

AN ANALYSIS OF DEPOSIT MOBILIZATION OF THE ASSAM GRAMIN VIKASH BANK (AGVB), ASSAM

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ABSTRACT

The Assam Gramin Vikash Bank (AGVB), the largest Regional Rural Bank (RRB) in the North – East India, ranks at the top in the country in terms of numbers of district cover, plays a vital role in accelerating economic growth of Assam. Regional Rural Banking is an important financial intermediary in rural areas between savers and borrowers. The AGVB mobilizes saving by accepting deposit which is the main source of funds for it. The deposit may be classified as current deposits, saving deposits and fixed deposits. The amount mobilized as deposits is then lent in the form of advances. The higher the amount of deposit mobilized, the higher would be the amount of loanable funds. The present paper is an attempt to study the deposits mobilization of the AGVB. The study is analytical in nature and covers a period of ten years from 2010-11 to 2019-20. Statistical tools like average, percentage, annual growth rate, average annual growth rate, and chi-square test are used for the purpose of analysis and interpretation of the data under study. The study reveals that the amount of various deposits viz. current deposits, saving deposits, fixed deposits and total deposits have significantly increased during the period under study.

Key words: AGVB, Current Deposits, Saving Deposits, Fixed Deposits, Total Deposits

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1. INTRODUCTION

Indian economy is agricultural economy and ‘‘real India lies in villages’’ as Gandhiji said. Village economy is the backbone of Indian economy. Nearly seventy percent of our country’s population lives in villages and agriculture is the primary occupation of about seventy percent of the total population of India. It creates employment for about seventy five percent of the working population and accounts for about fifty percent of the national income. Therefore, the fate of the country depends on development of rural economy.

The state of Assam is located in the heart of North-Eastern Zone of the Indian Sub-Continent with a geographical area of 78,438 sq. km., i.e., 2.4 percent of the country's total geographical area as per 2011 Census. The economy of Assam continues to be predominantly agrarian. Agriculture sector continues to support more than 75 percent population of the state directly or indirectly providing more than 53 percent of the total workforce. It is needless to state that adequate credit facility is highly essential for agricultural growth of the state. But granting of adequate credit facility depends on deposit mobilization of the Bank. The higher the amount of deposit mobilized; the higher would be the amount of loanable funds. The Regional Rural Banks (RRBs) were formed and were included in the multi-agency approach for rural credit delivery mechanism on October 2, 1975, by placing a bill in the parliament by the Government for the formation of RRBs. This objective was achieved and was formed with the name of Regional Rural Bank Act, 1976, to cater the need of credit of the rural poor people particularly small and marginal farmers, landless labours, artisans and small entrepreneurs in rural areas. So, the RRBs are expected to develop the rural economy by developing agriculture, trade, commerce and industry and other productive activities in the rural areas. The total number of RRBs in India figures at 43 as on 31st March, 2020 which was 196 on 31st March, 2005, shows a decline of 78.06 percent in number of RRBs in 2020.

1.1. Profile of the AGVB

The AGVB is the restructured RRBs of North-Eastern Region (NER). It was set up on 12th January, 2006 by amalgamating the erstwhile Pragjyotish Gaonlia Bank, Lakhimi Gaonlia Bank, Cacher Gramin Bank and Subansiri Gramin Bank (which were established in 1976, 1980, 1981 and 1982 respectively) as per provision under section 23 (A) of RRB Act, 1976 with its Head office at Guwahati, Assam. It is a joint undertaking of the Government of India, Government of Assam and United Bank of India (Sponsor Bank) with the share capital contribution of 50 percent, 15 percent and 35 percent respectively. The AGVB has three- tier structure as on 31st March, 2020 viz. (i) Head Office at Guwahati (ii) Eight Regional Offices at Nalbari, Golaghat, Silchar, Lakhimpur, Guwahati, Kokrajhar, Dibrugarh and Diphu and (iii) A total of 473 Branches spread over the 33 district of Assam. Out of 473 branches 20 (4.00%) branches are located in the urban areas, 94 (20.00%) branches are located in the semi-urban areas and 359 (76.00%) branches are located in the rural areas. Again, out of 473 branches of the AGVB, the region wise break-up of branches accounts for 74, 78, 48, 61, 48, 52, 53 and 59 at Nalbari, Golaghat, Silchar, Lakhimpur, Guwahati, Kokrajhar Dibrugarh and Diphu respectively. It is the largest RRB in the North East India, ranks at the top in the country in terms of number of district covered. It enjoys the status of a schedule bank.

