having coverage of around three fourth of its total population, whose main source of livelihood is agriculture. Agriculture is the most crucial sector of Indian economy. Financial institution like RRBs plays an important role in development of rural agriculture through financing loans and advances to agricultural farmers.

#### **4.6.1 Difficulties faced to get loans**

During the field survey respondents were asked about the type of difficulties they faced while getting bank loans. Table 4.16 highlights the opinions of the respondents on the difficulties while getting loans from Mizoram Rural Bank (MRB).

There are 70.76 percent of respondents who are not satisfied by the amount of loan disbursed by MRB for their agricultural purposes while only 29.23 percent are getting enough loans for their agricultural purposes.



**Table 4.16: District-wise Respondents' Opinion**

Query	Opinions	Districts								Total	%
		Aizawl	Lunglei	Champhai	Kolasib	Mamit	Serchhip	Saiha	Lawngtlai		
Enough Loans	Yes	38	10	23	14	11	9	2	7	<b>114</b>	29.23
	No	72	40	47	26	39	31	8	13	<b>276</b>	70.76
	Total	110	50	70	40	50	40	10	20	<b>390</b>	100.00
Problems	Yes	47	23	37	21	19	20	5	7	<b>179</b>	45.89
	No	63	27	33	19	31	20	5	13	<b>211</b>	54.10
	Total	<b>110</b>	<b>50</b>	<b>70</b>	<b>40</b>	<b>50</b>	<b>40</b>	<b>10</b>	<b>20</b>	<b>390</b>	100.00
	%	<b>28.20</b>	<b>12.82</b>	<b>17.94</b>	<b>10.25</b>	<b>12.82</b>	<b>10.25</b>	<b>2.56</b>	<b>5.12</b>	<b>100</b>	

Source: *Field Survey*

The above table indicates that 54.10 percent of the sample respondents responded that their groups did not face any difficulty while getting bank loans. However, 45.89 percent faced one or other difficulty while getting loans from MRB and the respondents complained that they have to do a lot of paper work while getting the bank loans. Some also opined that they have to visit the banks many times either due to the absence of bank officials or because of their incomplete documents.

#### **4.6.2 High transaction costs**

Provision of financial services in rural areas is associated with high unit costs both for institutions and for their clients. This is due to the fact that infrastructure for transport, communication and information technology is less developed in rural areas, as well as to the remoteness of these areas. Clients frequently have to travel long distances to deposit savings or repay a loan. As they usually travel on foot, this can cost them an

entire working day. Rural financial institutions face additional costs for ensuring security and managing liquidity. High unit costs are usually passed on to the clients, with the result that users in rural areas frequently pay higher interest rates than people in urban areas.

#### **4.6.3 Higher risks**

Credit risk is higher in rural areas both for borrowers and for rural financial institutions. The revenue of rural households/respondents, whose incomes mostly depend on seasonal agricultural and livestock production, are volatile due to fluctuating weather conditions and pests or diseases. In addition, price fluctuations are high in the agricultural sector. Generally, respondents depend on one or two sources of income only, increasing the risk of credit default. Many respondents either entirely lack collateral or do not have a legal title to their house or land.

Financial institutions thus have no means of securing their credits against defaulting. Defaulting clients run high risks as well: financial institutions will typically impose punitive interest rates for delayed payments and might even confiscate assets of defaulting clients.

In spite of the great achievement of the Mizoram Rural Bank (MRB) to development of agricultural sector and financing agricultural poor, the survey conducted on the MRB rural customers as sample respondents particularly revealed that the following problems are faced by them (4.17):

**Table 4.17: District-wise problems faced by Sample respondents for taking loan from MRB**

Problems	Name of the Districts								Total	%
	Aizawl	Lunglei	Champhai	Kolasib	Mamit	Serchhip	Saiha	Lawngtlai		
Lack of Mortgage	19	5	19	13	17	21	4	13	<b>111</b>	28.46
Delay of issues fund at the time of needed	20	3	5	4	3	1	0	1	<b>37</b>	9.48
Lack of awareness about banks	25	5	11	4	0	4	0	1	<b>50</b>	12.82
Not being favored by the staff	19	15	15	11	15	9	2	1	<b>87</b>	22.30
Branch location is far from locality	14	10	15	3	9	3	1	3	<b>58</b>	14.87
Very less amount for loan	8	8	4	3	4	2	3	1	<b>33</b>	8.46
Afraid of burden for repayment	5	4	1	2	2	0	0	0	<b>14</b>	3.58
<b>Total</b>	<b>110</b>	<b>50</b>	<b>70</b>	<b>40</b>	<b>50</b>	<b>40</b>	<b>10</b>	<b>20</b>	<b>390</b>	100.00
<b>%</b>	28.20	12.82	17.94	10.25	12.82	10.25	2.56	5.12	100.00	

Source: *Field Survey*

#### 4.6.4 Poverty

Poverty is one of the main problems faced by the sample respondents in the rural areas. Since agriculture is the only main occupation, they do not have sufficient income to increase their production from the cultivated land in order to get higher income for their daily needs. As can be seen from Table 4.17, the 3.6 percent respondents felt afraid

of the fact that they cannot repay the loan and it may become a big burden for their future.

#### **4.6.5 Lack of mortgage**

Most of the sample respondents are poor and they do not have any land for cultivation and the land itself also are rented from friends and other relatives with very limited time. That is why they faced a problem for taking loan from MRB for their agricultural purpose. The Table 4.17 highlights that 28.5 percent of the respondents faced problems for taking loan from MRB due to lack of mortgage. The beneficiaries also faced difficulty in giving margin money.

#### **4.6.6 Lack of knowledge about bank**

Most of the sample respondents under this study are illiterate. They even don't know how to take loan from bank and also the possibility of loan for their agricultural development. Table 4.17 shows that 12.8 percent of the sample respondents faced problems for taking loan from MRB due to lack of knowledge about bank and also how to take loan from bank located in rural areas of the state.

#### **4.6.7 Meager loan from MRB**

From Table 4.17 it can be observed that 8.5 percent of the sample respondents said that the loan disbursed by MRB for agricultural sector in Mizoram was very less.

This loan doesn't affect the need of the rural respondents for their agricultural requirements. Small loan does not satisfy the needs of the respondents, so they need to

borrow loans from other institutions or village money lenders. This may caused and increase debt of the respondents in the future.

#### **4.6.8 Indebtedness among the farmers**

Indebtedness of Indian farmers has a long history. The Deccan Riots Commission of 1875<sup>41</sup> reported that one third of the occupants of government land were under debt (NSSO: 2005). The rural population of the state also lives in indebtedness. They have taken money from friends and other their relatives for makeup of their deficit. This has cause problems for taking loan from MRB.

#### **4.6.9 Problem of access to institutional credit**

Agriculture is a major contributor to state GSDP and small-scale farmers play a dominant role in this contribution (Rahji & Fakayode: 2009), but their productivity and growth are hindered by limited access to credit facilities (Odoemenem & Obinne: 2010).

The small and marginal farmers constitute 80 per cent of operational holdings and cultivate around 36 per cent of area in India. Their number is expected to grow in future due to sub-division of holdings and lack of employment opportunities in the non-farm sector. Due to their small holding they are disadvantageously placed with respect to access to technology, credit and other institutional supports. The information on distribution of institutional agricultural credit shows that their access to credit to meet their short term and long term capital requirements has not improved over the years.

There are some disquieting features of lending to small borrowers.

