

A Pan India Financial Study of Regional Rural Banks

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ABSTRACT: The Regional Rural Banks (RRBs) in India, sponsored by Commercial Banks, operate in rural areas. RRBs were established in 1975 under the Regional Rural Banks Act, 1976 provisions. These institutions aimed to develop agriculture, trade, commerce, industry, and other productive activities in the rural areas by providing credit, and other financial facilities. The targeted sections of RRBs were small and marginal farmers, agricultural workers, and artisans. RRBs are shaping their aims with the help of union and state governments successfully. These institutions have proved effective tools for change.

KEYWORDS

Regional Rural Banks, Rural Sector, Sponsor Bank, NABARD, State Government, Union Government, Promoting Partners

- **Rural Sector**

India can be divided into two parts i.e. urban and rural. The setup of RRB focuses on the rural sector.

- **Regional Rural Banks**

Regional Rural Banks are the institutions organized under provisions of The Regional Rural Banks Act, of 1976. RRBs aim to provide financial facilities in rural areas.

- **Sponsor Bank**

Special reference to Indian regional rural banks, sponsor bank indicates promoter commercial bank of specific RRB.

- **State Government**

It means the Government of a concern state, in which RRB is operating. The state government is a promoting partner of RRBs.

- **Union Government**

It means the Government of India. It is one of the authorities having ownership of RRBs.

- **NABARD**

It means the National Bank for Agriculture and Rural Development. It is a key institution established by the Government of India. It has a supervising role in agriculture and rural development.

- **Promoting Partners**

It means the Government of India, the concerned State Government, and the sponsor bank, holding ownership of the RRB in the ratio of 50:15:35.

OBJECTIVES

- To study the Regional Rural Banks at the Pan India level.
- To study the financial services provided by RRBs.
- To study the deposits, advances, NPA, and profit of RRBs at the Pan India level.
- To study the financial performance of RRBs at the Pan India level.
- To present necessary conclusions and suggestions.

REVIEW OF RELATED LITERATURE

- Business Standard (2024) in the article “Road ahead for RRBs” Focuses on the consolidation of RRBs. It is key to improving rural banking. The first batch of Regional Rural Banks (RRBs) were established in 1975 following the recommendations of a working group. The idea was to establish regionally focused banks, familiar with local issues, to extend banking services to rural areas. RRBs are owned jointly by the Government of India, the concerned state government, and the sponsoring commercial bank with an equity holding of 50, 15, and 35 percent, respectively. Reserve Bank of India (RBI) regulates RRBs, and the National Bank for Agriculture and Rural Development (NABARD) supervises them. Many RRBs are working in the country. Sometimes two or three RRBs are in one state. Many times, it is a wastage and repetition of resources. Consolidation is key to improving rural banking.*1

- Amar Nath Yadav, Sukhbir Singh (2023) in the article “A Study of Regional Rural Banks: The

Conundrum of Managing Inclusion with Sustainability” focuses on Inclusion with Sustainability by RRBs. It is created with the vision to expand banking services to the underprivileged population in rural areas sustainably and effectively. However, after a decade of inception, such institutions, financial viability and survival became questionable, which posed a serious concern for policymakers. As a result, the Government of India and its regulators initiated various policies in the late 1990s to make these institutions financially viable and self-sustainable in the long run. These policy interventions have successfully transformed the financial health of RRBs to some extent. However, in this process, it was widely discussed that the RRBs were moving away from their original mandate. However, no detailed study has been published so far to investigate this dimension. This paper tried to bridge this gap by exploring the performance of RRBs concerning the objectives for which they were incorporated through evidence based on data. This study compares the performance of RRBs with other banks at the service area level. The study observed that RRBs have remained true to their original mandate and are still doing relatively better in comparison to other commercial banks in their area of operation.*2

