

Financial Inclusion Via Regional Rural Banks: A Case Study of Sahdol Grameen Bank

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ABSTRACT

With the goal of giving the less fortunate segments of society access to sufficient, reasonably priced, and easily accessible financial services, financial inclusion has become a crucial element of economic growth. To reduce the distance between official banking institutions and rural communities, Regional Rural Banks (RRBs) are essential. This study looks at Shahdol Grameen Bank's role in advancing financial inclusion in Madhya Pradesh's Shahdol area. through a thorough examination of the bank's credit distribution, account penetration, outreach programs, and execution of government programs like PMJDY.

Keywords: Financial Inclusion, Regional Rural Bank, Shahdol Grameen Bank, Rural Development, PMJDY, Digital Banking, Inclusive Growth.

INTRODUCTION

In India, financial inclusion the process of guaranteeing that all people and enterprises have access to suitable financial products and services at reasonable prices has become a crucial development objective. A sizable section of India's rural population is still not part of the official financial system, even after decades of banking reforms and economic expansion. By providing financial services to underserved and rural communities, Regional Rural Banks (RRBs) have been instrumental in closing this gap. One of the most notable examples of how local banking initiatives can support inclusive financial growth is Shahdol Grameen Bank. This study examines the ways in which Shahdol Grameen Bank promotes financial inclusion by:

- Increasing access to savings and insurance products,
- Offering rural populations reasonably priced lending, supporting government assistance programs and empowering women and self-help groups (SHGs) are two examples.

Through the use of empirical data and policy frameworks pertinent to the Shahdol district of Madhya Pradesh, the research seeks to evaluate the efficacy, difficulties, and effects of RRB-led financial inclusion.

The Reserve Bank of India (RBI) defines financial inclusion as:

"The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost."

Introduction to Shahdol Grameen Bank.

Shahdol Grameen Bank is a Regional Rural Bank (RRB) operating in the Shahdol district of Madhya Pradesh, established under the provisions of the Regional Rural Banks Act, 1976. Sponsored by Bank of India, the bank was created to serve the rural and semi-urban population of Shahdol and nearby districts by offering accessible, affordable, and tailored financial services. It operates with a developmental objective to promote financial inclusion, improve credit access for priority sectors, and support rural livelihoods.

Operational Overview:

- **Head Office:** Shahdol, Madhya Pradesh
- **Sponsor Bank:** Bank of India
- **Ownership Structure:** Jointly owned by the Government of India (50%), Bank of India (35%), and Government of Madhya Pradesh (15%)
- **Primary Coverage Areas:** Shahdol, Anuppur, Umaria, and parts of Dindori districts

Core Functions and Services:

Shahdol Grameen Bank plays a critical role in:

- **Credit delivery** to small and marginal farmers, daily wage laborers, and micro-entrepreneurs.
- **Support for government schemes**, such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Awas Yojana (PMAY), and Kisan Credit Card (KCC).
- **SHG-Bank Linkages** to promote group-based financing, especially among rural women.
- **Financial literacy and inclusion** by organizing awareness camps and village outreach programs.

Significance in the Region:

- Operates in predominantly **tribal and backward areas**, where formal banking penetration is low.
- Acts as a **bridge between government financial schemes and rural beneficiaries**.
- Strengthens **agricultural development** through seasonal loans, crop financing, and input support.
- Has helped reduce the dependence on **informal moneylenders** by offering formal credit on fair terms.

Challenges:

Despite its contributions, Shahdol Grameen Bank faces challenges including:

- Low financial literacy among rural populations
- Difficult terrain and connectivity issues
- Operational costs in servicing remote areas
- Limited digital infrastructure

LITERATURE REVIEW

1. Concept of Financial Inclusion: Financial inclusion refers to the process of ensuring access to financial services and timely and adequate credit for vulnerable groups such as weaker sections and low-income groups at an affordable cost (Rangarajan Committee, 2008). It is an essential enabler for reducing poverty and boosting shared prosperity (World Bank, 2014). Studies by Demirgüç-Kunt and Klapper (2012) found that access to financial services correlates with economic growth and reduced income inequality.

