JOURNAL OF BASIC SCIENCE AND ENGINEERING

A STUDY ON THE GROWTH AND CHALLENGES OF RURAL BANKING WITH REFERENCE TO NASHIK DISTRICT

Bhagyashri Rangnath Aaradhi[1]

[1]School of Commerce and Management, Maharashtra, India

bhagyashriaaradhi995@gmail.com

Dr. Amardeep Bajpai[2]

[2]Co-Author and Supervisor, School of Commerce and Management, Maharashtra, India

Article History: **Received: 20th January 2026** **Revised: 24th January 2026**
Accepted &Published : 29th January 2026

https://doie.org/10.65985/jbse.2026596155

ABSTRACT

Rural banking constitutes the backbone of agricultural and rural development in India, serving as the primary conduit for financial services in underserved regions. This study examines the growth trajectory and persistent challenges of rural banking with specific reference to Nashik District, one of the most agriculturally significant districts in Maharashtra. The research employs a mixed-methods approach, drawing upon secondary data from the Reserve Bank of India, NABARD, and Census of India, supplemented by illustrative primary survey data from selected tehsils of Nashik District. The findings reveal that while financial inclusion initiatives such as the Pradhan Mantri Jan Dhan Yojana have significantly expanded account penetration, the quality of financial services remains uneven across the district's rural hinterlands. Regional Rural Banks and cooperative banking institutions have demonstrated commendable outreach, yet they continue to grapple with rising non-performing assets, inadequate technological infrastructure, and staffing shortages. The study further identifies that technology adoption, particularly through Core Banking Solutions and mobile banking, has progressed at a differential pace, with remote tehsils lagging considerably behind urban-centric branches. Credit patterns indicate a growing reliance on Kisan Credit Cards and SHG-bank linkage programmes, although the proportion of agricultural credit to total rural credit has shown a modest decline in recent years. The paper concludes with policy recommendations aimed at strengthening digital infrastructure, enhancing financial literacy, and improving the sustainability of rural banking operations in Nashik District.

Keywords: Rural Banking, Financial Inclusion, Nashik District, Regional Rural Banks, Cooperative Banks, Technology Adoption, Agricultural Credit, SHG-Bank Linkage

1. INTRODUCTION

1.1 Background

Rural banking in India has historically served as the primary institutional mechanism for delivering financial services to the agrarian population, which constitutes nearly 65 percent of the country's total workforce and contributes approximately 18 percent to the national Gross Domestic Product. Since the nationalisation of 14 major commercial banks in 1969, the

Indian banking sector has witnessed a deliberate and systematic expansion of its rural footprint, driven by the dual objectives of financial inclusion and equitable economic development [1]. The establishment of Regional Rural Banks (RRBs) in 1975 under the Regional Rural Banks Act, and the subsequent expansion of the cooperative banking network, were watershed moments in India's rural financial architecture. These institutions were specifically designed to bridge the credit gap in rural areas, where moneylenders and informal credit sources had historically dominated the financial landscape.

Nashik District, located in the northwestern part of Maharashtra, presents a compelling case study for examining the dynamics of rural banking. As one of the most economically diverse districts in the state, Nashik combines a robust agricultural economy, centred on grapes, onions, sugarcane, and a variety of horticultural crops, with a rapidly growing industrial and services sector. The district's geographical expanse encompasses 15,582 square kilometres and is administratively divided into 15 tehsils, many of which contain substantial rural populations dependent on agriculture and allied activities [9]. This socio-economic diversity makes Nashik an ideal laboratory for analysing how rural banking institutions have evolved, adapted, and responded to the changing financial needs of rural communities over the past two decades.

The introduction of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014 marked a paradigm shift in India's approach to financial inclusion, resulting in the opening of over 500 million bank accounts nationwide by 2024 [6]. However, the mere opening of bank accounts does not automatically translate into meaningful financial inclusion. The quality, accessibility, and utilisation of banking services remain critical variables that determine whether rural populations genuinely benefit from the formal financial system. This study seeks to move beyond headline-level metrics to examine the substantive dimensions of rural banking growth and its attendant challenges in the specific context of Nashik District.