- Chaurasia, Manorama (2022) in research work “Performance Appraisal of Regional Rural Bank in Eastern Uttar Pradesh With Special Reference to Kashi Gomti Samyut Gramin Bank” focuses on the working of RRB in eastern UP. Uttar Pradesh is the second largest economy in India after Maharashtra, with an estimated gross state domestic product of ₹14.89 lakh crore, and hence contributes 8.4 Percent of India’s GDP. According to the report generated by India Brand Equity Foundation (IBEF), in 2014-15, Uttar Pradesh has accounted for 19 Percent share in the country’s total food grain output. Therefore, the formulation of effective plans and schemes are essential which could be beneficial to the farmers and weaker person of the rural India also. If the poor people are not brought into mainstream of development, the total development of India will not be possible. To fulfil this, aim Regional Rural Banks (RRBs) were incorporated under a special Act named

the Regional Rural Banks Act, 1976. Despite the fact that the act was passed in 1976, the GOI and the concerned state governments began establishing RRBs in 1975 after consultation with the sponsor banks; five RRBs were established on the date of Gandhi Jayanti i.e., October 2, 1975 and they have been playing a significant role in financing the weaker sections of the community in the rural areas and also in inculcating banking habit among rural masses. Being a rural financial institution, RRB’s viability has also been under constant pressure. The mounting Non-Performing Assets (NPAs) of RRBs deter their financial health in terms of profitability, liquidity and economics of scale of operation. The poor recovery of rural loans and growing operating expenditure are the main stumbling blocks for their growth in profitability.*3

- J Dennis Rajakumar, Vijayata B Sawant, S L Shetty (2021) research study “Construction of State-wise Rural Infrastructure Indices (RIIs) and A Scheme of Rural Infrastructure Development Fund (RIDF) Allocation” focuses on RIIS and RIDF Allocation. The primary aim of this project is to construct state-wise Rural Infrastructure Indices (RIIs) and use them to develop a scheme for state-wise Rural Infrastructure Development Fund (RIDF) allocation. Earlier, a similar attempt was made by EPW Research Foundation in 2014, and its final report titled Construction of State-wise Rural Infrastructure Indices (RIIs) was published as NABARD Occasional Paper 63 in 2016 (NABARD, 2016). Though the present study is primarily a renewed effort at updating the above study and modelled on the approaches followed by the previous report, it differs in several respects. Unlike the earlier attempt that considered five components, present study takes into account nine components of rural infrastructure, which are broadly grouped into agriculture and allied activities including irrigation, rural connectivity, and rural social sector. Under rural connectivity, components such as rural road, rural electrification, and rural telecommunication are considered. And, under social sectors, rural health infrastructure, rural education infrastructure, rural drinking water, sanitation and housing, and environment are covered. These components are

consistent with the NABARD's list of eligible activities for RIDF allocation.

To capture these nine components, as many as 71 indicators have been used as against 49 indicators used by the earlier attempt. Moreover, to derive state-wise RIDF allocation with relatively greater support for underdeveloped states, the relative shares of each state in the inverse RIIs were weighted by the state's respective shares in country's rural population. In the present study, rural population for 2018 as projected by the National Commission on Population has been used; this official data on rural population is more recent, compared to 2011 Census data used by the previous study. Additionally, the present study has updated all the data tables presented in the previous study.

This report, thus, contains state-wise RIIs for nine distinct components of rural infrastructure and a composite RII using three weighting methods, namely, equal weights, conjectural weights, and weights derived based on Principal Component Analysis (PCA). Since the RIIs place good performers on the top, a system of inverse RII was followed. Accordingly, a scheme of state-wise RIDF allocation under each nine components of rural infrastructure was worked out, and then based on composite RIIs, state-wise RIDF allocation was computed under three approaches. The major results reported in Chapter 4 has been reproduced in Exhibit 1 to 4 for a quick reference. *4

