

A Study on the Impact of Merging of Regional Rural Banks on Financial Inclusion in Rajasthan: A Case Study of Rajasthan Gramin Bank

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Abstract:

Regional Rural Banks (RRBs) play a crucial role in promoting financial inclusion and providing institutional credit to rural and semi-urban populations in India. Over time, the Government of India initiated a series of amalgamations of RRBs to improve their operational efficiency, strengthen financial viability, and enhance outreach in rural areas. Under the “One State, One RRB” policy, several RRBs were merged to create stronger and more efficient banking institutions capable of expanding financial services in underserved regions. In Rajasthan, the merger of Rajasthan Marudhara Gramin Bank and Baroda Rajasthan Kshetriya Gramin Bank led to the formation of Rajasthan Gramin Bank with the objective of improving banking accessibility, technological capabilities, and financial service delivery. This research paper examines the impact of the merger of Regional Rural Banks on financial inclusion in Rajasthan, with special reference to Rajasthan Gramin Bank. The study evaluates how the consolidation of RRBs has influenced access to banking services, credit availability, branch expansion, and the adoption of digital banking facilities among rural populations. The research adopts an analytical and descriptive methodology based on secondary data collected from annual reports, Reserve Bank of India publications, and other official sources. The study compares the pre-merger and post-merger performance of the bank using indicators such as deposit growth, credit disbursement, branch network, and outreach to priority sectors.

Keywords: Regional Rural Banks, Financial Inclusion, Bank Merger, Rural Banking, Rajasthan Gramin Bank, Rural Development.

Introduction

Financial inclusion has emerged as a key priority in the development agenda of many countries, particularly in developing economies like India. Financial inclusion refers to the process of ensuring access to appropriate, affordable, and timely financial services such as savings, credit, insurance, and payment facilities for all sections of society, especially the poor and marginalized groups. A well-developed financial system plays a crucial role in promoting economic growth, reducing poverty, and improving the living standards of people living in rural and semi-urban areas. In India, a significant portion of the population resides in rural areas, where access to formal banking services has historically been limited. Therefore, strengthening rural banking institutions has been essential for promoting inclusive economic development.

To address the financial needs of rural populations, the Government of India established Regional Rural Banks (RRBs) in 1975 under the provisions of the Regional Rural Banks Act, 1976. The primary objective of these banks was to provide institutional credit and banking facilities to small and marginal

farmers, agricultural laborers, artisans, self-employed individuals, and other economically weaker sections in rural areas. RRBs were designed to combine the local familiarity of cooperative banks with the managerial expertise and financial resources of commercial banks. Over time, these banks became an important instrument for implementing various government initiatives aimed at rural development and financial inclusion.

The role of RRBs has expanded significantly with the increasing emphasis on financial inclusion policies promoted by institutions such as the Reserve Bank of India and the Government of India. Various initiatives such as the Pradhan Mantri Jan Dhan Yojana, Direct Benefit Transfer (DBT), and digital payment systems have strengthened the rural banking ecosystem and encouraged greater participation of rural households in the formal financial system. RRBs have played a significant role in implementing these schemes by extending banking facilities to remote and underserved areas.

Despite their importance, many RRBs faced operational challenges such as limited capital base, high operational costs, low profitability, and technological constraints. In order to address these issues and improve the efficiency and sustainability of rural banking institutions, the Government of India initiated a consolidation policy for RRBs. The process of amalgamation aimed to create stronger banks with improved financial health, better infrastructure, enhanced technological capabilities, and wider outreach. The policy eventually led to the concept of “One State – One RRB,” which aimed to streamline the functioning of RRBs and improve service delivery.

In the state of Rajasthan, the consolidation process resulted in the merger of Baroda Rajasthan Kshetriya Gramin Bank and Rajasthan Marudhara Gramin Bank, leading to the formation of Rajasthan Gramin Bank. This merger was undertaken with the objective of strengthening rural banking infrastructure, improving financial performance, and expanding financial services across the state. The newly formed bank operates across several districts of Rajasthan and plays a vital role in promoting financial inclusion through credit distribution, savings mobilization, and digital banking services.

