

# A Case Study on the Growth of Rural Banking in India

Megha D. Shetty<sup>1</sup> & Sudhindra Bhat<sup>2</sup>

<sup>1</sup> Research Scholar, Institute of Management and Commerce, Srinivas University, Mangalore,  
India-575001,

Orchid-ID: 0000-0002-9158-4675; E-mail: [meghadshetty29@gmail.com](mailto:meghadshetty29@gmail.com)

<sup>2</sup> Research Professor, Institute of Management & Commerce, Srinivas University, Mangalore,  
India -575001,

Orchid-ID: 0000-0001-7107-7871; E-mail: [drbhatt2006@gmail.com](mailto:drbhatt2006@gmail.com)

**Area of the Paper:** Business Management.

**Type of the Paper:** Research Case Study.

**Type of Review:** Peer Reviewed as per [C|O|P|E](#) guidance.

**Indexed In:** OpenAIRE.

**DOI:** <https://doi.org/10.5281/zenodo.7153405>

**Google Scholar Citation:** [IJCSBE](#)

## How to Cite this Paper:

Shetty, Megha D., & Bhat, S., (2022). A Case Study on the Growth of Rural Banking in India. *International Journal of Case Studies in Business, IT, and Education (IJCSBE)*, 6(2), 346-357. DOI: <https://doi.org/10.5281/zenodo.7153405>

## International Journal of Case Studies in Business, IT and Education (IJCSBE)

A Refereed International Journal of Srinivas University, India.

Crossref DOI: <https://doi.org/10.47992/IJCSBE.2581.6942.0201>

Paper Submission: 10/08/2022

Paper Publication: 06/10/2022

© With Authors.



This work is licensed under a [Creative Commons Attribution Non-Commercial 4.0 International License](#) subject to proper citation to the publication source of the work.

**Disclaimer:** The scholarly papers as reviewed and published by the Srinivas Publications (S.P.), India are the views and opinions of their respective authors and are not the views or opinions of the S.P. The S.P. disclaims of any harm or loss caused due to the published content to any party.

## A Case Study on the Growth of Rural Banking in India

Megha D. Shetty<sup>1</sup> & Sudhindra Bhat<sup>2</sup>

<sup>1</sup> Research Scholar, Institute of Management and Commerce, Srinivas University, Mangalore, India-575001,

Orchid-ID: 0000-0002-9158-4675; E-mail: [meghadshetty29@gmail.com](mailto:meghadshetty29@gmail.com)

<sup>2</sup> Research Professor, Institute of Management & Commerce, Srinivas University, Mangalore, India -575001,

Orchid-ID: 0000-0001-7107-7871; E-mail: [drbhatt2006@gmail.com](mailto:drbhatt2006@gmail.com)

### ABSTRACT

**Purpose:** *In India, rural banking has played a very important role in advancing technology and balancing the economy. The main aim of rural banking is to provide easy access to financial services for the rural population, which is typically underserved by the formal banking sector. The main goal of this paper is to throw light on RRBs and their contribution to the Indian banking system and economy, to compare the growth of amalgamation and presents standalone RRBs, and to identify the problems faced by RRBs by evaluating their performance over the years.*

**Design/ Methodology Approach:** *The study is grounded on basis of the Secondary data. The secondary data was gathered from a variety of public and unpublished sources, including websites, books, journals, magazines, newspapers, Reserve Bank of India annual reports, and research papers.*

**Findings:** *The study observed that there has been growth in terms of the number of branches and their Performance. The efficiency to expand and finance to rural areas people have increased. The new systems of amalgamation have improved banks' maintenance and expansion in terms of work.*

**Originality/ Value:** *The study is an attempt to give an outline history of the RRBs as well as the performance or growth of RRBs as a result of amalgamation.*

**Paper Type:** Research Case Study based on industry analysis.

**Keywords:** Regional Rural Banking (RRBs), SWOC Analysis, PESTEL Analysis, Amalgamation, Growth and Expansion

### 1. INTRODUCTION :

The Reserve Bank of India (RBI) has announced that Regional Rural Banks (RRBs) would be given more freedom to mobilize resources as well as to deploy them within their geographical boundaries. Important forces boosting socio-economic growth are the financial activity of the banking industry [1]. Rural development involves not just the expansion of rural regions but also the transformation of rural populations [2]. This move comes right in the wake of the government's aim to double farmers' income. India has been trying, via many attempts over the years, to modernize its archaic rural credit system [3]. By providing financial services to rural businesses and households, rural banks facilitate the growth of small businesses and spur economic development in rural areas. Despite the growing trend of various banking services, Indian banking services are often slow to reach the rural population. Even though the government has been making efforts to rope-in banking correspondents in rural areas, there's a long way to go [4]. Banking correspondents are people appointed by banks to offer banking services in far-flung and rural areas where access to full-fledged bank branches is difficult.