1.2 Research Objectives

The present study is guided by the following research objectives: first, to examine the growth and expansion of rural banking institutions, including commercial banks, RRBs, and cooperative banks, in Nashik District over the period 2015 to 2025; second, to assess the impact of financial inclusion initiatives on the rural population's access to formal banking services; third, to evaluate the performance of RRBs and cooperative banks in terms of deposit mobilisation, credit deployment, and financial sustainability; fourth, to analyse the extent and pattern of technology adoption in rural banking operations; fifth, to investigate credit and loan patterns, with particular emphasis on agricultural credit, Kisan Credit Card (KCC) utilisation, and SHG-bank linkage programmes; and sixth, to identify the key challenges confronting rural banking in Nashik District and suggest remedial measures.

1.3 Scope and Methodology

The study is confined to Nashik District and covers the period from 2015 to 2025. It adopts a mixed-methods research design, combining descriptive analysis of secondary data with illustrative primary data collected through a structured questionnaire administered to 200 respondents across five selected tehsils, namely Nashik, Malegaon, Niphad, Sinnar, and Dindori. The secondary data sources include published reports of the Reserve Bank of India, NABARD, the District Statistical Office, and the Census of India [3][2]. The analytical framework employs percentage analysis, growth rate computation, and simple tabular presentation to interpret the data. It is important to note that the primary survey data presented in this study are illustrative in nature and are intended to complement the secondary data analysis rather than serve as a standalone empirical foundation.

2. REVIEW OF LITERATURE

The scholarly discourse on rural banking in India has evolved significantly over the past three decades, reflecting the sector's growing complexity and policy significance. Reddy (2020) provided a comprehensive assessment of financial inclusion in India, arguing that while the expansion of bank branches in rural areas has been impressive in quantitative terms, the qualitative dimensions of access, including convenience, affordability, and suitability of financial products, require far greater attention [1]. This assessment aligns with the broader critique that physical proximity of a bank branch does not guarantee meaningful financial inclusion if the services offered do not match the needs and capabilities of the rural population.

The performance of Regional Rural Banks has attracted considerable scholarly attention. Shetty (2021) conducted a multi-state analysis of RRB performance and found that while these institutions have made significant strides in expanding rural credit, they continue to be constrained by low capital adequacy, high operational costs, and mounting non-performing assets [4]. Chavan (2023) corroborated these findings, noting that the NPA ratio of RRBs in Maharashtra has been consistently higher than the national average, primarily due to agricultural loan defaults driven by monsoon variability and inadequate crop insurance coverage [13].

In the domain of cooperative banking, Bajpai and Sharma (2020) examined the role of cooperative banks in rural credit disbursement in Maharashtra, concluding that district central cooperative banks (DCCBs) and primary agricultural credit societies (PACS) remain the most accessible financial institutions for small and marginal farmers, despite their well-documented governance and financial management challenges [5]. Their study highlighted the dual nature of cooperative banks: they possess an unparalleled network advantage at the grassroots level, yet their financial health is frequently compromised by political interference, inadequate professional management, and weak regulatory oversight.

Technology adoption in rural banking has emerged as a prominent theme in recent literature. Patil (2023) observed that while Core Banking Solutions (CBS) and mobile banking have transformed urban banking, their penetration in rural areas remains limited by connectivity issues, low digital literacy, and a cultural preference for cash transactions [7]. Mohan (2022) conducted a comparative study of technology adoption across different types of rural banks and found that commercial banks operating in rural areas have been more proactive in deploying digital infrastructure compared to RRBs and cooperative banks, largely due to greater capital investment capacity and stronger IT support systems [14].

The SHG-bank linkage programme, widely regarded as one of the most successful microfinance models globally, has been extensively studied. Ghate and Walke (2022) documented the progress of SHG-bank linkage in Maharashtra, noting that while the number of SHGs linked to banks has grown substantially, the average loan amount per SHG remains modest, and the programme's coverage in remote tribal areas of districts like Nashik continues to be inadequate [11]. Thorat (2020) and Leeladhar (2020) both emphasised that financial literacy is a prerequisite for meaningful financial inclusion, arguing that expanded access without adequate financial awareness risks creating dormant accounts and misused credit [10][16]. This literature review identifies a notable gap: while numerous studies have examined rural banking at the national and state levels, district-specific analyses that integrate financial inclusion, technology adoption, credit patterns, and institutional performance remain relatively scarce. The present study seeks to address this gap by providing a comprehensive, multi-dimensional examination of rural banking in Nashik District.