The main objective of the AGVB is to develop the state economically and socially, particularly the weaker sections such as small and marginal farmers, landless labour, artisans and small entrepreneurs of rural areas. The main function of all the banks, including RRBs, is to mobilize deposits from the public for the purpose of lending to the needy people. With reference to this, the present paper attempts to study the deposits mobilization of the AGVB.

2. REVIEW OF LITERATURES

In reviewing the literature available, some selected relevant literature specific to the present study having direct or indirect bearing have been taken into consideration.

Chakraborty, M.; (2013) conducted his study with a view to find out whether restructuring through consolidation have made any effect on the financial viability of the RRBs in Bihar state. It is an exploratory study based on secondary data. The author concludes that the route of merger taken up for improving operating performance of RRBs in Bihar state, was successful in improving profitability and viability position of respective banks in this region.

Ibrahim, M. S.; (2012) carried out his study with the objectives to analyze the rural credit and role played by RRBs in priority and non-priority sector lending. The author concludes that RRBs in India has significantly improved rural economy.

Patel, T. & Shah, N.; (2016) conducted their study with a view to analyze the financial performance of RRBs in India from 2001-2013. They conclude that the branches, district coverage, deposits and advances have shown growth but it is not significant enough for competition and survival.

Sharma, S. et al.; (2019) conducted their study with a view to analyze the financial performance of RRBs in India as on 31st March, 2017 in comparison to 31st March, 2016. They conclude that the RRBs played a very important role in the development of rural areas during the year.

Soni, A. K. & Kapre, A; (2011) conducted their study with a view to analyze the financial performance of RRBs in India during the period 2006-07 to 2010-11. The study is diagnostic and exploratory in nature based on secondary data. They concluded that performance of RRBs has significantly improved during the study period studied.

Suman; (2012) in his study concludes that effort made by RRB in branch expansion, deposit mobilization, rural development and credit deployment to weaker section of rural areas are appreciable. RRB successfully achieved its objectives like taking banking to door steps of rural households particularly in banking deprived rural areas to avail easy and cheaper credit to weaker section apart from generating employment in rural areas.

Suresh, R; (2012) conducted his study with the objective to analyze the deposit mobilization, lending and recovery performance of Pandyan Grama Bank, a Regional Rural Bank of Virudhunagar, Tamil Nadu. The scholar found in his study that current deposit, saving deposit, fixed deposit and total deposit have evidenced a better growth rate during the study period, i.e., from 1998-99 to 2008-09.

All the above studies have sincerely concentrated in one or more than one banking parameters in India but none of them have studied on deposits mobilization of the AGVB. Hence, it is an attempt to study the deposits mobilization of the AGVB in this research paper.

3. OBJECTIVE OF THE STUDY

The study aims at analyzing the growth of various deposits mobilized by the AGVB during the period 2010-11 to 2019-20.

3.1. Hypothesis of the Study

H₀₁ – There is no significant increase in the amount of current deposit mobilization of the AGVB during the period of study.

H₀₂ – There is no significant increase in the amount of saving deposit mobilization of the AGVB during the period of study.

H₀₃ – There is no significant increase in the amount of fixed deposit mobilization of the AGVB during the period covered under study.

H₀₄ – There is no significant increase in the amount of total deposit mobilization of the AGVB during the period covered under study.

4. METHODOLOGY

The present study is done with the use of secondary data for the period 2010-11 to 2019-20. The secondary data have been collected from authorized Annual Reports of the AGVB. The study is analytical in nature. The data, thus collected, are analyzed by using average, percentage,

annual growth rate, average annual growth rate and Chi- square test (χ^2). The formula for chi-square test is as laid down below:

Chi-square test	
$\chi^2 = \sum_{i=1}^n (O_i - E_i)^2 / E_i$	
$E_i = \frac{\sum_{i=1}^n O_i}{n}$	_____
where O_i = denotes the i^{th} observed frequency E_i = denotes the i^{th} expected frequency n = total no. of years.	

4.1. Period of the Study

The study covers a period of ten years – from 2010-11 to 2019-20 which have been purposively selected to draw conclusion on deposit mobilization of the AGVB during the period.

4.2. Limitations of the Study

The study is, however, not free from certain limitations, some of the limitation are as follows:

- The present study is an analytical one and since all the data are purposively collected from Annual Reports, therefore, the result of the study depends on the correctness and accuracy of the Annual Reports.
- The present study only analyzes the deposit mobilization, not other banking parameters of the AGVB.
- Finally, all the data are presented in round figures in rupees crore.