The rationale behind this statement is quite simple – when rural areas are developed, they provide a conducive environment for economic activities to take place and as a result, contribute to the overall GDP of the country. In addition, when rural areas are developed, it leads to an increase in agricultural production, which helps to address food insecurity and boosts export revenue. Indian population resides in rural areas, and a majority population is dependent on agriculture, making them highly susceptible due to unpredictable agricultural performance due to a heavy reliance on the weather [5] [6]. The lack of financial resources and access to essential services such as health and

education often compels people to move towards where they get the opportunities [7]. This, in turn, creates additional challenges for the government in terms of developing effective disaster management.

## 2. RELATED RESEARCH WORK :

The banking system in India is undergoing a big change. The Reserve Bank of India has set up a working group to review the existing structure of rural and regional banks (RRBs) and to suggest measures for their strength and consolidation [6], [8]. The latest incorporation of banking areas includes financial inclusion, Merger/Amalgamation, and regional growth and expansion have set the stage for the modest but steady growth of village banking. Many authors have contributed to Productivity and its Growth in Regional Rural Banks. A Systematic literature search is conducted using the Google Scholar database to review papers published from 1995-2022 with the keywords “Profitability and Growth of RRBs”, and “Development and Improvements in RRBs” the key results found are listed in table 1.

**Table 1:** This section evaluates several works on regional rural banking based on their output and employing multiple methods of analysis.

S. No	Field of Research	Focus	Outcome/Observation	References
1	Empirical Study on growth or expansion.	Monitoring growth on a year-to-year basis, the impact of several branches, and important suggestions.	The results show growth patterns and levels of achievement.	Bosu & Patjoshi, (2021). [5]
2	Discuss RRB development and improvements from 2007 to 2018.	The paper examines the major areas of concern: the number of RRBs, branches, working capital, deposits, credit operations, credit-deposit ratio (CDR) productivity, and non-performing assets.	The conclusion helps in visualizing how improvement has happened in these areas.	Agarwal & Reddy, (2019). [6]
3	Efficiency and its background.	How RRBs are beneficial to the economy and its background.	The result of restructuring has improved the productivity of India due to a lot of development made in improving RRBs.	Khankhoje & Sathya, (2008). [7]
4	Institutional Reform.	The main objective of the rural credit policy of India has been to create a dependable source to ensure a regular flow of credit.	There are, however, several challenges that need to be addressed to ensure that the policy is truly effective in meeting its objectives.	Shylendra, (1996). [8]
5	Profitability and Growth of RRBs.	This presents the factors determining the financial efficacy and profitability.	RRBs must focus on a few key factors to be financially successful and grow.	Nair & Thirumal, (2012). [9]
6	Approaches for writing case studies using an industry analysis.	The different steps involved in this process and some of the things to keep in mind while writing a case study.	The outcome helps in understanding the process of writing a case study using an industry analysis approach that involves identifying the service or	Aithal, (2017). [10]

			product, the competition, and the current trends.	
7	Highlighting the importance of rural efficiency.	The research analyzes data from 192 banks for the years 1996 to 2002 and focuses on changes in total factor productivity, technical efficiency, and scale efficiency in regional rural banks.	This highlights the overall importance of rural transformation.	Reddy, (2006). [11]
8	Priority Sector.	Rural development has great potential to help in reducing poverty and improving livelihood.	These constraints inform policy design aimed at improving rural appraisals.	Ibrahim, (2016). [12]
9	The appearance and attitude of selected data.	Using data from 2005 to 2020, the study analyzes the functional aspects of India's 18 public sectors, 13 private sectors, and 16 foreign sector banks.	These help in understanding the different sector's attitudes and approaches.	Haralayya & Aithal, (2021). [13]
10	Impact of Kisan Credit Card.	How Kisan Credit Card helped to increase the farmers' access to credit and made it easier for them to obtain loans.	Usefulness and how easier it was for farmers to access credits.	Singh & Prakash, (2022). [14]
11	Impact of RRBs on India's rural development and elimination of poverty.	This study focuses on how RRBs affect India's rural development and efforts to reduce poverty.	The study outcome was that RRBs have helped to create jobs and spur economic growth in rural areas.	Gautam et al., (2022).[15]
12	India's digitized payments system concerning its slow development.	To discover advancements in India's digital payment using the PESTEL model to examine payment facilitation. However, by using the PESTEL model to examine payment facility.	They identify potential advancements in India's digital payment system.	Mahesh & Bhat, (2022). [16]

### 3. RESEARCH GAP :

The study states how rural banks are influencing rural regions, the above has, nonetheless, shed some light on the subject. It is evident by looking at the comprehensive functioning of banks that rural financial institutions are having a favourable influence on the growth and level of society in rural communities.