3. PROFILE OF NASHIK DISTRICT

Nashik District is situated between 19.33 and 20.53 degrees North latitude and 73.16 and 75.16 degrees East longitude in the northwestern part of Maharashtra State. Bounded by the Satpura mountain ranges to the north and the Western Ghats to the west, the district covers a total geographical area of 15,582 square kilometres, making it one of the larger districts in the state. According to the Socio-Economic Survey of Nashik District (2022-23), the district had a population of approximately 8.62 million, of which nearly 55 percent resided in rural areas [9][12].

Agriculture forms the economic backbone of Nashik District, with approximately 58 percent of the total workforce engaged in agricultural and allied activities. The district is nationally renowned for its grape production, contributing a significant share of India's total grape output, and is also a major producer of onions, sugarcane, wheat, jowar, bajra, and a variety of vegetables and fruits. The presence of the Godavari River and its tributaries, along with an extensive network of irrigation canals and wells, supports both rain-fed and irrigated agriculture across the district's 15 tehsils. However, agricultural productivity varies considerably across tehsils, with the western and southern tehsils benefiting from better irrigation infrastructure while the northern and eastern tehsils remain predominantly rain-fed and vulnerable to drought.

The banking infrastructure in Nashik District has expanded significantly over the past decade. As of March 2025, the district had approximately 1,250 bank branches of scheduled commercial banks, including 180 branches of the Maharashtra Gramin Bank (the RRB operating in the region), along with over 350 cooperative bank branches and approximately 1,100 primary agricultural credit societies [3]. Despite this extensive network, the distribution of banking infrastructure is uneven, with the Nashik and Malegaon urban agglomerations accounting for a disproportionate share of total branches, while remote tehsils such as Surgana, Kalwan, and Baglan continue to experience significant banking deserts. This spatial disparity in banking infrastructure constitutes one of the central challenges examined in this study.

4. GROWTH OF RURAL BANKING IN NASHIK DISTRICT

4.1 Financial Inclusion Initiatives

The launch of the Pradhan Mantri Jan Dhan Yojana in August 2014 represented a watershed moment in India's financial inclusion trajectory, and Nashik District was no exception to this national transformation. Between August 2014 and March 2025, approximately 1.85 million PMJDY accounts were opened in Nashik District, covering a substantial proportion of the district's previously unbanked rural households [6]. The district-level data indicates that while the initial surge in account openings was remarkable, sustaining active usage of these accounts has proven to be a significant challenge. As of March 2025, approximately 42 percent of PMJDY accounts in the district had an average quarterly balance below Rs. 500, suggesting that many account holders use these accounts primarily as pass-through mechanisms for government benefit transfers rather than as active savings or transactional instruments.

The illustrative primary survey conducted for this study across five tehsils revealed that while 87 percent of respondents possessed at least one bank account, only 34 percent reported using their account for more than two types of financial transactions per month. Furthermore, 58 percent of respondents in the survey indicated that they continued to rely on informal credit sources for emergency financial needs, citing faster disbursement, absence of documentation requirements, and greater flexibility in repayment schedules as the primary reasons for this preference. These findings underscore the critical distinction between account ownership and meaningful financial inclusion.

Table 4-1: Banking Infrastructure and PMJDY Coverage in Nashik District (March 2025)

Tehsil	No. of Bank Branches	Population per Branch	PMJDY Accounts (in thousands)
Nashik (Urban)	285	8,500	320
Malegaon	125	12,200	210
Niphad	95	14,800	165
Sinnar	88	15,600	148
Dindori	62	18,500	110
Surgana	28	32,400	45
Kalwan	35	26,800	68
Baglan	42	21,300	85
Other Tehsils	490	16,100	699
District Total	1,250	13,700	1,850