5. DEPOSIT MOBILIZATION- AN ANALYSIS

Deposits are the main source of funds for the banking institutions with no exception to the AGVB. The amount mobilized as deposits are then lent in the form of loans and advances. The higher the amount of deposit mobilized, the higher would be the amount of loanable funds. The growth of deposit depends on savings. It is essential that these savings are mobilized and channelized for capital formation which, in turn, accelerates economic growth. Regional Rural Banking is an important financial intermediary in rural areas between savers and borrowers. The AGVB mobilizes saving by accepting deposit which is the main source of funds for it. Deposit may be categorized in to two types. First the demand deposit: Demand deposit is a deposit which can be withdrawn without any notice and they can be repaid on demand. Current accounts and saving accounts are classified as demand deposits. The second is time deposit: Time deposits are deposits which are repayable after a fixed date or fixed period of time. Fixed deposits include recurring/ cumulative deposits, miscellaneous deposits and cash certificates. On the basis of demand deposits and time deposits bank have three types of deposit viz. current deposit, saving deposit and fixed deposit. The amount mobilized as deposits is then lent in the form of advances. To study the deposits mobilization by the AGVB, Table- 1 is prepared, and it illustrates the deposits mobilized by the Bank during the period covered under study, that is, 2010-11 to 2019-20.

Table- 1 Amount of various Deposits Mobilized by the AGVB during 2010-11 to 2019-20
(Amount rounded off in ₹ crore)

Year	Current Deposits	Annual Growth Percent	Savings Deposits	Annual Growth Percent	Fixed Deposits	Annual Growth Percent	Total Deposits	Annual Growth Percent
2010-11	385 (8.80)	---	2764 (63.16)	---	1227 (28.08)	---	4376 (100)	---
2011-12	464 (9.50)	20.52	2991 (61.25)	8.21	1428 (29.24)	16.38	4883 (100)	11.59
2012-13	386 (6.98)	-16.81	3268 (59.09)	9.26	1877 (33.94)	31.44	5531 (100)	13.27
2013-14	464 (7.22)	20.21	3738 (58.13)	14.38	2228 (34.65)	18.70	6430 (100)	16.25
2014-15	404 (5.45)	-12.93	4267 (57.52)	14.15	2747 (37.03)	23.29	7418 (100)	15.37
2015-16	414 (5.61)	2.48	4338 (58.76)	1.66	2630 (35.63)	-4.26	7382 (100)	-0.49
2016-17	441 (5.57)	6.52	4816 (60.78)	11.02	2667 (33.66)	1.41	7924 (100)	7.34
2017-18	404 (4.75)	-8.39	5428 (63.80)	12.71	2676 (31.45)	0.34	8508 (100)	7.37
2018-19	430 (4.65)	6.44	6228 (67.28)	14.74	2599 (28.08)	-2.88	9257 (100)	8.80
2019-20	520 (4.68)	20.93	7690 (69.17)	23.47	2908 (26.16)	11.89	11118 (100)	20.10
Total	4312 (5.92)	38.96	45528 (62.52)	109.61	22987 (31.56)	96.32	72827 (100)	99.61
Average	431.20	4.33	4552.80	12.18	2298.70	10.70	7282.70	11.07

Source: Annual Reports of the AGVB from 2010-11 to 2019-20

Note: Figures in the parentheses represent percentage of total

It is evident from the Table- 1 that the amount of total deposits increased from ₹ 4376 crore to ₹ 11118 crore which shows an increase of 154.07 percent or 2.54 times during the period of study. The amount of total deposit mobilization in the AGVB accounts for ₹ 11118 crore in 2019-20 against a 10-yearly average deposit of ₹ 7282.70 crore per year during the period 2010-11 to 2019-20; it is higher by ₹ 3835.30 crore, an increase by 52.66 percent in 2019-20, the last year of the period studied. The average deposit mobilization per branch during the period in the State of Assam accounts for ₹ 15.40 crore per year. The Bank's current deposits occupy not less than 4.65 percent and not more than 9.50 percent of the total deposits mobilized during the period covered under study. Likewise, the saving bank deposits and fixed deposits are not less than 57.52 percent and 26.16 percent respectively, and not more than 69.17 percent and 37.03 percent respectively of the total deposits mobilized during the period covered. In the amount of yearly average total deposit mobilization of the Bank, the yearly average share of current deposits, saving bank deposits and fixed deposits accounts for 5.92 percent, 62.52 percent and 31.56 percent respectively during the period. Saving bank deposits, with 62.52 percent yearly average share constitutes a major part in the amount of yearly average total deposit mobilization of the AGVB.