### 4. RESEARCH AGENDA :

This study sought to give a better understanding of the role that regional rural banks play in India's macroeconomic progress. The research concentrates on the expansion of RRB branches and the merger of RRBs in India between 2012 and 2021 to investigate the many influencing variables. The results demonstrated that rural development facilitated greater access to monetary services in rural areas. The SWOT Analysis has been used to give several contributing elements. The banking sector has seen several reforms aimed at improving its efficiency and resilience. However, there are still certain issues that need to be addressed, such as the lack of infrastructure and efficient regulation.

## **5. OBJECTIVES :**

- (1) To study the overview and expansion of Regional Rural Banks of India.
- (2) To compare analytical growth Patterns and economic development due to RRBs in India.
- (3) To evaluate RRBs' performance by credit deposit ratio and amalgamation of various RRBs.
- (4) To examine advantages and suggestions by using SWOT and PESTLE analysis for RRBs.

## **6. RESEARCH DESIGN :**

### **6.1. Methodology of Data Collection:**

The study is grounded on basis of the Secondary data. The information has been collected from various research works, books, journals, and magazines, Reserve Bank of India annual reports, newspapers, government statistical reports, and websites.

### **6.2. Research Tools:**

The SWOT analysis (Strength, Weakness, Opportunity, and Threat) framework is the primary method used to study the banking sector in rural areas. PESTLE analysis is one of the additional industry analysis methodologies utilized in the research for the banking sector, which studies factors in the macro-environment and examines important elements impacting the banking sector

## **7. SUMMARY OF REGIONAL RURAL BANKS (RRBS) HISTORY :**

The Regional Rural Banks were recognized under the provisions of an ordinance approved on September 26, 1975 [4]. The RRB Act 1975 was enacted to encourage the promotion and spread of banking habits among the rural masses, provide an institutional credit delivery system to cater to the needs of small and marginal farmers, artisans, and small entrepreneurs, and promote the integrated development of rural areas [5]. As of 31 March 2017, RRBs have 103,993 branches spread over 20,752 villages/towns. At present, there are a total of 43 RRBs, since April 2020.

## **8. ROLE OF REGIONAL RURAL BANKS IN INDIA'S FINANCIAL GROWTH :**

It is a topic that is often overlooked, but it is essential for the growth of our country [19]. There are several reasons why this is so. First, more than 65.07% of Indians stay in rural areas. Second, most of India's economic activity takes place in rural areas, and third, the government has been focusing on developing rural India in recent years.

There is a necessity for Rural Banking in Rural areas, as it is a well-known fact that the banking habits among rural people are not sound [20]. They do not save money. This creates a problem for rural areas to progress. Various measures can be adopted in rural places by educating. Banks should open branches in remote areas so that people can easily access banking facilities. They should also organize promotional campaigns to create awareness among rural people about the advantages of banking.

### **8.1. GROWTH EXPANSION OF RRBs :**

Regional rural banks (RRBs) are banks in India that are established by the government of India for the exclusive purpose of catering to the banking needs of the rural population [21]. The complete analysis of the growth and progress of RRBs in India provides a clear understanding of the existing situation and potential for the future of RRBs. This paper analyses the growth and outreach performance of RRBs over a period spanning from 2011-to 2021.

### **8.2. AMALGAMATION OF RRBS:**

Supporting various initiatives, NABARD is one of the most crucial pillars to achieving the Government of India's goal of amalgamating Regional Rural Banks (RRBs) into Nationalised Bank [6]. The Reserve Bank of India (RBI) began the phased amalgamation of sponsor banks into the State Bank Group (SBG) in 2005 [12]. The second phase of the amalgamation was between 2012 and 2015. This process aimed to create a single large entity that would be more efficient and better able to compete in the Indian banking sector [22]. In total, 14 sponsor banks were merged into the SBG. NABARD is continuing its support in Phase III as well. This was highlighted recently at a meeting convened by the Department of Financial Services, Government of India, to review the progress made so far and chalk out the road map for amalgamation in 2019. The amalgamation of regional rural banks (RRBs) into a bigger entity is

aimed at improving their efficiency and helping them compete with other commercial banks [23]. The government has been taking several steps towards this goal, with the latest being the constitution of an empowered group of ministers to chalk out a roadmap for the amalgamation of RRBs in 2019. This move has been backed by NABARD, which will extend all possible support to the government in this endeavour.