- Shikha Sirajuddin (2020) in her book "Regional Rural Banks in India: Challenges and Prospects" focused on Challenges and Prospects of Regional Rural Banks of India. The role of RRBs since their inception in rural development and the changing paradigm of the Indian rural economy. It highlights the recent problems of RRBs. It also provides some suggestions for improvement of their functions for rural development. It examines why the RRBs lost their focus by outlining the problems faced by the RRBs. It gives an account of recommendations of different committees set up from time to time to consider the problems of RRBs, comparative rate of growth of owned capital, debt capital, total capital, and net profit. The success of rural credit in India largely

depends on their financial strength. RRBs are the key financial institutions at the rural level that shoulder the responsibility of meeting the credit needs of the agriculture sectors. The book is the outcome of seventeen research papers where the authors have highlighted different issues relating to RRBs in India.

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INTRODUCTION

Regional Rural Banks (RRBs) are mostly government banks in India that provide banking and financial services to rural areas. They were established in 1975 to support the development of the rural economy. According to the RRB Act 1976, RRBs provide financial services and assistance to farmers, rural Enterprises, local craftsmen, and artisans for agriculture, industries, trade, commerce, and economic development.*6

These banks are under the ownership of the Government of India, Sponsoring Bank, and concerned State Government in the ratio of 50:35:15. RRBs also have urban branches.*7

RRBs are regulated by RBI and supervised by NABARD as their main area of activity is the rural sector. RRBs were created to serve the credit needs of rural areas which were largely unbanked at that time.

NABARD is entrusted with the responsibility for conducting statutory inspections of Regional Rural Banks under the Banking Regulation Act, of 1949.*8 The operating area is limited to notification by the government of India, and it covers one or more districts in the concerned State.

For effective operation, RRBs have been reduced over the years through amalgamation.*9

- In January 2013, 25 RRBs were merged into 10 banks, totalling 67 RRBs
- In March 2016, the number was reduced to 56 banks
- Presently, the number is reduced to 43 banks

Functions

- Providing banking services
- Disbursing wages and pensions
- Offering para-banking services

Organizational structure

RRB's organizational structure varies from branch to branch and depends upon the nature and size of the business done by the branch. The Head Office of RRB normally had up to nine departments. RRB's decision-making hierarchy is as follows.

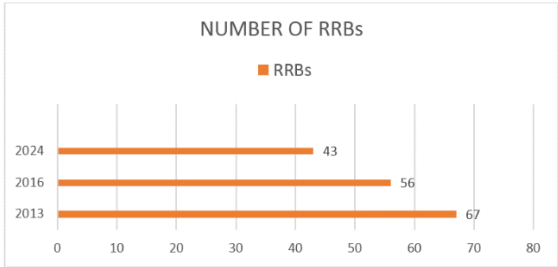
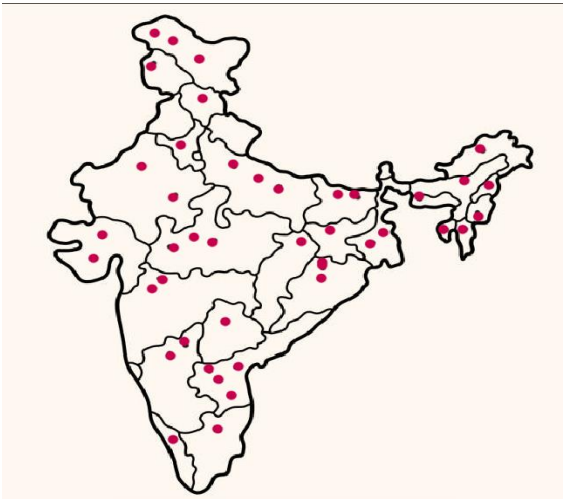
- Board of Directors
- Chairman & Managing Director
- General Manager
- Assistant General Manager
- Regional Manager/Chief Manager
- Senior Manager
- Manager
- Officer
- Office Assistant
- Office Attendant