It is also evident from the Table- 1 that the highest and lowest annual growth rate in current deposit figures at 20.93 percent and (-) 16.81 percent respectively during the period 2010-11 to 2019-20. However, the average annual growth rate of current deposit figures at 4.33 percent during the period covered. The highest and lowest annual growth rate in saving deposit figures at 23.47 percent and 1.66 percent respectively during the period 2010-11 to 2019-20. However, the average annual growth rate of saving deposit figures at 12.18 percent during the period

covered. Likewise, the highest and lowest annual growth rate in fixed deposit accounts for 31.44 percent and (-) 4.26 percent respectively during the period of study. However, the average annual growth rate of fixed deposit figures at 10.70 percent during the period covered. The highest and lowest annual growth rate in total deposit also accounts for 20.10 percent and (-) 0.49 percent respectively during the period of study. Except current deposits, all the classified deposits of the AGVB portrays a good growth rate during the period covered under study. The total deposits of the AGVB also portrays a good growth rate, that is, 11.07 percent during the period of study. It shows a good performance of the Bank in the matter of deposit mobilization during the period covered under study.

6. RESULTS AND DISCUSSION

After applying chi-square (χ^2) test, it is observed that:

- H_{01} is rejected. So, we conclude that there is significant increase in the amount of current deposit mobilization of the AGVB during the period of study.
- H_{02} is rejected. So, we conclude that there is significant increase in the amount of saving deposit mobilization of the AGVB during the period of study.
- H_{03} is rejected. So, we conclude that there is significant increase in the amount of fixed deposit mobilization of the AGVB during the period covered under study.
- H_{04} is rejected. So, we conclude that there is significant increase in the amount of total deposit mobilization of the AGVB during the period covered under study.

Table 2 Summary of the Results

Sl. No.	Hypotheses	Tabulated Value		d. f.	Expected value	Results
		0.01	0.05	n-1 (10-1=9)		
1	H_{01}	21.70	16.90	9	37.31	Reject
2	H_{02}	21.70	16.90	9	4736.65	Reject
3	H_{03}	21.70	16.90	9	1365.84	Reject
4	H_{04}	21.70	16.90	9	5293.53	Reject

Sources: Appendices I, II, III and IV calculated by the author by fitting χ^2 tests

7. SUGGESTIONS

Though deposit mobilization of the AGVB reveals a good growth rate, the following suggestions may be recommended for further increase in the amount of deposit mobilization, that is, the primary source of lending of the Bank:

- More number of fresh deposit schemes should be started immediately to attract the general public.
- The Bank authority should reward the customers by giving prizes to those customers who have the maximum number of deposits in the bank; the maximum number of transactions with the bank. Moreover, a few customers may be awarded from those who attend regular customer awareness programme.
- Being the share holder of the Bank, the Government of Assam should regularly arrange for proper publicity to maintain deposit with the AGVB.
- The Government of Assam should keep a sizeable amount of ‘Government Fund’ in the AGVB.
- The Government of Assam should attach some of its employee accounts with the AGVB instead of public sector bank like State Bank of India.

- The Bank authority should convince the public that they have all the modern banking facilities like nationalized commercial banks.

8. CONCLUSIONS

The present study reveals that the amount of various deposits viz. current deposits, savings deposits, and fixed deposits as well as total deposits have significantly increased during the period under study. The proportion of savings deposits on total deposits has increased, while the proportions of current deposits and fixed deposits on total deposits have decreased during the period of study. The study also reveals a significant growth in various deposit mobilization of the AGVB, excluding the growth of current deposit mobilization. The overall deposit mobilization of the AGVB reveals a good growth rate indicating better performance.

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APPENDICES

Appendix I: Analysis of Current Deposit Mobilization of the AGVB

Sl. No.	O _i	E _i	(O _i – E _i)	(O _i – E _i) ²	(O _i – E _i) ² /E _i
1	385	431.20	-46.20	2134.44	4.95
2	464	431.20	32.80	1075.84	2.49
3	386	431.20	-45.20	2043.04	4.74
4	464	431.20	32.80	1075.84	2.49
5	404	431.20	-27.20	739.84	1.72
6	414	431.20	-17.20	295.84	0.69
7	441	431.20	9.80	96.04	0.22
8	404	431.20	-27.20	739.84	1.72
9	430	431.20	-1.20	1.44	0.00
10	520	431.20	88.80	7885.44	18.29
	ΣO _i = 2134				χ ² = 37.31

Source: Author's Calculation

Now, the calculated χ^2 value is 37.31 and degree of freedom is n-1 (10-1=9). Tabulated χ^2 values at 1% and 5% of level of significance are 21.7 and 16.95 respectively. Since the calculated χ^2 value is greater than the tabulated χ^2 value, null hypothesis is rejected (calculated value shown in appendix I). So, we conclude that there is significant increase in the amount of current deposit mobilization of the AGVB during the period of study.