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<sup>41</sup> The *Deccan Riots* of 1875 targeted conditions of debt peonage (*kamiuti*) to moneylenders. The rioters' specific purpose was to obtain and destroy the bonds, decrees, and other documents in the possession of the moneylenders.

The number of 'small borrower accounts' in case of commercial banks and other regional banks has come down over time indicating shifting of their focus to large borrowers like service sectors. The rate of growth in agricultural advances to small and marginal farmers (less than 2 ha) by scheduled commercial banks in the 1990s has come down as compared to other farm size categories due to which their share declined from 54 per cent in 1993 to 51 per cent in total agricultural credit in 2002. The All India Debt and Investment Survey (AIDIS) showed that rural households with assets less than Rs 20,000 had access to institutional loans for their credit needs only up to 35 to 37 per cent while the share of non-institutional agencies in the outstanding debt was as high as 52 to 62 per cent.

In case of higher asset households, 70 per cent of the outstanding debt came from institutional sources. Therefore, in spite of strong network of rural branches and strong emphasis on target lending under poverty alleviation programmes, creating self-employment opportunities, etc, a large number of rural poor remain outside the fold of formal banking system for their credit needs.

The important factors impeding the access of disadvantaged sections to institutional credit are higher transaction costs due to large numbers and small borrowings, higher risk cost, complicated procedures and large documentation required, inability of small borrowers to provide tangible collaterals, non-availability of tenancy agreements, loan waivers affecting recovery performance, poor risk mitigation mechanism for farmers in the wake of natural calamities and crop failure and mind set of bankers against small loans viewing them as unprofitable.

Pursuing this information from the country experiences, Mizoram Rural Bank (MRB) also gives first priority to service sector rather than agricultural sector. During the study period, MRB disbursed maximum loan to service sector. That is why the sample respondents who are engaged in agricultural sector faced problems for taking loan from MRB.

#### **4.6.10 Transaction cost**

As can be observed from Table 4.17, there are 58 sample respondents (14.87 percent) who faced the problem of location of the branch which are far away from their locality or villages. Distance, the most important determining factor in transaction costs, involves various costs such as carrying out transactions in a timely fashion, and the kind of transportation used. These costs depend largely on the scale and quality of the infrastructure (road networks, rural telephone system, mail and electricity).

High transaction costs in rural areas reflect the poor state of road networks. In the state of Mizoram the rural roads are in poor condition. Since the MRB cannot open all the villages in the state the rural beneficiaries have to go other villages where the rural bank branch located that is why they faced problems for repayment and transaction for their money as well as cheque received from government or other scheme under rural development.

#### **4.6.11 Not being favored by the staff**

It can be observed from Table 4.17, 87 respondents (22.30 percent) felt the problem of 'not being favored by the staff'.

#### 4.6.12 Multiple documents required

The requirement of documents/paper's etc. for getting loan from the bank is too many. Sometimes, it becomes impossible for some of the respondents to produce.

#### 4.7 Hypothesis

The following hypothesis was framed and tested for analysing the problems faced by the respondents in taking loan from MRB.

$H_0$ : Rural Beneficiaries do not faced problem in taking loan from MRB

$H_1$ : Rural Beneficiaries faced problem in taking loan from MRB.

To test the hypothesis Anova was performed as under:

**Table 4.18: Test of Equality for Mean between Series**

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	4752.4	1	4752.4	10.5492	0.01174	5.3176551
Within Groups	3604	8	450.5			
Total	8356.4	9				

As can be seen from Table 4.18, the  $F$  probability value of the Anova is less than .05. From the output table for one way Anova shows that the probability value of  $F$  is 0.01174. Therefore, the null hypothesis is rejected (at the 95 per cent confident level) and concludes that the rural beneficiaries faced problems for taking loan from MRB.

#### 4.6 Future prospects of Mizoram Rural Bank

Performance of Mizoram Rural Bank (MRB) has witnessed phenomenal growth in the recent past. Studies show that the bank is helping the poor in many ways. However, the focus of most of the services provided by MRB has remained on expanding the outreach of rural banking with little attention on the depth, quality and viability of the



financial services. Besides removing these problems there is a lot which can be done in this field to make their performance more effective.

In view of the above, some future prospects of MRB may be discussed as below:

#### **4.6.1 Growth prospects**

Mizoram Rural Bank has a wide prospect of expansion with regards to the outreach and depth of services provided. According to reports of MRB (2010), there are 61 branches opened in the state out of which 39 branches are located in rural areas. So, there is ample scope to cover these unreached poor people in the rural areas of the state.

#### **4.6.2 Reducing branch disparity**

As discussed in the problems faced by MRB, there is wide spread disparity in the establishment of various branches in the state. There is in-equality with regards to the infrastructure, number of staffs, facilities provided in the urban and rural areas. So, there are so many prospects and ample scope to reduce these disparities in the future.

#### **4.6.3 Implementing more Government Schemes**

MRB is meant to play an important role in reaching the rural poor people who are not served by the formal financial institutions by providing and serving through government schemes. But most of schemes are restricted by Reserved Bank of India (RBI) to collect savings and raise public funds. MRB can go for increasing and implementing more schemes with the state government in the near future.

#### **4.6.5 Technical innovations**

In order to improve the quality of performance and services to rural areas some technical innovations may be introduced. A number of electronic devices are being used in different branches to expand the outreach and to improve the functioning. Some of these devices are mobile phones, ATMs, processor cards, computers etc.

Mobile phone provides the rural poor borrowers with the communication facility. ATMs are helpful to facilitate saving, payment and loan transactions in the remote rural areas where it is difficult to open bank branches. Processor cards are used to keep the record of group activities such as savings, loans and other financial transactions. It helps to reduce paper work and saves time for the bank officials.

A computer with an operator helps the illiterate group members to maintain the records of group financial activities. These computers can also be used to provide important information related to bank policy, scheme of loan etc. in the villages. Though some of such projects have been started by MRB on pilot basis, still there is enough scope to use such innovative techniques in the state especially in rural areas.

#### **4.6.6 Financial inclusion**

Mizoram Rural Bank is the first bank in the state to introduce the three innovative schemes of financial inclusion viz., no frills account, GCC, O.T.S of the Reserve Bank of India. Through the basic banking with 'no frills account' either with 'nil' or with very low of minimum balance saving accounts, MRB have an ample scope to increase the number of account holders in the state. The depositors under these accounts are allowed

overdraft facility of up to a limit of Rs. 500/- and these accounts are meant only for channelising funds of the NREGS beneficiaries (MRB: 2010). Since the government of Mizoram introduced New Land Use Policy (NLUP) to help and develop rural poor in the state, future prospects of the bank lies in including the NLUP beneficiaries under 'no frills accounts' in the state.

#### **4.6.7 Non-fund based Business (NFBB)**

The bank is yet to start issuing LCs, both in-land and foreign. The BGs issued are also still insignificant as a source of income. The bank can always look forward to start these services in the state at the earliest as it has international boundaries with both Myanmar and Bangladesh which can be seen as blessing for fostering foreign trade.

#### **4.6.8 Deposits**

The bank achieved aggregate deposits of Rs. 47676.33 lakhs as on 31<sup>st</sup>.03.2010 against the budgeted level of Rs. 40779.00 lakhs projected for the year ending 31<sup>st</sup> March, 2010. The bank registered a positive growth of Rs. 15052.77 lakhs over the last year's level of Rs. 32623.56 lakhs which is a growth of 46.14 per cent (MRB: 2010). Even though the performance of MRB shows a positive way in achieving better deposits, it should aim for reaching higher growth rate as a future prospect of the state.