Pan India Status
Regional Rural Banks*10

State		RRB	Head Office	Sponsor Bank
Andhra Pradesh	1	Andhra Pragathi Gramin Bank	Kadapa	Canara Bank
	2	Chaitanya Godavari Gramin Bank	Guntur	Union Bank of India
	3	Saptagiri Gramin Bank	Chittoor	Indian Bank
Telangana	4	Andhra Pradesh Gramin Vikas Bank	Warangal	State Bank of India
	5	Telangana Gramine Bank	Hyderabad	State Bank of India
Assam	6	Assam Gramin Vikash Bank	Guwahati	Punjab National Bank
Arunachal Pradesh	7	Arunachal Pradesh Rural Bank	Naharlagun	State Bank of India
Bihar	8	Uttar Bihar Gramin Bank	Muzaffarpur	Central Bank of India
	9	Dakshin Bihar Gramin Bank	Patna	Punjab National Bank
Chhattisgarh	10	Chhattisgarh Rajya Gramin Bank	Raipur	State Bank of India
Gujarat	11	Saurashtra Gramin Bank	Rajkot	State Bank of India
	12	Baroda Gujarat Gramin Bank	Vadodara	Bank of Baroda
Haryana	13	Sarva Haryana Gramin Bank	Rohtak	Punjab National Bank
Himachal Pradesh	14	Himachal Pradesh Gramin Bank	Mandi	Punjab National Bank
Jharkhand	15	Jharkhand Rajya Gramin Bank	Ranchi	State Bank of India
Jammu & Kashmir	16	J&K Grameen Bank	Jammu	J&K Bank Ltd.
	17	Ellaquai Dehati Bank	Srinagar	State Bank of India
Karnataka	18	Karnataka Gramin Bank	Ballari	Canara Bank
	19	Karnataka Vikas Gramine Bank	Dharwad	Canara Bank
Kerala	20	Kerala Gramin Bank	Malappuram	Canara Bank
Maharashtra	21	Maharashtra Gramin Bank	New Aurangabad	Bank of Maharashtra
	22	Vidarbha Konkan Gramin Bank	Nagpur	Bank of India
Madhya Pradesh	23	Madhya Pradesh Gramin Bank	Indore	Bank of India
	24	Madhyanchal Gramin Bank	Sagar	State Bank of India
Manipur	25	Manipur Rural Bank	Imphal West	Punjab National Bank
Meghalaya	26	Meghalaya Rural Bank	Shillong	State Bank of India

Mizoram	27	Mizoram Rural Bank	Aizawl	State Bank of India
Nagaland	28	Nagaland Rural Bank	Kohima	State Bank of India
Orissa	29	Utkal Grameen Bank	Bolangir	State Bank of India
	30	Odisha Gramin Bank	Bhubaneswar	Indian Overseas Bank
Punjab	31	Punjab Gramin Bank	Kapurthala	Punjab National Bank
Puducherry	32	Puduvai Bharathiar Grama Bank	Muthialpet	Indian Bank
Rajasthan	33	Baroda Rajasthan Kshetriya Gramin Bank	Ajmer	Bank of Baroda
	34	Rajasthan Marudhara Gramin Bank	Jodhpur	State Bank of India
Tamil Nadu	35	Tamil Nadu Grama Bank	Salem	Indian Bank
Tripura	36	Tripura Gramin Bank	Agartala	Punjab National Bank
Uttar Pradesh	37	Aryavart Bank	Lucknow	Bank of India
	38	Baroda UP Bank	Rae Bareli	Bank of Baroda
	39	Prathama UP Gramin Bank	Moradabad	Punjab National Bank
Uttarakhand	40	Uttarakhand Gramin Bank	Dehradun	State Bank of India
West Bengal	41	Bangiya Gramin Vikash Bank	Berhampur	Punjab National Bank
	42	Paschim Banga Gramin Bank	Howrah	UCO Bank
	43	Uttar Banga Kshetriya Gramin Bank	Cooch Behar	Central Bank of India