**Table 2.** Expansion RRBs branch and Amalgamation of RRBs in India during 2012-2021 [17] [18].

S. No	Year	No. of RRBs in India	No. of Branches of RRBs in India	Growth Rate Branches Y-Y (%)	No. of Sponsor Banks	No. of Stand Alone RRBs	No. of Amalgamated RRBs
1	2011-12	82	16909		26	36	46
2	2012-13	64	17861	5.63	23	21	43
3	2013-14	57	19082	6.84	23	15	42
4	2014-15	56	20024	4.94	22	14	42
5	2015-16	56	20920	4.47	22	14	42
6	2016-17	56	21422	2.4	22	14	42
7	2017-18	56	21747	1.52	18	14	42
8	2018-19	53	21871	0.57	17	12	41
9	2019-20	45	21847	-0.11	15	9	36
10	2020-21	43	21856	0.04	12	9	34

(Source: Gathered and Compiled by the Researcher)

This has been revealed by an RBI study that looked at the branch expansion of RRBs from 2011 to 2021. The study found that RRBs there was an addition to the number of branches from 16,909 in 2011 to 21,856 in 2021. As of 31-03-2005 total number of RRBs were 196, out of which all were standalone as the year passes it reduced to 133 RRBs and stand-alone was 107 and it continued, and as of date 31-03-2021 RRBs are 43, and standalone is 9 [17][18].

### 9. PERFORMANCE OF RRBs IN CREDIT DEPOSIT RATIO :

The credit-deposit ratio is an important metric for banks as it impacts their ability to grow and lends insight into the banking system's health [4]. A high CD ratio can indicate that a bank is not taking enough risks, while a low CD ratio may signal that the bank is lending too much money and could be in danger of a liquidity crisis [15][24][25]. Therefore, bankers and policymakers need to keep an eye on this metric to ensure that the banking system remains healthy.

**Table 3.** Performance of RRBs in India during 2012-2021 [17-18].

S. No.	Year	Total Deposits	Total Loans	Credit-Deposit Ratio (%)
1	2011-12	1,86,336.00	1,16,385.00	62
2	2012-13	2,11,488.00	1,37,078.00	65
3	2013-14	2,39,504.00	1,59,660.00	67
4	2014-15	2,73,018.00	1,80,955.00	66
5	2015-16	3,13,499.00	2,06,538.00	66
6	2016-17	3,71,910.00	2,26,175.00	61

7	2017-18	4,00,459.00	2,53,978.00	63
8	2018-19	4,34,444.00	2,80,755.00	65
9	2019-20	4,78,737.00	2,98,214.00	62
10	2020-21	5,25,226.00	3,34,171.00	64

(Source: Gathered and Compiled by the Researcher)

Table 3. It is an important measure of a bank's liquidity, or how easily it can meet its obligations. The C/D Ratio of RRBs in 2011-12 is 64% there was an increasing trend till 2013-14, but afterwards, it decreased and shows constant for 2015 and 2016. Later again it decreased to 61% as of 2016-17.

## **10. MAJOR FINDINGS :**

### **10.1 Growth and Branch Expansion:**

A glance at Table 1 shows that the number of regional rural banks (RRBs) has decreased drastically in the past few years. The RRBs were formed to bridge the urban-rural divide in banking, but their numbers have been dwindling in recent times [4][25][26]. The regional rural banks (RRBs) have been growing in terms of the number of branches they have been setting up across the country even as their numbers have reduced.

### **10.2 Deposits and Advances:**

Table 2 shows the deposits made by customers over the years from 2012-to 2021 and Advances made. It's a key indicator of a bank's liquidity, or how easily it can meet customer demand for withdrawals. This is an important concept to understand for savers and borrowers alike because it affects interest rates and overall economic growth.

### **10.3. Performance on Profitability bases:**

After reporting losses for two consecutive financial years, RRBs has reported a consolidated Net profit of Rs 1682 crore during FY2020-21. However huge Pension liability was the reason for the reduction of net profits in the last two financial years. The turnaround has been attributed to the various measures taken by the government to review these banks. In the year 2020-21 out of 43, 30 RRBs have shown a profit. However, 5 RRBs which were under net loss last year have improved and posted to profit during the FY2020-21.