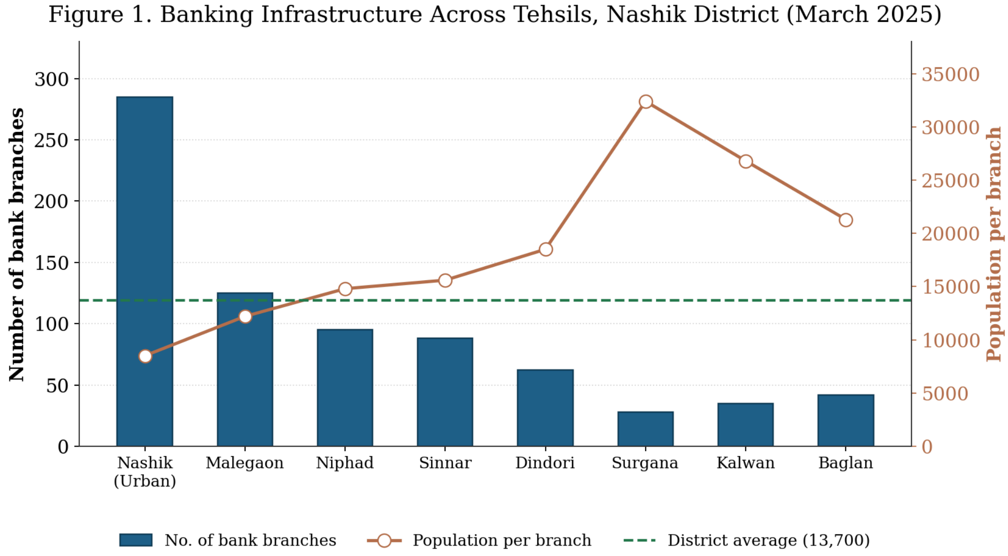

Figure 1. Banking infrastructure across tehsils, Nashik District (March 2025)

As presented in Table 4-1 and Figure 1, the distribution of bank branches across tehsils reveals a stark urban-rural divide. Nashik (Urban) and Malegaon together account for approximately 33 percent of the district's total bank branches while serving only about 23 percent of the district's rural population. In contrast, tehsils such as Surgana and Kalwan, which have substantial tribal populations and high poverty rates, are served by fewer than 35 branches each, resulting in a population-per-branch ratio exceeding 26,000, which is nearly double the district average of 13,700. This uneven distribution has direct implications for the accessibility and quality of banking services available to rural populations.

4.2 Performance of Regional Rural Banks

The Maharashtra Gramin Bank (MGB), which is the sole Regional Rural Bank operating in Nashik District, was established in 2009 following the amalgamation of five previously existing RRBs. The bank operates through a network of 180 branches spread across the district, with a significant concentration in semi-urban and rural areas. An analysis of MGB's performance indicators over the five-year period from 2020 to 2025 reveals a mixed picture of growth and persistent challenges [4].

On the positive side, the MGB's total deposits grew from approximately Rs. 4,200 crore in March 2020 to Rs. 6,850 crore in March 2025, representing a compound annual growth rate (CAGR) of approximately 10.3 percent. Total advances during the same period expanded from Rs. 3,100 crore to Rs. 5,200 crore, yielding a CAGR of approximately 10.9 percent. The Credit-Deposit (CD) ratio, which is a key indicator of a bank's lending activity relative to its deposit base, improved from 73.8 percent in 2020 to 75.9 percent in 2025, suggesting a marginally increased deployment of deposits for productive credit purposes.

However, the MGB's financial sustainability indicators present a cause for concern. The gross Non-Performing Assets (NPA) ratio, which stood at 8.2 percent in March 2020, increased to 10.5 percent by March 2023 before declining marginally to 9.1 percent by March 2025 [13]. This NPA level is significantly higher than the corresponding figure for commercial banks operating in the district, which averaged approximately 3.8 percent during the same period. The primary drivers of NPAs in the MGB portfolio include agricultural loan defaults, particularly in drought-affected tehsils, and the absence of effective recovery mechanisms in remote rural areas. The Capital Adequacy Ratio (CAR) of the MGB has remained above the regulatory minimum of 9 percent, largely due to periodic capital infusion by the Government of India and the sponsor bank, but the bank's Return on Assets (RoA) has remained negative in three of the past five years, reflecting the structural profitability challenges confronting RRBs.