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## **Chapter - V**

### **Conclusion and Suggestions**

#### **5.1 Introduction**

Banks render or provide very important services to the masses belonging to the various sectors of the economy like agriculture, industry whether small scale or large scale. Banking system is one of the few institutions that impress on the economy and affects its performance for better or worse. They act as development factor engaging and are the source of hope and benefit for the people.

In a developing country like India, rural development is the most important concern of the national economy. From the time of independence of the country, a number of plans and programmes have been adopted and implemented by the central and state governments for improving the standard of living of rural community. Among these, the schemes of bank nationalisation, creation of lead bank and new licensing policy are the corner stone for availability of bank finance to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas. Implementation of these plans and programmes are also important to fulfill the basic need of the rural people through their involvement in various economic activities of rural development scheme. But in spite of all these efforts, the expected benefit from scheduled commercial banks have not trickled down to the majority in rural areas.

The Indian Government policy was to encourage agriculture, small, tiny and cottage and village industries. But, banks were controlled by the coterie of industrialists

and business magnates who used public funds to build up private industrial empires. As a result, small industry and business units were continuously and consistently ignored and starved of funds and agricultural credit was never seriously considered by banks. It was for this reason that the Government of India nationalised 14 top commercial banks in July 1969 and 6 commercial banks in 1980.

The Nationalisation of 14 Banks was a 'historic' and momentous event in the history of India. It led to the expansion of various banks branches throughout the country, not only in the state capitals but even spreading out to the rural areas. To restore the financial health of commercial banks and to make their functioning efficient and profitable, the Government of India appointed a committee called The Committee on Finance System, under the chairmanship of Sri. M. Narasimham, ex-Governor of Reserve Bank of India which made recommendations in November 1991. The committee laid down a blue print of financial sector reforms, recognised that a vibrant and competitive financial system was essential to the wide ranging structural reforms.

Modern banking activity was ushered in Mizoram with the establishment of the first branch of State Bank of India (SBI) at Aizawl on 29<sup>th</sup> December, 1971. Ever since, the business started growing in terms of both deposits and advances which induced branch expansion. Until the mid-1976 there were only two branches of State Bank of India in Mizoram, one at Aizawl and the other at Lunglei.

Regarding its services to the people, Mizoram remained the most poorly served area in the whole North East region. Up to 1976, in Meghalaya and Nagaland one branch served only 36,000 people, while in Mizoram one bank branch served 1,66,000 people.

Out of the total bank offices in the country as on 31<sup>st</sup> March 1976, Mizoram had only two branches. In the latter part of the same year, the SBI was able to establish its branches at Aizawl, Kolasib, Champhai and Serchhip. Also with the establishment of the United Commercial Bank (UCO) on 16<sup>th</sup> September 1976, the Vijaya Bank (VB) on 23<sup>rd</sup> September 1978, Mizoram Cooperative Apex Bank (MCAB) on 5<sup>th</sup> December 1978 and the Mizoram Rural Bank (MRB) on 23<sup>rd</sup> September 1983, and the widening of various branch networks, not only neglected sections of people but also the primary and secondary sectors received increased financial assistance from banks. Up to March 2010, there are 113 branches of various financial institutions in the State consisting of 52 commercial bank branches, 61 branches of Mizoram Rural Bank (MRB) and 11 branches of Cooperative Bank (MCAB). The branches of commercial banks and MRB had 90 per cent of the total bank branches in the state. The cooperative credit structure in the state is 2-tier structure. In addition to the banks, Developmental Financial Institutions like NABARD, SIDBI & NEDFi also have their presence in the state.

Agriculture is regarded as the mainstay and basic means of occupation of the hilly states of North East India. It is also the prevalent method of cultivation in Mizoram with traditional shifting cultivation dominating the scene. Mizoram is an agricultural state where the cultivators constituted 60.89 per cent of the total main workers as against all India figures of 38.13 per cent in 1991 which is decreased to 60 per cent in the year 2011. The cropping pattern in the state has undergone significant changes over time. The increased demand for food because of increase in population and urbanisation puts agricultural land under stress resulting in crop intensification and substitution of food crops with commercial crops.



Based on the analysis and discussion under the study '**Banking and Agricultural Development: Role of Mizoram Rural Bank**', the major findings have been shown under the following.

## **5.2 Major Findings of the Study**

### **5.2.1 State Profile**

- \* The per capita income of Mizoram for the year 2010 -2011 is estimated at Rs. 48,591/- as against the previous year's estimate of Rs. 42,715/-. Per capita income at the national level is Rs. 50,021/- for the year 2010-2011. Per capita income for the year 2011-12 is estimated at Rs 54,689 while the national per capita income during the same period is estimated at Rs 61,564/ Tertiary/Service sector constituting a share of about 60 per cent of the total GSDP indicates that this sector drives the economy of Mizoram. Both the industry sector and the agriculture & allied sector contribute about 20 per cent to the GSDP respectively.
- \* As per provisional figure of 2011 census, the total population stood at 10, 91,014 registering a growth rate of 22.78 per cent over 2001 census. The sex ratio is 975 females per 1000 males. About 94.46 per cent of the state population belongs to Scheduled Tribe and Scheduled Caste population comprising about 0.03 per cent of the state's population.
- \* The State economy (GSDP) is projected to grow at about 9 per cent during 2012-13 while the national economy (GDP) is projected to grow at 6.2 per cent during 2011-12.
- \* About 60 per cent of the population depends upon agriculture and allied sector. Share of agriculture and allied sector to the economy during the 11th Plan period

could be averaged at 14 per cent. About 32 per cent of the cultivated area is under Jhum cultivation. Only 20 per cent of the demand for rice could be met within the State. During 2009-10, a total of 1,42,8600 tones of rice were purchased by the state government from outside.

- \* Forest covers 19,240 sq.km, which is 91.27 per cent of the state's geographical area. In terms of forest canopy density classes, the state has 134.00 sq.km, very dense forest, 6251 sq.km, moderately dense forest and 12,855 sq.km, open forest. The recorded forest area of the state is 16,717. sq.km. Reserve forest constitute 47.31 per cent, protected forests constitute 21.34 per cent and un-classed forests constitute 31.35 per cent of the total forest area.
- \* The state of Mizoram is still economically backward compared with other states of India with little development due to the geographical lack of markets and raw materials. Cottage industry and other small-scale industries play an important role in the economy. Forest products are being encouraged and the 9th Five Year Plan (1997–2002) gives priority to "agro-based industries."
- \* There are eight districts, i.e., Aizawl, Mamit, Kolasib, Champhai, Serchhip, Lunglei, Lawngtlai and Saiha. Also there are three Autonomous Districts Councils such as, Lai, Mara, and Chakma which are administered under the 6<sup>th</sup> Schedule of the Constitution of India.

### **5.2.2 Findings from Performance of Mizoram Rural Bank**

- \* Mizoram Rural Bank (MRB) was set up on 27<sup>th</sup> September 1983 under the Regional Rural Bank Act 1975. It is perhaps the only RRB in the country to be

spread out in all the districts and blocks of the State. It covers the entire state of Mizoram having 8 districts and 25 R.D blocks with a network of 61 branches comprising of 1 urban, 11 semi urban 39 rural branches. It is the second largest bank in the state next to the State Bank of India which is also the sponsoring bank. It has a market share of 8.55 per cent in deposits and 17.64 per cent in advances during the study period. The paid up share capital of Rs 602.76 lakhs is contributed by all the share holders, Government of India, Government of Mizoram and State Bank of India (Sponsor Bank) in the ratio of 50:35:15.