Pan India Status
Regional Rural Banks

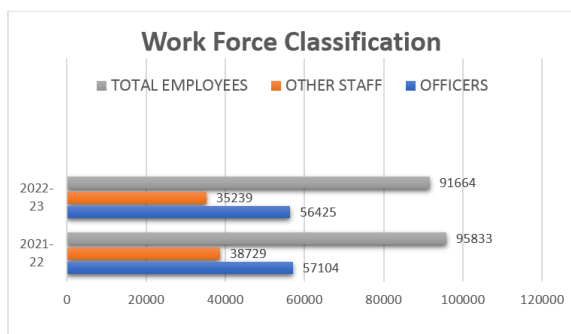


Pan India Status
Regional Rural Banks
Work Force Classification*11

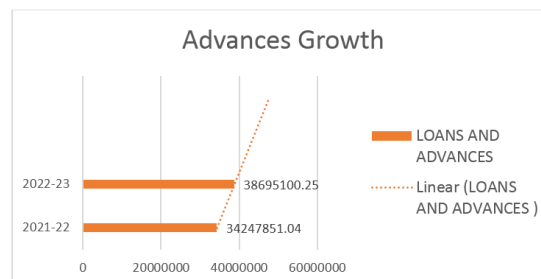
YEAR	OFFICERS	OTHER STAFF	TOTAL EMPLOYEES
2021-22	57104	38729	95833
2022-23	56425	35239	91664

Pan India Status
Regional Rural Banks
Number of RRBs

Year	RRBs
2013	67
2016	56
2024	43



2021-22	34247851.04
2022-23	38695100.25

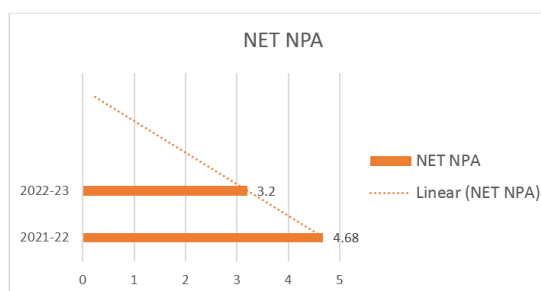
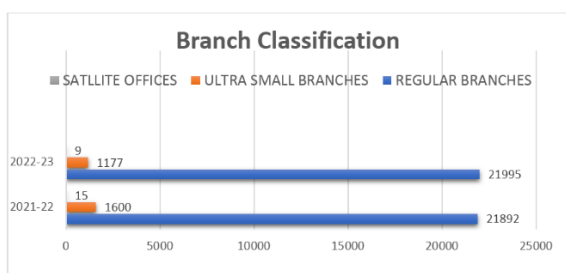


**Pan India Status
Regional Rural Banks
Branch Classification*12**

YEAR	REGULAR BRANCHES	ULTRA SMALL BRANCHES	SATELLITE OFFICES
2021-22	21892	1600	15
2022-23	21995	1177	9

**Pan India Status
Regional Rural Banks
Net NPA*15**

YEAR	Percent
2021-22	4.68
2022-23	3.20

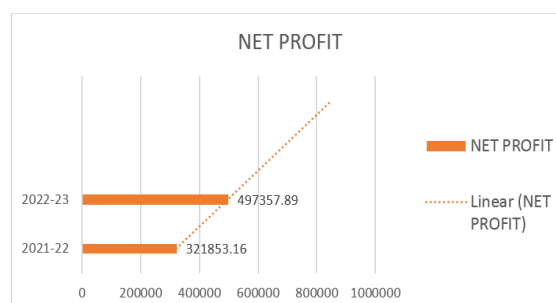
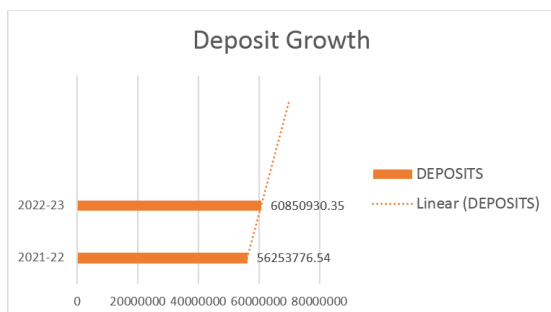