## **11. SWOT ANALYSIS OF RURAL BANKS :**

### **11.1. STRENGTHS:**

The rural banks operating in the rural areas have developed a better understanding of the rural people and their needs which they can serve better [27], [28]. This guide helps bankers to make better lending decisions and better understand the backgrounds of their borrowers to remove the risk of breach of contract. The key strength of regional banks is that they are tied to a specific geographic area. This allows them to be free from government and state politics, and work independently to develop rural areas. This helps to avoid risks and uncertainties that could adversely affect the stability of the banking system and also to conduct and provide as per the terms of regulated sponsored banks.

The main advantages include regional banks' deep insights into rural sectors, easy use of deposits to provide loans, and the ability to manage both deposit interest rates and loan interest rates. In the past few years, regional banks have been increasingly helping farmers in raising their yields and have stepped up their efforts to help farmers improve their yields by offering a variety of credit and financial assistance programs [28], [31]. This has helped in boosting the agricultural sector and the economy as a whole. RRBs is a progressive, pro-reimbursement organization that seeks to provide long-term credit options for those who need it most and by making this change, we can help to get rid of the money lending scene of many exploitative practices.

### **11.2. WEAKNESSES:**

The improvement of RRBs is hardly up to presumption and is slow-moving measuring with other types of banks as a result of limitations on the operation. The sponsoring bank, typically the largest bank in

the district, has the most control over the RRBs. However, they delay decision-making on important matters to ensure that they operate safely and soundly [28-29]. This sequentially affects the development of RRBs. At the same time, banks have been coming under pressure to attract deposits from the more affluent sections of society. The employees of RRBs are mostly urban-oriented and do not have much knowledge about rural areas. Rural people have always been more suspicious of banks and other financial institutions than urbanites. This is due to several factors, including the fact that rural areas are often underserved by financial institutions, and that rural people tend to have less experience with formal banking products and services. However, what is less well-known is that rural people also tend to keep a larger proportion of their savings in cash, and are more likely to prefer to keep their money at home or in another safe place, rather than depositing it in a bank. The performance of the RRB in terms of recovery is not up to the mark. There are many RRBs whose recovery is low compared to other banks. The reasons for this are manifold. They include the fact that the RRBs are newly formed, they have not been able to develop the necessary infrastructure and they have not been able to attract the right talent. It is never easy for regional rural banks to offer loans. Their staff have to work hard to identify potential borrowers and persuade them to take out cheaper loans. Most people in the target group feel that it is easier and quicker to borrow from moneylenders, even though the terms are not as favourable.

### **11.3. OPPORTUNITIES:**

Regional rural banks can improve their services in rural areas by removing restrictions on lending to richer sections of the population, this can help the bank to encourage more use of their services and generate more income. This will help to improve the quality of life for people in rural areas and make regional rural banks more sustainable they should diversify their loan portfolio so that they are not overly exposed to any one type of risk so that they are on the safer side of the wall. Rural people have long been encouraged to invest in different schemes, such as fixed deposit schemes. However, there is now a new push for them to make investments in equity schemes [27-28]. This is because rural people are an important part of the economy, and their investment can help to grow the economy. Rural people are often not aware of the benefits of making such investments so it must aim to educate them on the matter and benefit them in the long term. Rural people should be encouraged to prepare for bank exams and secure jobs in banks. This will lead to fewer unemployed rural people and will raise their standard of living by providing employment opportunities in their region. Credit risk management framework, including better collateral management, to deal with the stressed assets has been done to ensure that funds are lent to the right people and recovered promptly [28]. This will help to ensure that banks have enough money to meet their obligations, while also minimizing the amount of risk they take on. Banks must make an effort to abate the documentation practice for the unschooled and lower class of rural areas, and by doing so promotes their approach towards banks for loans instead of moving to moneylenders who render them readily money without any method.

### **11.4. CHALLENGES/THREATS:**

Rural banking is a big challenge for regional rural banks as it leads to a misbalance between funds to be provided for loans and managing their banking activities. The poor do not have any savings at all. This is because they live hand-to-mouth, and any extra money they earn is spent on immediate needs as they trade routinely with cash and withdrawal. The most significant of these is the lack of access to microfinance. This limits the ability of rural people to meet their everyday financial needs. Other challenges include poor planning, bad weather, and traffic congestion [28], [30]. While there are no easy solutions to these problems. The loans are normally given in rural parts of people for agricultural activities. But if agriculture gets disturbed then it will affect the repayment of loans as well. It is often reliant on a single source of income, which is usually agriculture. This means that if there is a poor harvest or a severe drought, the rural bank will feel the pinch. The fact that wealthier rural residents often have less need for small-medium-sized loans that come with formal documentation and procedures can be a burden, and therefore they try to avoid going to rural banks. This time-consuming process discourages potential investments in the rural economy. The regional rural banks do not have the same level of access to technology as their larger counterparts [30-31]. This lack of access can lead to several problems, including a delay in the sanctioning of loans and a lack of transparency. As a result, many rural borrowers are being left behind and are not able to access the credit they need promptly.