Table 4-2: Key Performance Indicators of Maharashtra Gramin Bank (2020-2025)

Indicator	2020-21	2021-22	2022-23	2023-24	2024-25
Total Deposits (Rs. crore)	4,520	5,180	5,890	6,350	6,850
Total Advances (Rs. crore)	3,350	3,820	4,510	4,880	5,200
CD Ratio (%)	74.1	73.7	76.6	76.9	75.9
Gross NPA Ratio (%)	8.4	9.2	10.5	9.8	9.1
Net NPA Ratio (%)	5.1	5.8	6.9	6.2	5.6
Number of Branches	168	172	176	178	180

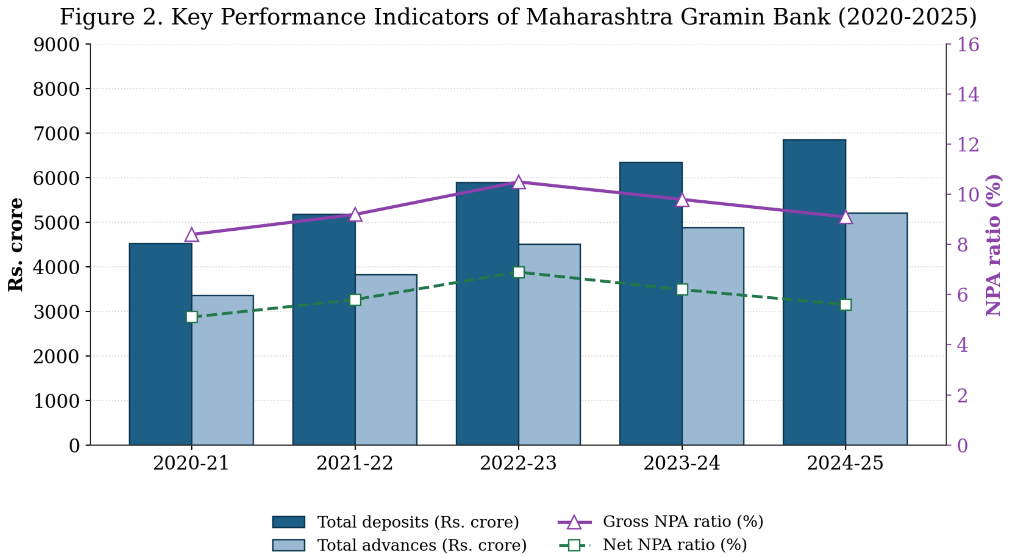

Figure 2. Key performance indicators of Maharashtra Gramin Bank (2020-2025)

4.3 Cooperative Banking Institutions

Cooperative banking institutions occupy a pivotal position in the rural financial landscape of Nashik District. The district's cooperative banking infrastructure comprises the Nashik District Central Cooperative Bank (NDCCB), which serves as the apex cooperative bank, 15 tehsil-level cooperative banks, and approximately 1,100 primary agricultural credit societies (PACS) operating at the village level [5]. The cooperative banking network, with its deep grassroots penetration, reaches areas where commercial banks and even RRBs have limited presence, making it the most accessible formal financial institution for a significant proportion of the district's farming community.

The NDCCB has demonstrated moderate growth in its deposit base and credit deployment over the study period. Total deposits of the cooperative banking sector in Nashik District grew from approximately Rs. 5,800 crore in 2020 to Rs. 7,900 crore in 2025, while total agricultural credit disbursed by cooperative institutions increased from Rs. 3,200 crore to Rs. 4,600 crore during the same period. However, the cooperative banking sector faces several systemic challenges that constrain its effectiveness as a rural financial intermediary. Governance issues, including political interference in lending decisions and the appointment of non-professional individuals to key management positions, have been persistent concerns. Additionally, the cooperative banks' NPA levels, while showing some improvement in recent years following regulatory interventions by the Reserve Bank of India, remain higher than those of commercial banks, averaging approximately 12 percent across the district's cooperative banking sector.

The Primary Agricultural Credit Societies (PACS), which constitute the lowest tier of the cooperative banking structure, play a crucial role in providing short-term crop loans and other agricultural credit to farmers at the village level. However, many PACS in Nashik District continue to operate with outdated manual accounting systems, limited professional staff, and inadequate audit mechanisms. The computerisation of PACS, initiated under the central government's scheme for strengthening cooperative banks, has progressed slowly in the district, with only approximately 35 percent of PACS having adopted computerised operations as of March 2025. This technological lag severely limits the ability of PACS to integrate with the broader banking ecosystem and constrains their capacity to offer diversified financial products beyond traditional crop loans.