**Pan India Status
Regional Rural Banks
Deposit Growth*13**

YEAR	in ₹ lakh
2021-22	56253776.54
2022-23	60850930.35

**Pan India Status
Regional Rural Banks
Net Profit*16**

YEAR	Amount in ₹ lakh
2021-22	321853.16
2022-23	497357.89



**Pan India Status
Regional Rural Banks
Advances Growth*14**

YEAR	Amount in ₹ lakh
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CONCLUSIONS

1. Regional Rural Banks were incorporated to develop agriculture, trade, commerce, industry,

and other productive activities in the rural areas by providing credit, and other financial facilities. RRBs also have urban branches.

2. RRBs are under the ownership of the Government of India, the Sponsoring Bank, and the concerned State Government. These are regulated by RBI and supervised by NABARD.
3. RRBs in 2013 were 67, in 2016 were 56, and 43 were in 2024. RRBs have been reduced over the years through amalgamation.
4. The number of workforces of RRBs in 2021-22 was 95833, and in 2022-23 it was 91664. It shows that RRBs lack a workforce for efficient working.
5. The number of Regular Branches of RRBs in 2021-22 was 21892, and in 2022-23 it was 21995. Increasing number of branches shows positive growth in this regard. This trend is also seen in ultra-small branches and satellite offices.
6. Deposits (Rs. In lakh) of RRBs in 2021-22 were 56253776.54, and in 2022-23 were 60850930.35. Deposits show an increase in growth.
7. Advances (Rs. In lakh) of RRBs in 2021-22 were 34247851.04, and in 2022-23 were 38695100.25. This trend shows an increase in growth.
8. The percentage of NPA of RRBs in 2021-22 was 4.68 and in 2022-23 it was 3.20. It shows NPA is reducing.
9. Net profit (Rs. In lakh) of RRBs in 2021-22 was 321853.16, and in 2022-23 was 497357.89. It shows profits are increasing.

SUGGESTIONS

1. RRBs were incorporated for the development of the Indian rural sector. RRBs also have urban branches. It is a paradox. RRBs must focus on the rural sector only.
2. It is notable that more than one RRB is working in one state. It creates competition and a waste of resources. "ONE STATE, ONE RRB" policy must be adopted.
3. Notably, the number of RRBs is reducing. This decrease is due to amalgamations. More

amalgamations should be done if they result in effective working.

4. The number of workforces in RRBs is decreasing. It is an alarming indication. A lack of staff will create inefficiency. Availability of workforce according to parameters must be ensured.
5. Increasing the number of regular branches shows positive growth. But to reach in every nook and corner of the rural sector, ultra-small branches must be promoted, which are reduced.
6. Deposits show an increase in growth but it is not sufficient. RRBs officials must be in touch with corporations situated in rural areas. Companies should be convinced to open their accounts in RRBs.
7. The corporate sector should be convinced to disburse their CSR fund with the cooperation of RRBs. It will increase of social welfare of the duo.
8. Advances show an increase in growth but it is not sufficient. RRBs must focus on the creative idea holders of the rural sector.
9. It is a good indication that NPA is reducing. RRBs must focus on the "INTENTION TO PAY" along with the "CAPACITY TO PAY".
10. Profit is increasing but it is not satisfactory. Profit is the symbol of productivity and promotion. RRBs must fix target of profit like other targets. A professional aptitude must be adopted to achieve it.
11. RRBs must develop financial products of their unique kind based on rural requirements. Special efforts and research must be performed for this purpose.
12. RRBs must establish and improve their image as a synonym of RURAL BANKER.

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