

**International Journal of Management Science and Business Conclave (IJMSABC)**<https://ijmsabc.com/>

P-ISSN-: 3108-2688

E ISSN-:****_****

**RESEARCH ARTICLE**

Financial Performance of Regional Rural Banks in India

Dr. Venkatasamy,^{1*} Tirthraj Singh,²¹ Assistant Professor, Department of PG Commerce, St. Joseph's College (Arts and Science), City: Chennai, State: Tamil Nadu² Assistant Professor, Department of Commerce, J. S. Hindu (P. G.) College, Azad Road, Amroha, Uttar Pradesh**ARTICLE HISTORY**

Received: 10 October 2025

Accepted: 20 October 2025

Published: 25 October 2025

CITATION

Venkatasamy, (2025),
Financial Performance of
Regional Rural Banks in
India, International Journal
of Management Science
and
Business Conclave
(IJMSABC), 1(2), 29-37.
<https://doi.org/>

Abstract

Regional Rural Banks (RRBs) play a pivotal role in India's rural credit architecture by advancing financial inclusion, agricultural development, and support to weaker sections of society. Established in 1975, RRBs operate at the intersection of local outreach and institutional banking, supported by sponsor banks and guided by the Reserve Bank of India and NABARD. This study evaluates the consolidated financial performance of RRBs in India up to FY 2023–24, with a focus on recent trends in profitability, asset quality, liquidity, and capital adequacy. Using nationally aggregated secondary data from NABARD annual reports, Government of India reviews, and official press releases, the paper employs a descriptive and comparative analysis of key indicators such as consolidated net profit, Credit-to-Deposit (CD) ratio, Gross and Net Non-Performing Assets (GNPA/NNPA), balance-sheet size, and Capital to Risk-Weighted Assets Ratio (CRAR) over the period FY 2019–20 to FY 2023–24. The findings reveal a marked turnaround in RRB performance, highlighted by record consolidated net profits of ₹7,571 crore in FY 2023–24, significant improvement in asset quality (NNPA declining to 2.4%), a multi-decade high CD ratio of 71.4%, and strengthened capital adequacy at around 14%. These improvements are attributed to focused supervision, consolidation initiatives, enhanced credit demand, improved recovery mechanisms, and increased digitisation. Despite aggregate gains, performance heterogeneity persists across regions, underscoring the need for continued consolidation, targeted capacity building, and sustained supervisory oversight to ensure long-term viability and inclusive rural financial development.

Keywords: Digitalisation, RRB, Banks, NABARD, Micro entrepreneurs, Financial development

1. Introduction

Regional Rural Banks (RRBs) were established in 1975 to deepen institutional credit in rural India and to provide affordable finance to small and marginal farmers, agricultural labourers, artisans and rural micro-entrepreneurs. Historically RRBs have played a unique role operating in rural pockets with the sponsorship of larger commercial banks while being guided by NABARD and the Reserve Bank of India. The 2013 study by Kanika and Nancy assessed RRB performance for 2006–2012 and highlighted trends following amalgamation and restructuring. This paper updates that assessment with consolidated, nationally aggregated data through FY 2023–24 and discusses policy developments since 2012.

Regional Rural Banks (RRBs) were established in India in 1975 with the primary objective of providing credit and financial services to rural populations, particularly small and marginal farmers, artisans, and weaker sections of society. Over the years, RRBs have played a significant role in fostering rural

development and financial inclusion. Evaluating their financial performance is vital for understanding their contribution to rural credit delivery and their sustainability in the banking sector.

In terms of growth, RRBs have consistently expanded their outreach. As of recent years, RRBs operate with more than 20,000 branches across the country, making them one of the most accessible banking networks in rural India. Their deposit mobilization has shown steady growth, reflecting increasing trust among rural households. Advances and lending, especially in the priority sector, remain a major component of their portfolio. More than 75% of their lending is directed toward agriculture and allied activities, fulfilling their mandate of rural credit support.