2. Role of Regional Rural Banks (RRBs): Regional Rural Banks (RRBs) were established in 1975 to bridge the credit gap in rural areas and extend banking facilities to rural populations. According to NABARD (2018), RRBs play a critical role in rural development by offering savings, credit, and remittance services. Studies like

those by Sharma and Kukreja (2013) have emphasized the positive impact of RRBs on rural credit penetration and financial inclusion.

- **Brief history and evolution of RRBs in India.**

The concept of Regional Rural Banks (RRBs) emerged in India as a strategic intervention to provide financial services to the rural poor, especially small and marginal farmers, agricultural laborers, artisans, and small entrepreneurs.

1. Establishment of RRBs (1975)

RRBs were established under the provisions of the Regional Rural Banks Act, 1976, following the recommendations of the Narasimham Committee (1975). The main objective was to create a rural banking structure that combined the familiarity of cooperative banks with the business organization of commercial banks.

- The first five RRBs were set up on 2nd October 1975, with Sponsoring Banks, State Governments, and the Central Government jointly contributing to their equity in the ratio 50:15:35 respectively.
- These banks were mandated to operate in specific geographical regions, particularly underdeveloped rural and tribal areas, to ensure targeted financial inclusion.

2. Expansion Phase (1975–1990)

During this period, RRBs rapidly expanded their branch networks in rural areas. By the end of the 1980s, over 196 RRBs were operating across the country with more than 14,000 branches, primarily in rural India.

3. Challenges and Weaknesses (1990s)

Despite rapid expansion, RRBs began to face serious challenges:

- High levels of non-performing assets (NPAs)
- Operational inefficiencies and poor financial health
- Limited scope due to restrictive lending policies (mainly agriculture and rural sectors)

The Kelkar Committee and the Bhandari Committee recommended reforms, including capital restructuring and professional management.

4. Consolidation and Restructuring (2005–2012)

To improve operational efficiency and financial viability, the Government of India initiated a process of amalgamation:

- RRBs were merged based on their sponsoring banks and geographical contiguity.
- As a result, the number of RRBs was brought down from 196 to 56 (as of 2012).
- This restructuring aimed to create stronger and more efficient RRBs with better outreach and financial health.

5. Technological Modernization and Financial Inclusion (2013–present)

RRBs have since undergone major modernization initiatives:

- Core Banking Solutions (CBS) were implemented across all RRBs.

Anand K (2025) has said that the measures taken by the RRB for financial inclusion and to examine the difficulties involved in the adoption of financial inclusion by RRB. The RRBs Act has made various provisions regarding the incorporation, regulation and working of RRBs. The main problem associated with financial inclusion is Procedural Rigidities, Lack of trained personnel and Slow Progress in Lending Activity.

Sumathy M. & Bharathi M. (2021) has explained that the level of awareness and satisfaction of financial inclusion services among select public sector banks customers. Descriptive Research Design was adopted to determine customers' satisfaction and awareness about the banking services. Banking service provider should continually monitor the level of fulfilment of personal needs and satisfaction.

Gaps identified in the existing literature

While considerable research has been conducted on financial inclusion and the role of Regional Rural Banks (RRBs) in India, several critical gaps remain—particularly at the regional and micro-levels. These gaps form the foundation and justification for the present study.

1. Limited Region-Specific Studies

Most existing studies focus on national or state-level performance of RRBs. Very few in-depth case studies have been conducted on **specific RRBs in tribal and backward districts** like Shahdol in Madhya Pradesh. The socio-economic and geographic uniqueness of such regions remains underexplored.

2. Lack of Micro-Level Performance Analysis

Current literature provides macroeconomic insights but lacks **granular data** on how rural banks like Shahdol Grameen Bank function at the **village or block level**. There is minimal research on the **impact of RRBs on individual households**, self-help groups (SHGs), or small entrepreneurs in tribal regions.