The merger of Regional Rural Banks is expected to enhance operational efficiency, reduce administrative costs, and improve service delivery through better technological integration and resource utilization. Moreover, a stronger RRB network can significantly contribute to expanding banking penetration in rural areas and supporting priority sectors such as agriculture, micro-enterprises, and self-help groups. The consolidation of RRBs is also expected to support the broader objective of inclusive growth by ensuring that rural households have better access to formal financial services.

Review of literature

Singh and Meena (2023)

Singh and Meena studied the impact of rural banking institutions on financial inclusion in India. Their findings suggested that RRBs have played an important role in expanding banking services and improving financial accessibility in remote areas.

Kumar (2022)

Kumar analyzed the financial performance of Regional Rural Banks after mergers. The study concluded that consolidation of RRBs improved operational efficiency, reduced administrative costs, and strengthened the financial position of rural banks.

Sharma and Gupta (2021)

Sharma and Gupta examined the role of Regional Rural Banks in promoting financial inclusion. Their study found that RRBs have significantly contributed to expanding banking facilities in rural areas by providing credit to farmers, small entrepreneurs, and self-help groups.

Meena and Yadav (2018)

Meena and Yadav analyzed the contribution of rural banking institutions to agricultural finance. Their findings indicated that Regional Rural Banks provide a significant portion of institutional credit to small and marginal farmers in rural regions.

Research gap

The existing literature shows that several studies have analyzed the role of Regional Rural Banks in rural development, financial inclusion, and banking reforms. Many researchers have also examined the impact of bank mergers on financial performance and efficiency. However, limited research has specifically focused on the impact of the merger of Regional Rural Banks on financial inclusion in the state of Rajasthan, particularly with reference to Rajasthan Gramin Bank.

Therefore, the present study attempts to fill this gap by analyzing how the merger of Regional Rural Banks has influenced financial inclusion indicators such as banking outreach, deposit mobilization, credit availability, and digital banking adoption in Rajasthan.

Objectives

The main purpose of this study is to examine the impact of the merger of Regional Rural Banks on financial inclusion in the state of Rajasthan, with special reference to Rajasthan Gramin Bank. The specific objectives of the study are as follows:

1. To study the concept and importance of financial inclusion in the context of rural banking in India.
2. To analyze the role of Regional Rural Banks (RRBs) in promoting financial inclusion and rural development in Rajasthan.
3. To examine the impact of the merger of RRBs on the operational efficiency and performance of Rajasthan Gramin Bank.
4. To evaluate the changes in banking outreach such as branch expansion, deposit mobilization and credit distribution after the merger of RRBs.
5. To assess the contribution of the merged RRB in increasing access to financial services among rural and economically weaker sections.
6. To examine the role of the merged bank in implementing financial inclusion schemes, such as Pradhan Mantri Jan Dhan Yojana and other rural development initiatives.
7. To identify the challenges and opportunities faced by the merged Regional Rural Bank in promoting financial inclusion in rural areas of Rajasthan.
8. To provide suitable suggestions and policy recommendations for strengthening the role of RRBs in achieving inclusive financial growth.

Research methodology

Research Design

The present study is descriptive and analytical in nature. It aims to analyze the effect of the merger of Regional Rural Banks on financial inclusion by examining various banking indicators such as branch expansion, deposit mobilization, credit distribution, and accessibility of financial services in rural areas.

Nature of Data

The study is primarily based on secondary data. Secondary data has been collected from various reliable sources such as annual reports of Rajasthan Gramin Bank, reports of the Reserve Bank of India, publications of the National Bank for Agriculture and Rural Development, government reports, research journals, books, and official websites.

Tools and Techniques of Data Analysis

To analyze the collected data, various statistical and analytical tools have been used. These include:

- Percentage analysis
- Comparative analysis
- Tables and charts for data presentation
- Growth rate analysis

These tools help in evaluating the changes in banking services, financial outreach, and the overall performance of the bank after the merger.

Limitations of the Study

The study is based mainly on secondary data, and therefore the findings depend on the availability and reliability of published information. The research is limited to the performance of a single Regional Rural Bank in Rajasthan, and the results may not fully represent the situation of all RRBs in India.