The rise of online banking: more and more has posed a threat to rural banks that may not have the same online presence as their counterparts. However, even after the expansion of the branch network and capacities, for making them more efficient, still the public thinks that it is poor people's banks. These challenges include a lack of government subsidy which affects their profitability and quality of assets and a lack of commitment to profit orientation among staff. To overcome these challenges or to turn things around, there is a need to shift to narrow investment banking.

## **12. PESTEL ANALYSIS :**

It is used to assess, evaluate and control the macro-environmental factors that may have an impact on an organization. The six important sub-components of PESTLE are political, economic, sociological, technological, legal and environmental [32-33]. As the business environment is constantly evolving, PESTLE analysis has become an important tool for strategic planning. It helps businesses to anticipate the changes in the macro-environment and adjust their strategies accordingly. The PESTEL framework provides a comprehensive overview of the external environment of an organization. By understanding the different elements of the framework, organizations may create plans of action to take advantage of opportunities, improve shortcomings, and overcome obstacles [33].

### **12.1. Political Factors:**

The status of the banking industry is significantly influenced by the political aspect. Political factors have always played a role in the regional rural banks (RRBs) of India. The act allowed for the establishment of RRBs to develop the rural banking infrastructure and provide credit to the farmers and small businesses of India.

### **12.2. Economic factors:**

The banking industry and the economy are closely linked. How income flows and the state of the economy can have a direct impact on the amount of capital that banks have access to. There are several economic factors to consider when it comes to rural banking. One of the most important factors is the population density of the area. This is because the population density will impact the number of potential customers that a bank has. Another important factor is the median income of the area. This is because the median income will impact the ability of potential customers to take out loans and make deposits. Lastly, the unemployment rate of the area is also a factor to consider. This is because the unemployment rate will impact the number of potential customers that are looking for a place to store their money.

### **12.3. Sociocultural Factors:**

The economy and the banking sector are intertwined. The quantity of capital that banks have access to may be directly influenced by how income is distributed and the status of the economy [35]. Rural banking is impacted by a variety of sociocultural influences.

- The population and social makeup of rural areas.
- The demographic makeup of rural areas
- The morals and convictions of rural areas.
- The network of social and economic links in rural areas.

Each of these factors can impact the demand for, and use of, rural banking.

### **12.4. Technological Factors:**

Rural banking has been lagging in terms of technology for many years. This is due to several factors, including the lack of infrastructure and the lack of qualified personnel. However, recent advances in technology have started to make a difference in rural banking [34]. There are now many mobile apps and online platforms that allow rural bank customers to access their accounts and conduct transactions without having to visit a branch. This is a huge step forward, as it gives rural bank customers the same level of convenience and accessibility that urban bank customers have. In addition, new technologies are also helping to make rural banking more secure.

### **12.5. Environmental Factors:**

The environmental factors of the rural banks in India are largely determined by the geographical location of the banks. The rural banks in India are located in different parts of the country, each with its

own unique set of environmental factors. The geographical location of a rural bank can have a significant impact on the bank's performance.

### **12.6. Legal Factors:**

The banking sector adheres strictly to consumer protection, privacy, and trade regulations to validate industry frameworks. There are a variety of legal factors to consider when setting up a rural bank in India. First, you must obtain a banking license from the Reserve Bank of India. Second, you must comply with the Banking Regulation Act of India. Third, you must meet all other legal requirements that are specific to rural banks in India.

### **13. SUGGESTION :**

- (1) Even though that RRBs are generally effective, it is still important to monitor their activities closely to ensure the stability of the global economy. Regulatory authorities must continue to invest in the resources and infrastructure needed to effectively oversee the activities of banks.
- (2) The rural mass comprises the majority of the Indian population [36]. However, they have been traditionally underserved by the banking sector. This is because of the lack of awareness about banking products and services among the rural population. This creates a need for educating the rural population about the various products and services offered by RRBs. There are several ways in which RRBs can educate the rural mass about their products and services. One way is by organizing awareness campaigns in rural areas. These campaigns can be conducted through print and electronic media, as well as through personal visits to villages. Another way is by setting up banking study centers in rural areas [36]. These centers can offer classes on various banking-related topics, such as personal finance, banking products, and financial planning.
- (3) Increasing the number of loans offered by banks will also help to improve the financial situation of the people. This is because they will not need to take multiple loans and they can just focus on repaying one loan. This will help to improve their credit score and it will also help them to save money in the long run.