- \* The bank has the privilege of being sponsored by the premier and largest bank of India, the State Bank of India and owned jointly by Govt. of India, Govt. of Mizoram and State Bank of India. The population of the state as per 2011 census (provisional) is 1091014 in an area of 21000 sq. km. The state has been declared the greenest state in India and forests account for about 66 per cent of the geographical area. Agriculture is the main stay of occupation and nearly 80 per cent of the total population is engaged in the activity. It has good scope for development of horticulture, fisheries, animal husbandry etc with abundant rainfall during the monsoon period. The infrastructural deficiencies however, bottleneck the potentials from being exploited fully still leaving much to do with the Govt., financial / banking institutions. The literacy rate at 91.58 per cent is one of the highest in India next to Kerela and Lakshadweep. MRB is the largest bank in terms of number of branches and second in terms of business, next to its sponsor bank (SBI), in the State.

- \* The study also found that the bank has become the 100<sup>th</sup> member lending institution of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).
- \* Corporate agency tie up agreement has been signed with SBI Life. A target of Rs. 150 lakhs as premium and Rs. 15 lakhs as commission has been allotted to the bank.
- \* MRB has been appointed State Chanelising Agency of the National Handicap Development Finance Corporation (NHFDC) for financing physically challenged persons in the state.
- \* One of the interesting results found on the performance of MRB in the state is that the bank wiped out its accumulated loss for the first time in its history of 27 years following significant improvement in its assets flock and improved management assets and liability in the year 2010. At the same time, the bank has now joined the elite group of the ‘Sustainable Viable RRBs.
- \* The Government’s Flagship rural development programme known as New Land Use Policy (NLUP) has been implemented through the bank. The programme envisages a project cost of Rs. 2700.00 crores spread over a period of 5 years.
- \* The Regional Rural Banks have emerged as a strong intermediary for Financial Inclusion in rural areas by opening a large number of “No Frills” accounts and financing under General Credit Card (GCC). Total number of business accounts (deposit plus loan accounts) with RRBs stood at 1,363.09 lakhs, as on 31 March

2012. 23 villages have been 100 per cent covered under financial inclusion by way of opening savings banks/no frills accounts.

- \* Mizoram Rural Bank (MRB) has taken upon itself the task of reaching out to remote and unbanked villages by way of BC model banking under the financial inclusion technology fund. With a view to achieving the objectives of greater financial inclusion as per Reserve Bank of India's directives, MRB introduced various banking schemes. A huge number of rural customers have been brought under the basic banking scheme with '*no frills account*' either '*nil*' or with very low of minimum balances savings bank account in all the branches. In these accounts, depositors are allowed overdraft facility up to a limit of Rs 500/-. These accounts are meant for channelising funds of the NREGS beneficiaries. To strengthen the credit delivery system at affordable cost, the GCC scheme has been introduced in the bank as per RBI guideline. Credit limit has been fixed at Rs. 25,000/-. This scheme has started getting momentum rural areas. A one-time settlement scheme has also been introduced by MRB with a limit fixed at Rs. 25,000/- to reduce the burden of rural borrowers (non intentional defaulters) and also to make them eligible for fresh credit. This will also help in reducing non-performing assets.
- \* MRB has initiated the progress of computerisation on Core Banking Solution (CBS) platform using "B@NCS 24" application software through the ASP model. Up-gradation of the 61 branches of the bank is completed in the year 2010. MRB has already fully computerised all its branches on a standard alone basis.

- \* MRB has introduced the Fund Transfer Price Mechanism between its head office and the branches on almost similar lines being followed by its sponsor bank i.e., State Bank of India (SBI) with a view to eliminating loss making branches. The number of loss making branches has been reduced from 3 to 2 during the year of 2010.
- \* Under the rural housing loan scheme, MRB exposure to housing sector stood at Rs. 9224.16/- lakhs in the year 2010. MRB target being individual in the lower and middle income groups, their loan application have been sanctioned under priority basis.
- \* The bank unabatedly continues to promote and credit linked micro-enterprises in rural areas through the mechanism of self-help groups. A good number of self-help groups have been brought into the bank's book. It is intended that SHG linkage would be a part of the bank's mainstream credit operation. In this endeavour 2035 groups have been formed of which 1175 groups have been credit linked. In the coming years, emphasis will be on formation and promotion of more groups' with the necessary credit support. The bank's achievement in this area accounts for more than 50 per cent of the aggregate achievement of all operating banks in the state.
- \* MRB has implemented the new Kisan Credit Card (KCC) Scheme to enable farmers to meet their production credit requirements in a cost effective and flexible manner. MRB has taken steps to sensitise the farmers and promote awareness about the Kisan Credit Card Scheme among farmers. The scheme has been recognised as a thrust area for implementation of the bank's credit

deployment. As in the case of SHG the bank's performance in issuing KCC has been quite appreciable. Around 60 per cent of the total cards issued by all banks are the share of the bank. The KCC issued are mainly for production and consumption purposes to help farmers tide over their problems during the crops season. Cash credit as well as term loans are sanctioned to KCC holders.

- \* MRB has a market share of 8.55 per cent in deposits and 17.64 per cent in advances. (MRB: 2010). The paid up share capital of Rs 602.76 lakhs have been contributed by all the share holders, Government of India, Government of Mizoram and State Bank of India (Sponsor Bank) in the ratio of 50:35:15. In addition to this, an additional equity share capital of 301.06 lakhs towards equity support for the purpose of cleansing of the balance sheet has received from the share holders.
- \* The number of accounts opened in the year 2000-2001 is 47063 which is increased to 144517 accounts in the year 2009-10 it was 73.4 fold increased during the study period.
- \* The average annual growth rate of MRB branch expansion in the state is 4.24.
- \* The study found that there is 14.7 rate of growth during 2000 to 2010 of deposit accounts.
- \* The high correlation i.e.,  $r = 0.925587$  indicated that value between deposits and advances of MRB during the study period are strongly correlated.

- \* The correlation coefficient .473 shows that positive correlation between gross NPA and gross advances during the study period.
- \* The study found that the recovery performance of MRB was a progressive picture. As on March 2000 the recovery performance of MRB in the state was 61 per cent, which is increased to 82.08 per cent in March 2010. As compared to other state of India, recovery percentage of MRB is quite very satisfactory. The national recovery performance of RRBs is 77.85 per cent.
- \* The recovery performance of agriculture short term loan and agriculture term/allied agriculture grows from 14.77 percent in 2000-01 to 79.02 percent in 2009-10. The growth rate is 68.50 per cent during 2000-01 to 2009-10 in agriculture short term loan. The recovery rate of agriculture term loan and allied agriculture during the year 2000-01 is 22.41 percent which is increased to 66.32 percent in the year 2009-10. The rate of growth within the study period is 56.24.
- \* The regional level analysis of RRBs in North East Region in term of both business per employee and business per branch shows that it reaches higher than that the performance of other RRBs in North East Region as on March, 2010.
- \* The correlation results found that MRB and RRBs in deposits is 0.87 and in advance the correlation value is 0.90. This clearly shows that the performing of MRB in deposits and advances to priority sectors is as good as RRBs does during the study period. i.e., Mizoram Rural Bank performed its volume of business at par with Regional Rural Banks of the country.