Profitability, however, has been a mixed aspect of their performance. While many RRBs have reported improved profitability after amalgamations and recapitalization by the government, a few continue to face challenges such as high non-performing assets (NPAs) and limited diversification of income. According to NABARD reports, the gross NPA ratio of RRBs remains higher than that of commercial banks, which undermines their overall financial health. Nonetheless, reforms such as computerization, core banking solutions (CBS), and better risk management practices have strengthened their operations.

The capital adequacy position of RRBs has improved significantly in recent years due to government support and regulatory reforms. Many RRBs now meet or exceed the minimum capital-to-risk weighted asset ratio (CRAR) prescribed by the Reserve Bank of India. Their cost-to-income ratio has also declined due to technological adoption, enhancing operational efficiency.

Another notable aspect of their financial performance is their contribution to government schemes. RRBs have been instrumental in implementing programs such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), MUDRA loans, and Direct Benefit Transfers (DBT), thereby deepening rural financial inclusion. This not only enhances their relevance but also strengthens their deposit base.

2. Review of Literature

Several studies have examined the performance, challenges, and policy reforms of Regional Rural Banks (RRBs) in India.

Kanika and Nancy (2013) studied the financial performance of RRBs in the post-amalgamation period. They found that consolidation improved profitability to some extent, but persistent issues of high NPAs, low scale, and limited regional reach remained. They concluded that governance reforms and strong sponsor bank support were critical (Kanika and Nancy 115).

Singh (2021), in his book *Banking and Rural Development: An Indian Perspective*, highlighted that RRBs contributed significantly to rural credit, but operational inefficiency and dependence on sponsor banks limited their competitiveness with commercial banks (Singh 62).

Vani and Sreeramulu (2021) analysed the impact of RRB mergers, noting that economies of scale and resource pooling improved outreach and credit delivery. Their findings support the government's later

“One State – One RRB” consolidation policy (Vani and Sreeramulu 74).

Chinna, Meena Kumari, and Om Prakash (2023) assessed the financial viability of RRBs using profitability and capital adequacy ratios. They concluded that while some RRBs achieved sustainable growth, others required recapitalisation, reflecting uneven performance across states (Chinna et al. 94).

Sharma (2022) explored the role of RRBs in financial inclusion, emphasising their contribution to SHG-Bank Linkages and rural credit schemes. He argued that digitisation and technology adoption were key drivers of improved performance in the 2020s (Sharma 47).

Bansal (2020) investigated RRB profitability trends and noted that cost inefficiency, high operational expenses, and dependence on government recapitalisation remained obstacles. The study recommended better HR management and digital banking solutions (Bansal 133).

Kumar and Das (2019) examined credit deployment patterns of RRBs, highlighting that agricultural loans continued to dominate their portfolio. However, diversification into MSME lending had begun, enhancing profitability prospects (Kumar and Das 212).

Rajeev and Mahesh (2018) focused on NPAs in RRBs and found that poor recovery mechanisms and weak monitoring systems contributed to asset quality issues. They stressed the importance of sponsor bank involvement in recovery strategies (Rajeev and Mahesh 58).

Joshi (2017) analysed the role of RRBs in rural transformation and observed that their branch network was instrumental in spreading banking in underserved districts. However, he cautioned that lack of product innovation hindered competitiveness with new financial institutions (Joshi 101).

Mishra (2016) studied efficiency of RRBs using financial ratios and found wide variations across regions. According to him, southern RRBs generally outperformed those in central and eastern India due to better sponsor support and stronger rural economies (Mishra 89).

Overall, the literature establishes that while RRBs have made significant progress in rural financial inclusion, challenges persist in terms of asset quality, efficiency, and governance. The evidence also suggests that consolidation, recapitalisation, and digitalisation are central to sustaining RRB growth and viability.

3. Objective

To evaluate the financial performance of RRBs in India up to FY 2023–24 and interpret trends in profitability, asset quality, liquidity and capital adequacy, and to discuss implications for policy and rural financial inclusion.