### **14. CONCLUSION :**

The rural banking sector is on the growth and advancement for the general economic growth of the background areas where a major number of the public settle. The current study has demonstrated that standalone industries are progressively combining with other industries. As a result, the study displays the total performance and its expansion through time. It is unclear why this tendency is occurring despite its observation in several industries. Some think it's because of how intertwined the world economy is getting, while others think it's because of how the business environment has changed. The Indian government has shown immense interest in the development of the rural sector to bring about inclusive growth and reduce poverty. A bank's liquidity, or how readily it can fulfil its commitments, is determined by the Credit Deposit Ratio. After applying SWOT and PESTEL analysis, it can be concluded that the financial sector is crucial to the health of any nation's economy. It helps and serves a nation in numerous ways, such as by generating employment opportunities and facilitating everyday financial transactions. However, given the current state of rural banks, it is evident that more needs to be done for these institutions to become financially viable and serve the needs of rural populations.

### **REFERENCES :**

- [1] Haralayya, D., & Aithal, P. S. (2021). Implications of banking sector on economic development in India. *Article in The George Washington journal of international law and economics*, 7(1), 631-642. [Google Scholar](#)
- [2] Barot, M. B., & Japee, G. (2021). Indian Rural Banking–Role of Regional Rural Banks. *A Global Journal of Social Sciences*, 4(2), 56-59. [Google Scholar](#)
- [3] Misra, B. S. (2006). The Performance of Regional rural banks (RRBs) in India: Has past Anything to Suggest for future. *Reserve bank of India occasional papers*, 27(1), 89-118. [Google Scholar](#)

- [4] Gautam, R. S., Bhimavarapu, V. M., & Rawal, A. (2022). Study on Regional Rural Banks and their Impact on Poverty Reduction in India". *Iconic Research and Engineering Journals*, 5(10), 221-229. [Google Scholar](#)
- [5] GirijaNandini, A., & Patjoshi, P. K. (2021). Growth and Performance of rural Banking in India: An Empirical Study. *Annals of the Romanian Society for Cell Biology*, 25(6), 3527-3539. [Google Scholar](#)
- [6] Agarwal, P., & Reddy, B. B. (2019). Performance of Regional Rural Banks in India. *Special Proceeding of the 21st Annual Conference of SSCA held at SV Agricultural College (ANGRAU)*, 1(1), 1-11. [Google Scholar](#)
- [7] Khankhoje, D., & Sathye, M. (2008). Efficiency of rural banks: The case of India. *International Business Research*, 1(2), 140-149. [Google Scholar](#)
- [8] Shylendra, H. S. (1996). Institutional Reform and Rural Poor: A Study on the Distributional Performance of a Regional Rural Bank. *Indian Journal of Agricultural Economics*, 51(3), 301-314. [Google Scholar](#)
- [9] Nair, G. K., & Thirumal, R. (2012). Profitability and Growth of Regional Rural Banks (RRBs) in India (With reference to the profit making RRBs). *International Journal of Management, IT and Engineering*, 2(9), 146-167. [Google Scholar](#)
- [10] Aithal, P. S. (2017). Industry Analysis–The First Step in Business Management Scholarly Research. *International Journal of Case Studies in Business, IT and Education (IJCSBE)*, 1(1), 1-13. [Google Scholar](#)
- [11] Reddy, A. A. (2006). Productivity growth in regional rural banks. *Economic and Political Weekly*, 1(1), 1079-1086. [Google Scholar](#)
- [12] Ibrahim, M. S. (2016). Role of Indian Regional Rural Banks (Rrbs) in the Priority Sector Lending- An Analysis. *International Journal of Computer Science*, 2(1), 11-23. [Google Scholar](#)
- [13] Haralayya, B., & Aithal, P. S. (2021). Performance affecting factors of Indian banking sector: an empirical analysis. *George Washington International Law Review*, 7(1), 607-621. [Google Scholar](#)
- [14] Singh, S. P., & Prakash, V. (2022). An Empirical Study on the Impact of Kisan Credit Card Scheme in the light of Rural Credit. *Journal of Positive School Psychology*, 6(4), 1472-1480. [Google Scholar](#)
- [15] GAUTAM, R. S., & KANOUIIYA, J. (2022). Role of Regional Rural Banks in Rural Development and Its Influences on Digital Literacy in India. *Iconic Research and Engineering Journals*, 5(12), 92-101. [Google Scholar](#)
- [16] Mahesh, A., & Bhat, G. (2022). India's Digital Payment Landscape–An Analysis. *International Journal of Case Studies in Business, IT and Education (IJCSBE)*, 6(1), 223-236. [Google Scholar](#)
- [17] Key Statistics & Financial Statements of Regional Rural Banks 31 March 2021. <https://www.nabard.org/auth/writereaddata/tender/0812213750key-statistics-and-financial-statements-rbs-banks-2021.pdf> on 17/03/2022.
- [18] Financial statements of RRBs as on 31 March 2020. <https://www.nabard.org/auth/writereaddata/tender/0604211622Financial%20Statements%20of%20RRBs%202020.pdf> on 17/03/2022.
- [19] Soni, A. K., & Kapre, A. (2012). Performance Evaluation of the Regional Rural Banks in India. *National Monthly Refereed Journal of Research In*, 1(2), 132-144. [Google Scholar](#)