- \* The high positive 'r' values i.e., 0.99 indicates that, there is a strong correlation between per branch income and per branch expenditure. It means that when the income increases the expenditure also increases.
- \* The calculated value of Kruskal-Wallis Test (W) for total expenditure (9) is less than the table value of  $c^2$  (9.21 at 1 percent level of significant). It shows that there is no statistically significant difference in the growth rates of various classification of expenditure of MRB in the states.
- \* The calculated value of Mann-Whitney-Wicoxon-Test in Table 2.22 shows that the T value (139) is greater than  $T_L$  and less than  $T_U$  for the growth rates of interest income and other income at 5 per cent level of significance. It means that there is no statistically significant difference between the growth rates of interest income and other income of MRB in the State.
- \* The relationship between Gross NPAs and Gross Advances in respect of non-performing assets of MRB during the time series has positive correlation since the correlation coefficient is .473.

### **5.2.3 Findings from the Sample Respondents**

#### **a) Gender of the respondents**

There are 269 males out of 390 sample respondents had taken loans from MRB for their agricultural purpose while that of females were 121 beneficiaries.

#### **b) Age of the respondents**

Majority (29.5 per cent) of the respondents belongs to middle age group i.e., 40 years to 50 years followed by 27.4 percent between 50 years to 60 years and 30 years to

40 years are 25.4 percent. Below 30 years there are 11 percent among the sample respondents.

**c) Qualification of the sample respondents**

The respondents are found from illiterates to post graduate (PG) in varying number. At the gross level, 7 (1.79 per cent) respondents are illiterate followed by 275 respondents (70.51 per cent) under matriculation, 77 (19.74 per cent) matriculation and 25 (6.41 per cent) graduate and only 6 (1.53 per cent) completed PG. This trend shows that among the sample respondents, those who have educational qualification under matriculation are the highest in number.

**d) Marital status of the respondents**

Most of the respondents are found married with only a small proportion of unmarried respondents. There are 304 (77.94 per cent) married and 61 (15.64 per cent) un-married. The proportions of other respondents are 18(4.61 per cent) only and two respondents did not respond to the question in this regard.

**e) Nature of land**

The respondents who have holding land with irrigation facility are only 35 which is 9 percent out of the total sample respondents while 351 respondents' holdings are with un-irrigated land which is 89.8 percent.

**f) Land holding size**

The study also found that the land holding size of 113 respondents (Table 4.11) which are 29 per cent of the respondents hold 1-2 acres and 110 respondents which are 28.2 per cent of the total respondents hold 2-3 acres land. 108 respondents which are 27.7 per cent of the total respondents have 3-4 acres and 41 respondents which are 10.5 percent holds 4-5 acres and only 18 respondents (4.6 percent) out of the total 390 respondents have above 5 acres of land.

**g) Occupation of the respondents**

The number of respondents whose main occupation is farmer accounted for 319 persons (81.8 percent) among the total respondents while 0.5 per cent only is artisans followed by 9.5 is laborers and 8.2 per cent from other occupations.

**h) Parental Occupation of the respondents**

From the study it is found that there are 337 respondents whose parental occupation is farmers (86 percent) out of the total 390 sample respondents, followed by 24 businessmen and 29 services. Since the correlation (r) value (0.52) is positively relationship to 1, there is positively correlation between parents' occupational background and respondents' occupational background. The correlation value (0.52) is positively relationship to 1, that mean there is positive correlation between parents occupation background and respondents occupational background and as such, the occupational background of the respondents is depends and related to their parents occupation.

### **i) Income and expenditure of the respondents**

The study analyse the monthly income and expenditure of the sample respondents i.e., 390 respondents. Chi-square test revealed the significant association between the monthly income and monthly expenditure of the MRB respondents in the state of Mizoram. From the chi-square test output it can be observed that a significant level of .000 (Pearson's) has been achieved. This means the chi-square test is showing a significant strongly association between the monthly income and monthly expenditure of sample respondents at 95 per cent confident level. Thus it can be concluded that, at 95 per cent confidence level, the monthly income of the respondents and monthly expenditure of the respondents are associated significantly with each other. As income increase the consumption (C) is also increases but not proportionately to the increase in income (Y). Also, as the contingency coefficient (C) is .738, it can be said that the association between the monthly respondents' income and expenditure is strongly significant since the value .738 is closer to 1 than to 0.

### **j) Purpose of loan**

The respondents who have taken loan from MRB for agricultural sector are maximum than for other purposes i.e., 309 respondents which is 79.2 percent out of the total respondents and 37 (9.5) respondents taking loan under the allied agricultural purpose. Buying for tools for their agricultural development by 15 respondents (3.8 percent) followed by 14 respondents (3.6 percent) for their house construction. while 8 respondents (2.1 percent) for their consumption only and are some of the other purposes for taking loan form MRB.

### **k) Make up of deficit**

The study found that out of the total sample respondents, 93 respondents borrowed from friends and relatives for makeup of deficit and 29 respondents borrowed other loan from other financial institutions on the other hand, 197 respondents make up their deficit from their own savings and 71 respondents make up from other sources.

### **l) Repayment of loan**

Out of the total selected sample respondents, 355 (91.02 per cent) respondents could repay loan on time while 35 (8.97 per cent) could not repay loan in time.

## **5.2.4 Analysis of Mizoram Rural Bank (MRB) and Agricultural Development**

- \* Mizoram is a small hilly state. Agriculture occupies a very important place in the economy of the state. As per economic classification of workers under (2011 census), about 60 per cent of the total workers are engaged in agriculture and allied sector. Paddy is the principal food crop and the staple food of the state.
- \* Out of the total area of 21, 08,700 ha, the total cropped area during the year 2008-09 is 106.714 ha, which is increased to 133.226 ha in 2009-10. Total irrigation area of the state during the year 2008-09 is 11.156ha which is decreased to 10.361 in the next year 2009-10.
- \* There is a decreased trend of area per ha from 2008-09 to 2009-10 which is 122,355 ha to 111,339 ha. The rate of decreased is 4.71 per cent during the year.

- \* The local character and regional spread gives the MRB an advantage in providing promotional schemes and encouraging support to the rural poor. Hence, along with the normal credit disbursement, MRB has been implementing government sponsored schemes for the development of rural areas in the state. It may be mentioned here that the MRB actively started financing under integrated Rural Development Programme (IRDP) since the beginning of 1987, self employment for ex-servicemen (SEMFEX) in 1998 and others *viz.*, KCC, GCC, SCC, MMS etc., from 2007. Under these government schemes, selected poor families are given loans with subsidy for possessing income generating assets so as to enable them to increase their income level above the poverty line.
- \* Regarding the scheme-wise analysis, IRDP/SGSY dominated the total amount on loans disbursed under government schemes almost all over the study period.
- \* The present study found that Mizoram Rural Bank (MRB) gives the highest priority to rural housing loan instead of agricultural development.
- \* The correlation coefficient was used to test the relationship between the recovery rate of agriculture short term loan and agriculture term loan/allied agriculture. The calculated value of correlation is 0.99 which is closely related to 1. It means that the recovery performance of agriculture short term loan and agriculture term/allied agriculture are positively and closely correlated to each other and also, have statistically significance relationship to each other.
- \* MRB introduced different schemes under the state Government like, SGSY, KCC, SHG, SEMFEX, MMS, GCC, and SCC during the study period

- \* Chi-square result shows that a significance level of .008 (Pearson's) has been achieved. This means the Chi-square test is showing no significant association between the above two variables like land holding size and nature of land at 99.992 per cent at confidence level (100-.008). Thus, at 95 per cent level of confidence, the sample respondents land holding size and their nature of land are not associated significantly with each other.