4.4 Technology Adoption in Rural Banking

Technology adoption in rural banking in Nashik District has followed a differential trajectory across different categories of banks and across different geographical areas within the district. The Core Banking Solution (CBS), which enables real-time online banking and inter-branch connectivity, has been implemented across all branches of commercial banks and the Maharashtra Gramin Bank in the district [7]. However, the coverage among cooperative banks remains uneven, with the NDCCB and larger tehsil cooperative banks having adopted CBS, while a substantial number of smaller cooperative banks and the majority of PACS continue to operate on standalone systems.

Mobile banking and internet banking services have shown significant growth in Nashik District's semi-urban areas, driven largely by the proliferation of smartphones and the expansion of mobile network connectivity. As of March 2025, approximately 68 percent of bank branches in the district offered mobile banking services, up from 35 percent in 2020 [14]. However, the actual utilisation of these digital banking services by rural customers remains limited. The primary survey conducted for this study found that only 28 percent of rural bank account holders in the sampled tehsils had ever used mobile banking, and only 15 percent used it regularly (defined as at least twice per month). The primary barriers to digital banking adoption identified by respondents included lack of awareness (cited by 62 percent of non-users), concerns about security and fraud (48 percent), insufficient mobile network connectivity in their village (44 percent), and difficulty in navigating banking applications (38 percent).

The installation of Automated Teller Machines (ATMs) in rural areas has progressed, albeit at a slower pace than in urban centres. Nashik District had approximately 680 ATMs as of March 2025, translating to one ATM per approximately 12,700 persons. However, the distribution of ATMs is heavily skewed towards urban and semi-urban areas, with several remote tehsils having fewer than five ATMs each. The Business Correspondent (BC) model, which employs local agents to provide basic banking services in unbanked villages, has been deployed across approximately 850 villages in the district, but the quality and reliability of BC services have been inconsistent, with frequent reports of BCs being unavailable, having insufficient cash, or lacking the technical capability to handle diverse transactions.

5. CREDIT AND LOAN PATTERNS

5.1 Agricultural Credit and Kisan Credit Cards

Agricultural credit constitutes the single largest component of rural lending in Nashik District, reflecting the district's agrarian economic structure. The total agricultural credit disbursed by all banking institutions in the district grew from approximately Rs. 8,500 crore in 2020-21 to Rs. 12,400 crore in 2024-25, representing a cumulative growth of approximately 46 percent over the four-year period [8]. This growth was driven primarily by the expansion of the Kisan Credit Card (KCC) scheme, which has become the dominant instrument for delivering short-term crop loans to farmers. As of March 2025, approximately 1.2 million KCCs had been issued in Nashik District, covering approximately 72 percent of the district's estimated operational landholder households.

Despite the impressive quantitative expansion of KCC coverage, several qualitative concerns merit attention. The average credit limit per KCC in Nashik District stood at approximately Rs. 1,65,000 as of March 2025, which, while adequate for farmers with irrigated land and high-value crops such as grapes and onions, is often insufficient for rain-fed farmers cultivating low-value cereals and pulses. The primary survey revealed that 45 percent of KCC holders in the sampled tehsils reported that their credit limit was inadequate to meet their full crop production requirements, forcing them to supplement institutional credit with informal borrowings. Furthermore, the KCC renewal process, which requires fresh land verification and income assessment, was cited by 38 percent of respondents as a significant administrative burden, with delays in renewal often disrupting the agricultural cycle.

5.2 SHG-Bank Linkage Programme

The Self-Help Group (SHG)-Bank Linkage Programme has emerged as an important mechanism for extending financial services to poor and marginalised households, particularly women, in rural Nashik District. As of March 2025, approximately 28,000 SHGs were linked to banks in Nashik District, with total outstanding bank loans to SHGs amounting to approximately Rs. 680 crore [11]. The programme has been particularly effective in promoting financial inclusion among women, with over 92 percent of the linked SHGs being women-only groups. The average loan amount per SHG stood at approximately Rs. 2,43,000, with loan amounts ranging from Rs. 50,000 for newly formed groups to Rs. 10,00,000 or more for mature groups with established credit histories.