Appendix II: Analysis of Saving Deposit Mobilization of the AGVB

Sl. No.	O _i	E _i	(O _i – E _i)	(O _i – E _i) ²	(O _i – E _i) ² /E _i
1	2764	4552.80	-1788.80	3199805.44	702.82
2	2991	4552.80	-1561.80	2439219.24	535.76
3	3268	4552.80	-1284.80	1650711.04	362.57
4	3738	4552.80	-814.80	663899.04	145.82
5	4267	4552.80	-285.80	81681.64	17.94
6	4338	4552.80	-214.80	46139.04	10.13
7	4816	4552.80	263.20	69274.24	15.22
8	5428	4552.80	875.20	765975.04	168.24
9	6228	4552.80	1675.20	2806295.04	616.39
10	7690	4552.80	3137.20	9842023.84	2161.75
	ΣO _i = 82554				χ ² = 4736.65

Source: Author's Calculation

Now, the calculated χ^2 value is 4736.65 and degree of freedom is n-1 (10-1=9). Tabulated χ^2 values at 1% and 5% of level of significance are 21.7 and 16.95 respectively. Since the calculated χ^2 value is greater than the tabulated χ^2 value, null hypothesis is rejected (calculated value shown in appendix II). So, we conclude that there is significant increase in the amount of saving deposit mobilization of the AGVB during the period of study.

Appendix III: Analysis of Fixed Deposit Mobilization of the AGVB

Sl. No.	O _i	E _i	(O _i - E _i)	(O _i - E _i) ²	(O _i - E _i) ² /E _i
1	1227	2298.70	-1071.70	1148540.89	499.65
2	1428	2298.70	-870.70	758118.49	329.80
3	1877	2298.70	-421.70	177830.89	77.36
4	2228	2298.70	-70.70	4998.49	2.17
5	2747	2298.70	448.30	200972.89	87.43
6	2630	2298.70	331.30	109759.69	47.75
7	2667	2298.70	368.30	135644.89	59.01
8	2676	2298.70	377.30	142355.29	61.93
9	2599	2298.70	300.30	90180.09	39.23
10	2908	2298.70	609.30	371246.49	161.50
	ΣO _i = 78922				$\chi^2 = 1365.84$

Source: Author's Calculation

Now, the calculated χ^2 value is 1365.84 and degree of freedom is n-1 (10-1=9). Tabulated χ^2 values at 1% and 5% of level of significance are 21.7 and 16.95 respectively. Since the calculated χ^2 value is greater than the tabulated χ^2 value, null hypothesis is rejected (calculated value shown in appendix III). So, we conclude that there is significant increase in the amount of fixed deposit mobilization of the AGVB during the period covered under study.

Appendix IV: Analysis of Total Deposit Mobilization of the AGVB

Sl. No.	O _i	E _i	(O _i - E _i)	(O _i - E _i) ²	(O _i - E _i) ² /E _i
1	4376	7282.70	-2906.70	8448904.89	1160.13
2	4883	7282.70	-2399.70	5758560.09	790.72
3	5531	7282.70	-1751.70	3068452.89	421.33
4	6430	7282.70	-852.70	727097.29	99.84
5	7418	7282.70	135.30	18306.09	2.51
6	7382	7282.70	99.30	9860.49	1.35
7	7924	7282.70	641.30	411265.69	56.47
8	8508	7282.70	1225.30	1501360.09	206.15
9	9257	7282.70	1974.30	3897860.49	535.22
10	11118	7282.70	3835.30	14709526.09	2019.79
	ΣO _i = 72827				$\chi^2 = 5293.53$

Source: Author's Calculation

Now, the calculated χ^2 value is 5293.53 and degree of freedom is n-1 (10-1=9). Tabulated χ^2 values at 1% and 5% of level of significance are 21.7 and 16.95 respectively. Since the calculated χ^2 value is greater than the tabulated χ^2 value, null hypothesis is rejected (calculated value shown in appendix IV). So, we conclude that there is significant increase in the amount of total deposit mobilization of the AGVB during the period covered under study.