4 Scope

National, consolidated performance indicators for all RRBs in India, FY 2019–20 through FY 2023–24

(with emphasis on FY 2021–22 to FY 2023–24, where most recent improvements are visible). Data sources include NABARD’s annual/statistical statements, government reviews, and official press releases.

5. Data sources and Methodology

5.1 Data sources.

Consolidated RRB figures and statistical statements from NABARD’s Annual Report 2023–24 and related statistical PDFs; Government of India / Department of Financial Services review on RRBs (consolidated review); official PIB / Ministry press releases about FY 2023–24 performance; and contemporary news reporting summarising official numbers. Key sources used here include NABARD Annual Report 2023–24 and the Government consolidated review .

5.2 Methodology

Descriptive and comparative analysis of consolidated indicators over the recent 3–5 year period. Ratios used: Credit-to-Deposit (CD) ratio, Gross NPA (GNPA), Net NPA (NNPA), Consolidated net profit (absolute ₹ crore), Balance-sheet size (₹ crore), and Capital to Risk weighted Assets Ratio (CRAR). Three summary tables present updated data and each table is followed by interpretation.

6 Data analysis

Table 1 Aggregate performance indicators for RRBs: FY 2021–22 to FY 2023–24

Indicator	FY 2021–22	FY 2022–23	FY 2023–24
Consolidated balance-sheet size (₹ crore)	7,04,556	(interim)	8,40,080
Consolidated net profit (₹ crore)	—	—	7,571
Credit-to-Deposit (CD) ratio (%)	64.5	~67.5	71.4
Gross NPA (GNPA) (%)	(higher earlier)	—	6.1
Net NPA (NNPA) (%)	4.7 (FY21-22)	—	2.4
Consolidated CRAR (%)	—	—	~14.2

Sources: Government of India consolidated review and PIB/NABARD figures for FY 2023–24. The consolidated net profit of ₹7,571 crore for FY 2023–24 and the CD ratio / NPA improvements are official figures reported by the Government in March 2025 and NABARD’s FY 2023–24 materials.

Interpretation (Table 1).

- Profitability improvement:** RRBs reported an **all-time high consolidated net profit of ₹7,571 crore** for FY 2023–24, marking a notable turnaround versus earlier years when many RRBs operated at low profitability or losses. This reflects better interest margins, reduced provisioning, and improved recovery.

2. **Balance-sheet growth:** The consolidated balance-sheet increased from ₹7.05 lakh crore to **₹8.40 lakh crore** (FY 2021–22 to FY 2023–24), signalling growth in business and scale.
3. **Asset quality:** GNPA at **6.1%** and NNPA at **2.4%** in FY 2023–24 are materially lower than prior peaks; this reflects better recovery, write-offs, and improved underwriting standards.
4. **Liquidity & intermediation:** CD ratio rose to **71.4%** (FY 2023–24), indicating stronger credit deployment relative to deposits and improved intermediation in rural areas. Historically low CD ratios constrained RRBs; the recent jump indicates improved outreach and credit demand in rural economies.

Table 2 — Asset quality trend (selected years)

Year (end-March)	Gross NPA (%)	Net NPA (%)
2018–19	9.0	~4.5*
2021–22	—	4.7
2023–24	6.1	2.4

Historical values approximate earlier reported peaks (see historical RBI/NABARD reports for precise vintage values). Sources for 2021–22 and 2023–24 are government and NABARD statements.

Interpretation (Table 2).

A steady reduction in NNPA from 4.7% (FY 2021–22) to 2.4% (FY 2023–24) indicates improved recoveries and lower fresh slippages. The GNPA at 6.1% is the lowest in around a decade, signalling healthier loan books overall. These improvements are consistent with focused NPA management, supervisory attention, and better credit discipline.

Table 3 — Intermediation and capital (selected indicators)

Indicator	FY 2021–22	FY 2023–24
Credit-to-Deposit (CD) ratio (%)	64.5	71.4
Consolidated CRAR (%)	—	~14.2
Number of RRBs (post consolidation proposals)	~43 → proposals to 28	Ongoing consolidation process

Sources: Government consolidated review, NABARD Annual statements and public briefings.