Objectives of the Study

This study focuses on assessing the role of Shahdol Grameen Bank in promoting financial inclusion and supporting rural development in the Shahdol region of Madhya Pradesh. The key objectives are:

1. To examine the outreach and effectiveness of Shahdol Grameen Bank in delivering banking and financial services to the rural and tribal population.
2. To evaluate the bank's role in implementing government-sponsored financial inclusion schemes such as PMJDY, DBT, and KCC.
3. To assess the impact of Shahdol Grameen Bank (SGB) on rural development.

Relevance of the Study

In the context of India's goal to achieve inclusive and sustainable rural development, this study is highly relevant for several reasons:

- Rural-urban financial disparity continues to hinder balanced growth. Understanding how institutions like Shahdol Grameen Bank bridge this gap is crucial.
- Shahdol district, being largely tribal and economically backward, represents a typical rural setting where financial exclusion persists. Insights from this case can be extended to similar regions.

RESEARCH METHODOLOGY

The research methodology outlines the systematic process adopted to investigate the role of **Shahdol Grameen Bank** in promoting **financial inclusion** in the rural and tribal areas of Shahdol district. This section covers the research design, data collection methods, sampling technique, and analytical tools used in the study.

Research Design

The study employs a **descriptive and analytical research design**. It aims to:

- Describe the current state of financial inclusion in the region.
- Analyze the effectiveness of Shahdol Grameen Bank in extending financial services.
- Identify barriers and challenges to inclusive banking in tribal and rural communities.

A **case study approach** is adopted to provide a focused evaluation of Shahdol Grameen Bank within its specific regional context.

Data Sources

The study is based on both **primary** and **secondary** data.

a. Primary Data

Primary data is collected directly from the field using:

- **Structured questionnaires** administered to customers of Shahdol Grameen Bank (farmers, SHG members, daily wage workers, etc.).
- **Interviews** with bank officials, local government representatives, and community leaders.
- **Focus Group Discussions (FGDs)** with beneficiaries in selected villages to gain deeper insights.

b. Secondary data: It is collected from various sources like website, books, magazines, newspapers, library etc

Shahdol Grameen Bank (SGB) is a Regional Rural Bank (RRB) operating in the Shahdol and Anuppur districts of Madhya Pradesh, India. It primarily serves rural and tribal populations by providing banking and financial services tailored to their needs. Below is an examination of its outreach and effectiveness:

1. Outreach of Shahdol Grameen Bank

a) Geographical Coverage

SGB operates in Shahdol and Anuppur, regions with a significant tribal population mainly Gonds, Baigas, and Kol tribes. It has a network of branches and customer service points (CSPs) in remote villages, ensuring accessibility.

b) Target Population

It focuses on farmers, small entrepreneurs, women, and tribal communities. Implements government schemes like PM Jan Dhan Yojana, Kisan Credit Card (KCC), and MUDRA loans to promote financial inclusion.

c) Digital and Physical Penetration

It offers basic banking services such as savings accounts, loans, insurance. It promotes digital banking through micro-ATMs, Aadhaar-enabled payment systems (AEPS), and UPI-based services to reach unbanked areas.

2. Effectiveness in Service Delivery

Financial Inclusion Metrics of Shahdol Grameen Bank (2019–2024)

This report analyzes key financial inclusion indicators from 2019 to 2024, based on primary data from Shahdol & Anuppur districts, Madhya Pradesh.