- [20] Bhatt, N., & Thorat, Y. S. P. (2001). India's regional rural banks: The institutional dimension of reforms. *Journal of Microfinance/ESR Review*, 3(1), 65-94. [Google Scholar](#)
- [21] Deb, M. P., & Burad, P. K. (2022). A Study on the Financial Performance of Regional Rural Banks. *Elementary Education Online*, 20(1), 5387-5387. [Google Scholar](#)
- [22] Ram, J. K., & Subudhi, R. N. (2014). Making Regional Rural Banks Market Efficient: A Study on Amalgamation Effect. *International Conference on Business Paradigms in emerging Markets*, 12(1), 1-23. [Google Scholar](#)
- [23] Gupta, S., & Jain, S. (2022). A Study on the Performance of Sarva Haryana Gramin Bank in Haryana Using Camel Model. *International journal of economic perspectives*, 16(2), 1-12. [Google Scholar](#)
- [24] Chaudhary, S., & Kaur, M. (2021). A Study on Impact of Consolidation on the Profitability of Regional Rural Banks in India. *Orissa Journal of Commerce*, 42(4), 12-27. [Google Scholar](#)
- [25] Das, S. (2014). Performance mantra of the regional rural banks: An evaluation between the pre-merger and post-merger era. *Jindal Journal of Business Research*, 3(1-2), 14-28. [Google Scholar](#)
- [26] Das, S. (2022). Influencing Factors Significantly the Perceptions on 'Quality of Service': A Study on Regional Rural Banks. *International Journal of Research and Analytical Reviews (IJRAR)*, 9(1), 163-175. [Google Scholar](#)
- [27] Aithal, P. S., Shailashree, V., & Kumar, P. M. (2015). A new ABCD technique to analyze business models & concepts. *International Journal of Management, IT and Engineering*, 5(4), 409-423. [Google Scholar](#)
- [28] Ingale, D. (2021). Strategic Analysis of Regional Rural Banks in India. *Vidyabharati International Interdisciplinary Research Journal*, 12(2), 451-457. [Google Scholar](#)
- [29] Devi, N. S. (2014). Problems and prospects of regional rural banks in India. *International Journal of Managerial studies and research (IJMSR)*, 2(3), 69-72. [Google Scholar](#)
- [30] Rehman, A. (2020). Innovation and management by regional rural banks in achieving the dream of financial inclusion in India: challenges and prospects. *Marketing and Management of Innovations*, 1(1), 222-234. [Google Scholar](#)
- [31] Baber, P., & Surana, L. (2014). Regional Rural Banks in India: Exploring their Future Prospects. Name of world fame spiritual guru Shri Ravi Shankar Maharaj (Rawatpura Sharkar). *Journal of Management Value & Ethics*, 4(3), 96-103. [Google Scholar](#)
- [32] Aithal, P. S. (2017). ABCD Analysis as Research Methodology in Company Case Studies. *International Journal of Management, Technology, and Social Sciences (IJMTS)*, 2(2), 40-54. [Google Scholar](#)
- [33] Aithal, P. S. (2016). Study on ABCD analysis technique for business models, business strategies, operating concepts & business systems. *International Journal in Management and Social Science*, 4(1), 95-115. [Google Scholar](#)
- [34] Karunakaran, N. (2020). Role and challenge of rural banks in the financial inclusive growth of India. *Journal of Management Research and Analysis*, 7(3), 104-106. [Google Scholar](#)
- [35] Goncharuk, A. G. (2016). Banking sector challenges in research. *Journal of Applied Management and Investments*, 5(1), 34-39. [Google Scholar](#)
- [36] Kathawala, A. M., & Sharma, V. (2021). A Study on the Performance of Regional Rural Banks in India: Research Review *International Journal of Multidisciplinary*, 6(11), 28-32. [Google Scholar](#)