Interpretation (Table 3).

The CD ratio improvement (to a **33-year high** per government reporting) shows RRBs are deploying a larger share of deposits as credit, a sign of increased intermediation and reduced idle investments. Consolidated CRAR at **~14%** indicates adequate capital buffers at the system level to support further expansion. Continued consolidation (policy of “One State One RRB”) aims to improve scale, governance and capitalisation of RRBs.

7. Discussion

7.1 Why did performance improve through FY 2023–24?

Multiple factors contributed to the recent improvement:

1. **Focused supervision & review:** Since 2022, the Government and the Department of Financial Services have been regularly reviewing the performance of weaker RRBs and working with state governments, sponsor banks and NABARD to address capital, governance and operational issues. These targeted reviews helped correct weaknesses in selected RRBs.
2. **Consolidation / scale:** Amalgamation and the policy push toward fewer, stronger entities (including proposals for “One State — One RRB”) are expected to reduce duplication, improve managerial oversight and strengthen capital. Earlier evidence (pre-2012) already suggested benefits from consolidation; the most recent policy actions extend this logic nationally.
3. **Improved credit demand and targeted lending:** Growth in rural credit demand, better implementation of flagship schemes (Kisan Credit Card, SHG-bank linkages) and increased lending to priority sectors have increased the loan book and improved CD ratios.
4. **Better asset-quality management:** Focused recoveries, write-offs where appropriate, and improved monitoring reduced both GNPA and NNPA levels.
5. **Technology & cost efficiency:** Digitisation, core banking uptakes, and agency arrangements have improved operational efficiency and lowered transaction costs in many RRBs (documented in NABARD narratives).

7.2 Continuing challenges

Despite improvements, challenges remain:

- **Heterogeneity across RRBs.** While consolidated aggregates look healthy, some RRBs — particularly in remote, low-credit districts — still lag in CD ratio, profitability and CRAR. Uniform improvement has not yet been achieved.
- **Governance & sponsorship model.** RRBs are jointly owned (Central Government, State Government, Sponsor Bank); diffused ownership can blur accountability. Structural reforms that clarify governance and strengthen sponsor support are essential. Earlier studies emphasized this (see Kanika & Nancy 2013).
- **Need for scale and capital.** Many RRBs remain small; consolidation seeks to address this but requires careful execution to avoid exclusionary effects.

8. Policy developments and implications

8.1 “One State - One RRB” and mergers

The Government has proposed and continues to process consolidation of RRBs to reduce fragmentation,

create larger balance sheets and improve oversight. The consolidation drive aligns with historical evidence that mergers can improve efficiency and viability if executed with sponsor bank backing and state participation. This structural approach is expected to accelerate the positive trends seen in FY 2023–24.

8.2 Financial inclusion & digitalisation

NABARD and other agencies have pushed for improved digital service delivery, computerisation of cooperative structures, and better SHG linkages — all of which expand outreach and lower costs per transaction. Strengthened technology platforms help RRBs reach remote customers more efficiently.

8.3 Supervisory focus & performance monitoring

Regular, centrally coordinated reviews by the Department of Financial Services, supplemented by NABARD and sponsor bank assistance, have helped target weak areas - improving asset quality and profitability. This supervisory model may be a blueprint for continued oversight.

9. Comparison with 2013 findings (Kanika & Nancy)

The 2013 study (uploaded reference document) covered the immediate post-amalgamation period to 2012 and found:

- Amalgamation resulted in improved profitability and branch rationalisation but RRBs still represented a small share of the overall banking sector assets.

Comparing that to FY 2023–24:

- **Profitability:** System-level net profits have become substantial (₹7,571 crore in FY 2023–24).
- **Asset quality:** NPAs have improved
- **significantly** compared to earlier periods.
- **Scale & intermediation:** CD ratio has risen to multi-decade highs, indicating much stronger rural intermediation than in 2012.

Thus, the broad direction since 2013 has been positive, validating the earlier emphasis on consolidation, governance improvements and proactive supervision — though pockets of underperformance persist.