Year-wise Growth in Number of Accounts Opened

Year	Accounts Opened	Increase from Previous Year	% Growth
2019	8,500	–	–
2020	10,200	1,700	20.0%
2021	12,700	2,500	24.5%
2022	14,500	1,800	14.2%
2023	15,800	1,300	9.0%
2024	17,300	1,500	9.5%

Sources: Grameen Bank Annual Report

Year-wise Growth in Credit Disbursed to SHGs

Year	Credit (₹ lakhs)	Increase from Previous Year	% Growth
2019	120	–	–
2020	150	30	25.0%
2021	190	40	26.7%
2022	230	40	21.1%
2023	300	70	30.4%
2024	340	40	13.3%

Sources: Grameen Bank Annual Report

Cross-tabulations

Year vs Key Financial Inclusion Indicators

Year	Accounts Opened	% Growth in Accounts	Credit to SHGs (₹ lakhs)	% Growth in Credit
2019	8,500	–	120	–
2020	10,200	20.0%	150	25.0%
2021	12,700	24.5%	190	26.7%
2022	14,500	14.2%	230	21.1%
2023	15,800	9.0%	300	30.4%
2024	17,300	9.5%	340	13.3%

Sources: Authors shelf

The table represents that the year-wise growth in Number of Accounts Opened and growth in Credit Disbursed to shelf help groups (SHGs). It is show positive correlation and its value is 0.98 which means that increased opening a account typically leads to increased credit linkage as more SHGs become eligible for loans after establishing a banking relationship. The SHG bank linkage program is a strategy for financial inclusion enabling access to credit for consumption and production needs.

Graphs and charts

Financial Inclusion Through Regional Rural Bank
(Sahdol Grameen Bank)



1. Account Penetration (PMJDY & Basic Savings)

Year	Total Accounts	Rural Accounts (%)	Women Account Holders (%)	Active Accounts (%)
2019	98,000	82%	38%	47%
2021	1,45,000	84%	42%	53%
2023	2,10,000	85%	46%	58%
2024	2,35,000*	86%*	48%*	62%*

Sources: Grameen Bank Annual Report

The table explained that 83% growth in accounts from 2019 to 2024, driven by PMJDY and direct benefit transfer (DBT) linkages. The rural account participation is increased by 4% and the women’s participation up by 10%, but still below than 50% and the active accounts improved 15% due to AEPS/UPI adoption from 2019 to 2024

2. Credit Disbursement (₹ Crore)

Year	KCC Loans	SHG Loans	MUDRA Loans	Total Credit
2019	45 Cr	12 Cr	8 Cr	65 Cr

2021	78 Cr	25 Cr	15 Cr	118 Cr
2023	120 Cr	45 Cr	28 Cr	193 Cr
2024*	135 Cr*	52 Cr*	35 Cr*	222 Cr*

Sources: Grameen Bank Annual Report

The table represented that the KCC (Kishan credit card) loans doubled from 2019 to 2024, aiding small/marginal farmers. The SHG (Shelf help groups) loans surged 4.3x, reflecting women’s entrepreneurship growth. MUDRA loans rise 3.4x, but only 18% to women (2024 data).

3. Digital & BC Channel Adoption

Year	AEPS Transactions (Lakh/yr)	UPI Users (000s)	CSPs (Bank Mitras)
2019	1.2	3.5	85
2021	2.8	12	120
2023	4.5	28	185
2024	5.8*	42*	210*

Sources: Grameen Bank Annual Report

The table shows that the AEPS (Aadhaar enabled payments systems) transactions grew 5x from 2019 to 2024 due to DBT and rural cashouts. UPI (Unified Payments systems) users up 12x, but still only 18% of account holders. CSPs (bank mitras) network expanded 2.5x, improving last-mile access.

4. Government Scheme Linkages

Scheme	2019 Beneficiaries	2024 Beneficiaries	Growth
PM-KISAN	32,000	68,000	113%
PMJJBY	8,500	24,000	182%
PMSBY	11,200	29,500	163%
PM Matru Vandana	6,200	16,800	171%

Sources: Grameen Bank Annual Report

The table presents that the Direct Benefit Transfers (DBT) boosted insurance/subsidy coverage. PM-KISAN, PMJJBY, PMSBY, PM Matru Vandana reach doubled, but gaps persist in tribal hamlets.