### **5.3 Suggestions of the Study**

An attempt is made here to give suggestions for the overall development of rural banking and agriculture in the state. The suggestions are grouped as follows:

#### **a. Suggestions given to Government**

- i. Government should encourage and support MRB to take up appropriate steps in rural development.
- ii. Policy should be made by government for opening more branches of MRB in remote areas of the state.
- iii. Government should take firm action against the defaulters and shouldn't make popular announcements like waiving of loans, interest thereof etc.
- iv. Government should increase development scheme by using loan with rural banks to increase and develop rural agricultural sector.
- v. The state government should commit to increase credit flow to rural areas and all necessary steps shall be taken to strengthen MRB.
- vi. Systematic efforts should be made to provide infrastructure facilities in the village link roads, community system etc.

- vii. The government should provide marketing assistance and minimum support price facility to the farmers so that repayment behavior of the farmers may increase. This will improve bank performance in the state.
  
- viii. Government should attempt to create a road map for inclusive growth in agriculture sector by adopting a pragmatic approach. It needs to replace lip service to the farmer by a concrete plan of actions and recommending ways and means of increasing agriculture production and productivity in the state for food security through timely availability of cash subsidy, crop insurance, rural industrialisation etc. Therefore, it is imperative to take care of agriculture sector for enabling it to take care of the state economy.

**b. Suggestions given to sponsoring bank**

- i. The sponsoring bank (State Bank of India) has to make an important change in their decision making with regard to their investments.
- ii. The sponsoring bank must strengthen effective credit administration by way of credit appraisal, monitoring the progress of loans and their efficient recovery.
- iii. The sponsoring bank needs to conduct awareness programmes for agricultural development not only for MRB but also for all the rural masses.
- iv. The sponsoring bank should make thorough audit and keep watch on the proper use of the loans taken by the loanees.



**c. Suggestions given to Mizoram Rural Bank**

- i. MRB should launch publicity drives and popularise their schemes of deposit mobilisation in rural areas. In order to enhance the credit absorption capacity, concerted efforts need to be made to popularise the credit schemes, formulating new schemes and activities in these rural masses.
- ii. Efforts should be made to ensure that the non-interest cost of credit to small borrowers is kept as low as possible.
- iii. Productivity of MRB can be improved by controlling the costs and increasing their income.
- iv. To reduce participation cost, subsidy should be adjusted towards the end of the transaction for which loan assistance is sanctioned.
- v. The subsidies to be given for various production purposes should be linked with repayment of loan so that an ideal credit climate can be made.
- vi. MRB have to be very careful and reduce the operating expenses, because it has been found from the study that these expenses had increased the total expenditure of the bank.
- vii. MRB has to give due preference to the micro-credit schemes and encourage in the formation of self help groups.
- viii. The credit policy of the MRB should be based on the group approach of financing rural activities.
- ix. MRB may relax their procedure for lending and make them easier for village borrowers.

- x. MRB needs to conduct awareness programmes for banking and agricultural development for the rural masses.
- xi. MRB branches should provide credit assistance not only to their existing borrowers but also to other eligible farmers within their command areas provided which are not covered by any other financial institutions in the state.
- xii. In addition to the general schemes to be adopted by the MRB specific area-wise schemes should also be formulated to suit the socio-economic conditions prevalent in the rural areas.
- xiii. MRB should try to influence the richer section of the society to invest more in the bank so that they can give more loans to the poor and rural farmers in the state.

**d. Respondents or beneficiaries of MRB**

- i. Respondents or beneficiaries should utilise loans for their intended agricultural purpose only. In other words, loan should not be used for other purposes.
- ii. Respondents should attend training programmes or awareness programmes conducted by the concerned agency for rural development schemes and agriculture schemes in the state.
- iii. Respondents should know that the loan taken from MRB needs to be repaid on time.
- iv. It is important to note that most of the respondents (70.51 per cent) are found under matriculation. The respondents as far as possible may go for higher education. If the respondents are well educated they can avoid many problems for getting loan from the bank.

- v. As found in Table 3.22, the correlation value (0.52) revealed that the background of the respondents and their parents are positively related. This result is not good for respondents who are holding limited cultivable land with traditional crops in rural areas. Respondents should try to extend and diversify their farm products from traditional crops to commercial crops.
  - vi. All the respondents are found to be adopting traditional farming practice in the process of agricultural production. That is why their output is less. In this regard the respondents should try to increase their skills and knowledge to start modern agricultural system and products like cash crops in their limited land.
  - vii. So far as investment is concerned, the respondents need to save and invest their surplus money as much as possible to any nearest bank branch in the rural areas of the state. This will help in bringing economic development not only for the rural areas but also for the whole state and the nation.
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## ANNEXURE I

Questionnaire of the Ph.D. work entitled  
**BANKING AND AGRICULTURAL DEVELOPMENT**  
**ROLE OF MIZORAM RURAL BANK**

(Please fill up all the questions)

### A. Brief Introduction of the Beneficiaries

1. Name: .....
2. Age: .....
3. Education Qualification:
  - a) Post Graduate ( )
  - b) Graduate ( )
  - c) Matric ( )
  - d) Under Matric ( )
  - e) Illiterate ( )
  - f) Vocational Courses ( )
4. Education Qualification of your father: .....
5. Education Qualification of your mother:.....
6. What is your marital status?
  - a) Single ( )
  - b) Married ( )
  - c) Others ( )
  - d) No response ( )
7. Parental occupation: .....
8. MRB branch name: .....
9. District:.....
10. Status: Farmer ( ) Artisans ( ) Laborers ( ) Others ( )

### B. Statement of Beneficiary's Economic Status

1. How many family members do you have?  
Male ( ) Female ( ) Children ( )
2. What is the number of working members in your family?  
Male ( ) Female ( ) Children ( )
3. What is the total monthly income of your family? Rs.....
4. What is the estimated monthly expenditure of your family? Rs.....

5. If total expenditure is more than the earnings, how do you make-up the deficit?  
 .....
6. How much lands do you posses? .....
7. Is your land irrigated or un-irrigated? .....
8. Is your land Moisture Retaining/ Dry hilly? .....
9. Do you have required tools? Yes ( ) No ( )
10. If no, how do you work? .....
11. Is it the only income source of yours? Yes ( ) No ( )
12. Do you engage yourself in allied agricultural activities?
- a) Poultry ( )
  - b) Piggery ( )
  - c) Dairy Farming ( )
  - d) Horticulture ( )
  - e) Goat and Sheep-rearing ( )
  - f) Goober Gas Plants ( )
  - g) Orchid ( )
  - h) Cattle rearing ( )
  - i) Others ..... ( )
  - j) If you do not occupy yourself in any allied agricultural activity, how do you utilize your leisure? .....
  - k) Do you get money from
    - i) Your son ( )
    - ii) Brother ( )
    - iii) Father ( )
    - iv) Uncle or ( )
    - v) Any other relative ( )
    - vi) If so, how much do you get per month? Rs .....
  - l) Do you share/exchange seed with other farmers? Yes ( ) No ( )

**C. Need of Credit and Other Statements**

13. Do you need credit for agricultural/allied agricultural activities / consumption?  
 Yes ( ) No ( )
14. Do you get essential credit? Yes ( ) No ( )

15. From which source of the following one's did you get credit for agricultural / allied agricultural activities/consumption/ other priority sectors-
- a. Money lenders ( )
  - b. Nationalized Banks (Specify the bank) ( )
  - c. Mizoram Rural Bank ( )
  - d. Co-operative Banks ( )
  - e. Societies ( )
  - f. Land Development Banks ( )
  - g. Friends and Relatives ( )
  - h. Any other source ( )
16. Are you burdened with inherited debt? Yes ( ) No ( )
17. If yes, how much debt did you inherit? Rs .....
18. Have you repaid the inherit debt? Yes ( ) No ( )
19. How much interest have you already paid on it? Rs .....