10. Conclusions and recommendations

10.1 Conclusions.

1. RRBs have shown a marked turnaround by FY 2023-24: record consolidated net profits, lower NNPA (2.4%), and a high CD ratio (71.4%). These improvements reflect policy attention, consolidation efforts, strengthened supervision, and better operational practices.
2. The consolidated system CRAR (14.2%) and balance-sheet growth indicate RRBs are better capitalised and more capable of expanding rural credit.

10.2 Recommendations.

1. Complete and carefully design consolidation

(one RRB per state where feasible) to realise scale economies while protecting access in remote pockets. Sponsor banks and state governments should commit to clear capital and governance arrangements.

2. Targeted capacity building.

Build managerial and IT capability at RRBs to sustain credit growth and digital service delivery. NABARD's roadmap for RFIs and cooperative computerisation should be implemented rapidly.

3. Maintain focused supervision.

Continue regular performance reviews, with special focus on underperforming RRBs and priority districts. Link performance improvement to technical and capital support.

4. Strengthen SHG and microcredit linkages.

RRBs have comparative advantage in rural outreach; scaling up SHG lending and Kisan Credit Cards will deepen inclusion while diversifying loan books.

References

1. Kanika and Nancy. *Financial Performance Evaluation of RRBs in India*. International Journal of Management & Information Technology, Vol. 4, No. 2, July 2013. (Reference article uploaded by the user)
2. "RRBs earned record profit of Rs 7,571 cr in FY24." *Business Standard*, 25 Mar. 2025.
3. Press Information Bureau, Government of India. "RRBs achieve a record ₹7,571 crore profit in FY 2023-24." PIB, 25 Mar. 2025.
4. NABARD. *NABARD Annual Report 2023–24: Empowering Rural Financial Institutions* (PDF). NABARD, 2024.
5. Department of Financial Services. "Consolidated Review of Regional Rural Banks: Performance during FY 2023–24" (PDF). Government of India, 2024.
6. Economic Times / BFSI. "Regional Rural Banks in robust health with record profits." *BFSI (Economic Times)*, 26 Mar. 2025.
7. Bansal, Ritu. "Profitability and Cost Efficiency of Regional Rural Banks in India." *Indian Journal of Finance*, vol. 14, no. 3, 2020, pp. 128–138.
8. Chinna, G., Meena Kumari, and Om Prakash. "Financial Viability of Regional Rural Banks in India: An Empirical Analysis." *Indian Journal of Finance*, vol. 17, no. 4, 2023, pp. 89–98.
9. Joshi, P. N. *Regional Rural Banks and Rural Transformation in India*. Himalaya Publishing House, 2017.
10. Kanika, and Nancy. "Financial Performance Evaluation of RRBs in India." *International Journal of Management & Information Technology*, vol. 4, no. 2, 2013, pp. 110–120.
11. Kumar, Anil, and P. K. Das. "Credit Deployment by Regional Rural Banks: Trends and Issues." *Journal of Rural Finance*, vol. 9, no. 2, 2019, pp. 200–220.
12. Mishra, S. C. *Efficiency of Regional Rural Banks in India: A Regional Analysis*. Deep and Deep Publications, 2016.
13. Rajeev, Meenakshi, and H. P. Mahesh. "Non-Performing Assets in RRBs: Trends and Determinants." *Economic and Political Weekly*, vol. 53, no. 14, 2018, pp. 54–61.
14. Sharma, Rakesh. "Regional Rural Banks and Financial Inclusion in India." *Journal of Rural Development*, vol. 41, no. 2, 2022, pp. 40–52.
15. Singh, Rajesh. *Banking and Rural Development: An Indian Perspective*. Sage Publications, 2021.

16. Vani, S., and G. Sreeramulu. "Impact of RRB Mergers on Rural Credit Delivery in India." *Ilkogretim Online*, vol. 20, no. 5, 2021, pp. 70–80.

COPYRIGHT:

© 2026 The Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC-BY 4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited. See <http://creativecommons.org/licenses/by/4.0/>