Impact on rural development

To assess the impact of Shahdol Grameen Bank (SGB) on financial inclusion and rural development, we analyze primary data collected from Field surveys from 2019 to 2024 of more than 400 households in Shahdol & Anuppur, Bank records such as loan disbursements, PMJDY accounts, SHG linkages and Interviews with SHG members, farmers, and bank officials.

Shahdol Grameen Bank's financial inclusion initiatives have significantly contributed to improving rural livelihoods and fostering micro enterprise development, particularly through the empowerment of Self-Help Groups (SHGs).

Year-wise Number of Accounts Opened (2019–2024)

Year	No. of Accounts Opened
2019	8,500
2020	10,200
2021	12,700
2022	14,500
2023	15,800
2024	17,300

A. Income Growth (Survey Data)

Group	Avg. Income Rise (2019–2023)	Growth Drivers
SHG Women	₹12,000 → ₹18,000/yr	Micro-enterprises (poultry, tailoring)
Marginal Farmers	₹45,000 → ₹62,000/yr	KCC loans + PM-KISAN subsidies
Landless Laborers	₹8,000 → ₹11,000/yr	MNREGA + DBT efficiency

The table explained that the SHG women saw 50% income increase, but marginal farmers and landless laborers' growth remains slow.

B. SHG Performance (Case Study: 50 SHGs in Anuppur)

Parameter	Data
Average savings/SHG	₹1.2 lakh (5-year period)
Loan repayment rate	78% (vs. 85% state avg)
Income-generating activities	60% in agri-allied (dairy, fisheries), 40% in handicrafts

Success Story:

- "Adivasi Mahila Kisan SHG" (Umaria block) took a ₹5L loan for organic turmeric farming, now exporting to MP Agro.

Digital Banking Adoption

Service	Usage Rate (Rural)	Challenges
AEPS (Aadhaar cash withdrawal)	68%	Connectivity issues

UPI/QR payments	22%	Low smartphone literacy
CSC Banking Points	120+ centers	Limited staff training

This table presents that the digital banking adoption by villagers in different modes but they faced some Challenges during their usage of these services. The 68% of AEPS means adhaar cash withdrawal using by person. The AEPS dominates due to biometric ease, but the services centre charges some nominal fees during the withdrawal of cash. The 22% payment done by UPI/QR payments in Sahdol Grameen Bank due to low smartphone literacy. More than 120 centres of Regional Rural Banks to enable to CSCs to become banking Correspondents agents/ customers services points to deliver various banking and financial services.

Challenges (2019 vs. 2024)

Issue	2019 Status	2024 Status
Dormant Accounts	53% inactive	38% inactive
Women’s Loan Share	12% of total credit	22% of total credit
NPA Rate	7.2% (KCC/SHG loans)	8.9% (KCC/SHG loans)
Digital Literacy	19% aware of UPI	41% aware of UPI

This table represents that the Dormant accounts reduced by 15% due to DBT & CSP engagement. The women’s credit access improved by 10%, but still below national average by 27% and NPAs rate rise by 1.7% due to agrarian stress in 2023 drought in MP. Digital Literacy is increased by 22% due to adoption of mobile banking and Internet banking.

Some Challenges Identified is:

1. Low Financial Literacy: 65% of borrowers unaware of loan interest rates (survey).
2. Infrastructure Gaps: 30% villages lack stable Internet for UPI.
3. Gender Disparities: Only 15% of MUDRA loans go to women solo entrepreneurs (vs. 25% national avg.).

RECOMMENDATIONS FOR 2025–30

- Target 50% women-led loans via dedicated SHG/MUDRA camps.
- Expand "Digital Sakhi" programs to train rural women on UPI to boost women account usage.
- Introduce mobile ATM vans for remote tribal villages.

CONCLUSION

Regional Rural Banks such as Shahdol Grameen Bank play a pivotal role in realizing the vision of inclusive growth. While substantial progress has been made, achieving holistic financial inclusion requires continuous efforts in outreach, education, and innovation. With policy support and local engagement, RRBs can become key drivers of rural transformation.

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