**D. Loan taken from Mizoram Rural Bank**

- 1. From which branch have you taken loan? .....
- 2. Amount of Loan.....
- 3. Name of the Branch (*Address*)  
.....
- 4. For what purpose have you taken loan?
  - a) Agriculture ( )
  - b) Allied Agricultural activities ( )
  - c) Tools ( )
  - d) House Construction ( )
  - e) Children education ( )
  - f) Repayment of another loan ( )
  - g) Consumption ( )
  - h) Any other .....

**E. Utilisation of Loan**

- 1. Have you utilized the loan for the purpose for which it was sanctioned?  
Yes ( ) No ( )
- (1) If no, indicate the reasons responsible for this .....
- (2) Have you utilized the loan partially for the required purpose, fully or partially?  
Yes ( ) No ( )

2. If you have utilized the loan partially for the required purpose, indicate what percentage was spent on intended purpose and what on consumption items?

- i) Percentage spent on intended purpose.....
- ii) Percentage spent on consumption purpose .....
- iii) Did you make special efforts for getting the loan? Yes ( ) No ( )
- iv) Have you given bribe to anybody for getting the loan? Yes ( ) No ( )  
if yes, how much? Rs.....

**F. Repayment of Loan.**

- 1. Have you paid the debt within the specified period? Yes ( ) No ( )
- 2. If the specific period is not yet over, do you expect to be in a position to repay the loan after completion of its time limit? Yes ( ) No ( )
- 3. Have you repaid the debt from the additional income generated from the activity for which credit was taken? Yes ( ) No ( )  
If no, how did you get money for repayment?
  - a) Savings ( )
  - b) Fresh loan ( )
  - c) Other sources ..... ( )
- v) Do you expect to be in a position to repay the loan from the income likely to be earned from the credit financed activity? Yes ( ) No ( )

*If you have not refunded the loan in time or not in a position to refund the loan in time, indicate reasons responsible for it by ticking one or more of the following:*

- i) Poverty ( )
- ii) Spent on consumption item ( )
- iii) Despite proper utilization, no additional income could be generated ( )
- iv) Carelessness ( )
- v) Natural Calamities ( )
- vi) Un-remunerative price due to lack of market facilities ( )
- vii) Non-cooperative from the bank ( )
- viii) Other reasons ( )

**G. Please rate the following statement according to your opinion.**

<i>Particulars</i>	<i>Highly Agreed</i>	<i>Agreed</i>	<i>Neutral</i>	<i>Disagreed</i>	<i>Highly Disagreed</i>
Rural people depend on MRB for agricultural development.					
The working and performance of MRB in agricultural development is satisfactory.					
Rural customers and beneficiaries of MRB who are engaged in agricultural activities do not face problems of access to finance.					

**H. Problems**

1. What type of problems do you faced in agriculture/farming?  
.....
2. Do you have difficulty in accessing materials (such as seeds/new varieties) required for farming? How do you learn about new varieties and how do you get them?  
.....
3. Are there any schemes sponsored by government or NGOs that has been especially useful for agricultural development in your area? If so, elaborate.  
.....
4. Are you having any problems for access to finance from MRB? Yes ( ) No ( )  
If yes, please specify:
  - a) Mortgage ( )
  - b) Security ( )
  - c) Lack of vision on the part of financial institutions ( )
  - d) Others (please specify): .....
5. MRB staff and managers are friendly with you? Yes ( ) No ( )
6. Whether the MRB financing is adequate? Yes ( ) No ( )



If no, please specify:

.....

**I. Suggestion**

1. Do you have any plans for expansion or growth of your agricultural product?

Yes ( ) No ( )

If yes, please specify:

2. What suggestion would you give to other agricultural farmer for their Improvement/to improve their agricultural products?

.....

3. In what ways is the government helping you with regards to actual funds, subsidies? And how much beneficial has it proved to you?

.....

4. What are the suggestions would you like to give to the Government to improve agriculture scenario in Mizoram?

.....

5. What suggestion do you want to give MRB to improve the working and performance in agricultural development in your area?

.....

6. Please give any other suggestions to the farmer.

## ANNEXURE II

### **\*Seminars and Workshops Attended**

1. Attended International Conference on Narrativizing the margins: North East India and Beyond, organized by Department of English, Assam University: Diphu Campus on 4<sup>th</sup> to 6<sup>th</sup> January 2012.
2. Attended the workshop on Methods of Research and Proposal writing organized by the Department of Economics, Mizoram University and OKD Institute of Social Change and Development, Guwahati during March 5<sup>th</sup> – 10<sup>th</sup>, 2012 at Aizawl, Mizoram.
3. Attended one-day workshop cum seminar on “Disability Rehabilitation and Development of Human Resources: Exploring the Possibility” organized by National Institute of Orthopaedically Handicapped (NIOH), Kolkata and Department of Management, Mizoram University on 17<sup>th</sup> May, 2012 at the Guest House Conference Hall, Mizoram University, Aizawl.
4. Attended ICSSR, New Delhi sponsored Ten Days National Workshop-cum-Training Programme on “Research Methodology and Application of SPSS in Business Studies”, Organised by Mizoram University, Department of Management (28<sup>th</sup> February to 9<sup>th</sup> March, 2013).

### **\*\*Paper Presented in the Seminars**

1. Presented a paper '*Banking Scenario in Mizoram: An Overview*', at the National Conference on 'Financial Inclusion- The Issues and The Future', Organized by K.C. Das Commerce College, Guwahati, in collaboration with NEDFi held on 13<sup>th</sup> – 14<sup>th</sup> May, 2011.
2. Presented a paper '*Role of Mizoram Village Councils in MNREGS: An Analysis*' at the National Seminar and Prelude Conference on 'Rural Development and PRIs in India', jointly organized by Indian Institute of Public Administration (IIPA) New Delhi - Mizoram Regional Branch & Department of Public Administration, Mizoram University, Aizawl, on September, 23<sup>rd</sup> 2011.

3. Presented a paper '*Socio-economic Empowerment of Mizo women through Rashtriya Mahila Kosh: An analysis*', at the ICSSR Sponsored State level Seminar on "Political Empowerment & Women of Mizoram", Organized by Govt. J. Buana College, Lunglei, Mizoram in collaboration with MCTA Branch on 24<sup>th</sup> -25<sup>th</sup> August, 2011.
4. Presented a paper '*Role of RRB's in Micro-Finance: A Mizoram Rural Bank (MRB) Perspective*', at the 13<sup>th</sup> Annual Conference of North Eastern Economic Association (NEEA), Organized by Assam University, Silchar on 16<sup>th</sup> – 18<sup>th</sup> November, 2011.
5. Presented a paper '*Mizoram Rural Bank and Financial Inclusion: An Analysis*', at the National Seminar on Financial Inclusion: Issues and Challenges, Organized by the Department of Economics, Mizoram University on 22<sup>nd</sup> – 23<sup>rd</sup> November, 2011.
6. Presented a paper '*Rural Development Schemes in Mizoram: A Critical Appraisal*', at the UGC Sponsored National Seminar on "Development Constraints in NE India", Organized by Department of Political Science and IQAC, Govt. J. Buana College, Lunglei on 14<sup>th</sup> – 15<sup>th</sup> March, 2012.
7. Presented a paper '*Financial Inclusion and Exclusion: Perspective of Mizoram Rural Bank*', at the ICSSR & NERC sponsored National Seminar on 'Promoting Financial Inclusion for Inclusive Growth with a Special Reference to North East India' Organized by Department of Commerce, Assam University Diphu Campus on 23<sup>rd</sup> - 24<sup>th</sup> November, 2012.
8. Presented a paper '*Performance of Women Entrepreneurship in Mizoram: An Analysis*', at the National Seminar on "Entrepreneurship for Economic Development in India with Special Reference to its North Eastern Region: Challenges and Opportunities", Organized by the Department of Management Mizoram University on 26<sup>th</sup> – 27<sup>th</sup> February, 2013.
9. Presented a paper '*Institutional Finance for Economic Development: Role Played by Regional Rural Banks*', at the National Seminar on "Economic Development in North East India: Challenges and Opportunities (EDNEI)", Jointly Organized by Department of Commerce and Department of Economics, Pachhunga University