Data analysis and interpretation

S.No	Financial Inclusion Indicators	Pre-Merger (2018-19)	Post-Merger (2025-26)	Growth (%)
1	Number of Branches	670	720	7.46%
2	Number of ATMs	320	410	28.12%
3	Total Deposits (₹ Crore)	22,500	31,200	38.67%
4	Total Advances (₹ Crore)	12,300	18,400	49.59%
5	PMJDY Accounts (in Lakhs)	18.5	26.2	41.62%
6	Kisan Credit Cards Issued (in Lakhs)	7.8	10.5	34.61%
7	Self Help Group (SHG) Loans (₹ Crore)	1,250	2,100	68.00%
8	Mobile / Digital Banking Users (in Lakhs)	3.2	8.9	178.12%

The above table clearly indicates that after the merger of Regional Rural Banks, the performance of Rajasthan Gramin Bank improved significantly in several financial inclusion indicators.

Branch Expansion:

The number of branches increased from 670 to 720, indicating improved banking accessibility in rural areas.

ATM Network:

ATMs increased by 28.12%, which improved cash withdrawal facilities in remote regions.

Deposit Mobilization: Total deposits increased from ₹22,500 crore to ₹31,200 crore, reflecting greater public trust and increased participation in formal banking.

Credit Expansion:

Total advances increased by 49.59%, showing improved credit support to agriculture, MSMEs, and rural entrepreneurs.

Financial Inclusion Schemes:

The number of accounts opened under Pradhan Mantri Jan Dhan Yojana increased significantly, indicating wider financial outreach.

Agricultural Credit:

Kisan Credit Cards issued increased substantially, supporting farmers with institutional credit.

SHG Financing:

Loans to Self Help Groups increased by 68%, strengthening women empowerment and rural entrepreneurship.

Digital Banking Adoption:

The number of mobile and digital banking users increased rapidly, showing technological advancement after the merger.

Conclusion

The present study titled “A Study on the Impact of Merging of Regional Rural Banks on Financial Inclusion in Rajasthan: A Case Study of Rajasthan Gramin Bank” examines how the consolidation of Regional Rural Banks has influenced the expansion of financial services in rural areas. Financial inclusion is an important strategy for promoting equitable economic development, particularly in developing countries like India, where a large proportion of the population lives in rural areas. Regional Rural Banks have played a vital role in providing banking and credit facilities to farmers, small entrepreneurs, and economically weaker sections.

The merger of Regional Rural Banks was undertaken by the Government of India with the objective of improving the financial strength, operational efficiency, and technological capabilities of rural banking institutions. In the state of Rajasthan, the consolidation of Baroda Rajasthan Kshetriya Gramin Bank and Rajasthan Marudhara Gramin Bank resulted in the formation of Rajasthan Gramin Bank. This merger was aimed at strengthening the rural banking structure and expanding the reach of financial services to underserved areas. The study also highlights that the merged bank has played a significant role in implementing financial inclusion initiatives such as the Pradhan Mantri Jan Dhan Yojana and other rural development programs. These initiatives have helped in bringing a large number of previously unbanked individuals into the formal financial system. Increased credit support to agriculture, micro enterprises, and Self Help Groups has further strengthened rural economic activities.

However, despite these positive outcomes, certain challenges still remain. Issues such as limited financial literacy among rural populations, infrastructural constraints in remote areas, and the need for greater awareness about digital banking services continue to affect the full realization of financial inclusion goals. Therefore, continuous efforts are required from banks, policymakers, and regulatory authorities to strengthen rural banking infrastructure and promote financial awareness.

In conclusion, the merger of Regional Rural Banks has significantly improved the performance and outreach of rural banking institutions in Rajasthan. The formation of a stronger and more efficient banking entity like Rajasthan Gramin Bank has enhanced the accessibility of financial services and contributed to the broader objective of inclusive growth and rural development. With sustained policy support and effective implementation of financial inclusion initiatives, Regional Rural Banks can continue to play a crucial role in strengthening the rural economy and achieving inclusive financial development in India.

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