College (PUC) Aizawl, Mizoram in collaboration with Department of Industries, Government of Mizoram under the sponsorship of UGC-NERO, Guwahati during 21<sup>st</sup> – 22<sup>nd</sup> March, 2012.

10. Presented a paper '*Role of Mizoram Rural Bank in Financial Inclusion: A Study*', at the 15<sup>th</sup> Annual Conference of North Eastern Economic Association (NEEA) on "Financial Sector and Development in NE India", Organized by the Department of Economics, Mizoram University, Tanhril, Mizoram during 15<sup>th</sup> – 16<sup>th</sup> November, 2013.

### **\*\*\*Publications in Edited Books and Journal**

#### **• Papers in Edited Books**

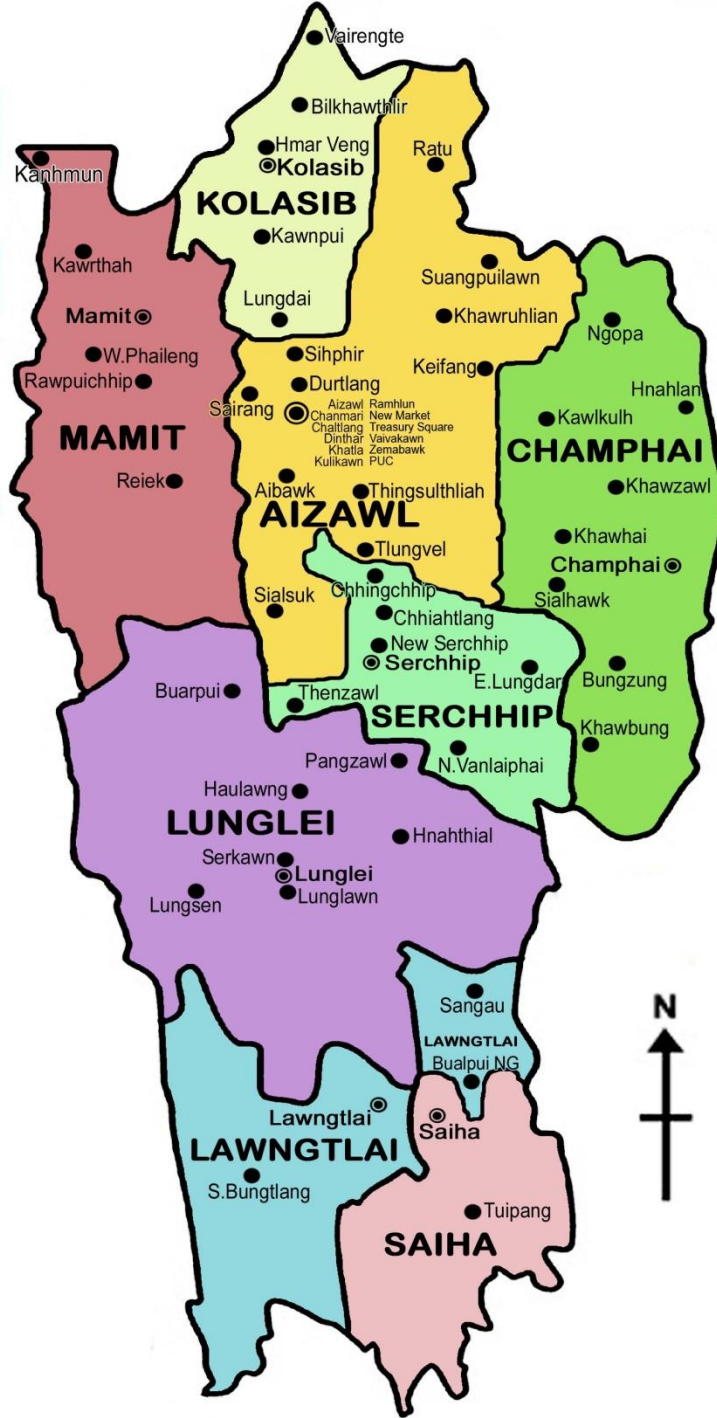
1. Vanlalkulhpuia, C & Singh Nixon, E (2012), '*Socio-economic empowerment of Mizo women through Rashtriya Mahila Kosh: An analysis*', Empowerment of Women in North East India, edited by Harendra Sinha, Concept Publishing, New Delhi. ISBN-13: 9788180699078 & ISBN-10: 8180699072
2. Vanlalkulhpuia, C & Singh, Nixon, E (2012) '*Micro Finance in Mizoram: Mizoram Rural Bank (MRB) Perspective*', Regional Case Studies in Micro Finance, edited by, A.K, Agarwal, Bhartendu, Singh & Vanlalchhawna, DVS Publishers, Panbazar, Guwahati.
3. Vanlalkulhpuia, C & Singh, Nixon, E (2012) '*Role of Mizoram Rural Bank (MRB) in Providing Financial Services*', Segments From Development Discourse in North East India, edited by, Roy, Niranjana & Mandal, Raj, Published by Assam university, Silchar, Assam, India.
4. Singh, Nixon, E & Vanlalkulhpuia, C (2013), '*Financial Inclusion through Derivatives Market: An Indian Experiences*', Financial Inclusion for Inclusive Growth, edited by Singha, Rasmani, A, Concept Publishing Company Pvt. Ltd, New Delhi.
5. Vanlalkulhpuia, C & Singh, Nixon, E (2014) '*Credit for agriculture Sector in Mizoram: A Study of Mizoram Rural Bank*', Identity, Politics and Economic Development in North-East India, edited by, Komol Singh & Amageet, M, Concept Publishing Company Pvt. Ltd, New Delhi, India.

- **Journal**

1. Vanlakulhpuia, C & Singh, Nixon, E (2013), 'Banking and Agricultural Development in Mizoram: A Socio-Economic Analysis of Mizoram Rural Bank', *SS International Journal of Business and Management Research (SSIJBMR)*, Vol. 3, Issue 6 (Nov. 2013), ISSN 2231-4970.
2. Vanlakulhpuia, C & Singh, Nixon, E (2013), 'Performance of Mizoram Rural Bank: A Study of Pre and Post Amalgamation Period', *International Journal of Applied Management Research*, Vol. 1, No. 1 (Nov.1. 2013), ISSN 2347-2839.

ANNEXURE III

Branches Map of Mizoram Rural Bank



Map of Mizoram  
(Not to scale)