The SHG-bank linkage programme in Nashik District has yielded several positive outcomes, including increased savings mobilisation among rural women, improved access to consumption and production loans, and enhanced bargaining power of women within their households and communities. However, the programme faces challenges related to inadequate capacity building of SHG members, irregular monitoring by bank staff, and the limited scalability of the model in remote and tribal areas. The primary survey found that while 78 percent of SHG members reported that their group had taken at least one bank loan, only 52 percent reported receiving any formal financial literacy training from either the bank or facilitating agencies.

5.3 Priority Sector Lending Trends

Priority sector lending targets, which mandate that 40 percent of Adjusted Net Bank Credit (ANBC) of commercial banks be directed towards agriculture, micro, small and medium enterprises (MSMEs), education, housing, and other priority sectors, have played a significant role in channelling credit to rural areas of Nashik District [17]. The district-level data indicates that commercial banks operating in Nashik achieved an overall priority sector lending ratio of approximately 41.5 percent as of March 2025, marginally above the regulatory requirement. However, a closer examination reveals that the composition of priority sector lending has shifted over time, with agricultural credit's share declining from approximately 18 percent of total advances in 2020 to 15.5 percent in 2025, while MSME credit and housing loans have claimed a larger share of the priority sector portfolio.

Table 5-1: Credit and Loan Patterns in Nashik District (2020-2025)

Category	2020-21	2021-22	2022-23	2023-24	2024-25
Total Agricultural Credit (Rs. crore)	8,500	9,400	10,800	11,600	12,400
KCCs Issued (cumulative, in lakhs)	8.2	9.1	10.0	11.1	12.0
SHGs Linked to Banks (nos.)	21,500	23,200	25,000	26,800	28,000
Outstanding SHG Loans (Rs. crore)	480	520	580	635	680
Priority Sector Lending (% of ANBC)	39.8	40.2	40.8	41.2	41.5
Agriculture Credit as % of Total Advances	18.0	17.4	16.8	16.1	15.5

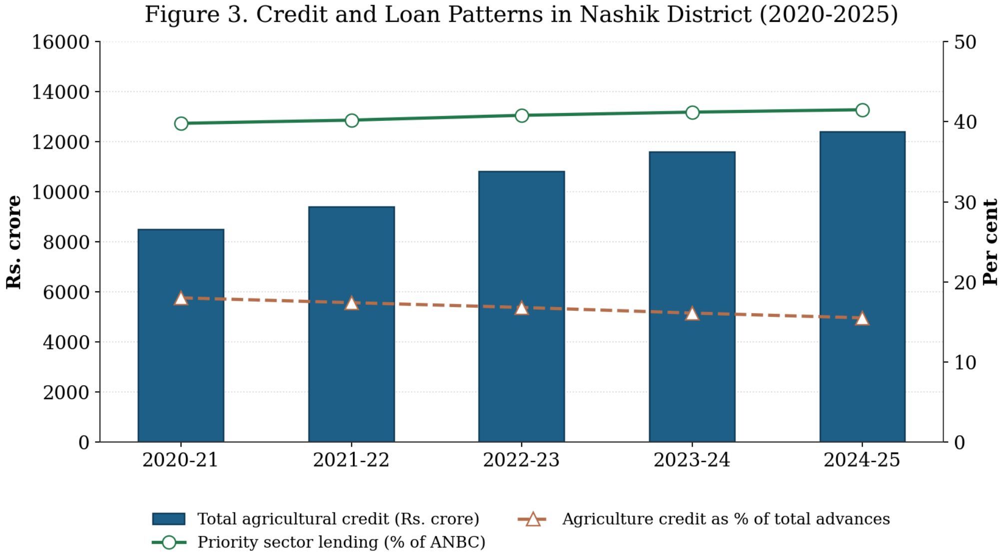

Figure 3. Credit and loan patterns in Nashik District (2020-2025)

The declining share of agricultural credit within the priority sector portfolio is a matter of concern, as it suggests that banks may be redirecting credit towards less risky but less impactful sectors at the expense of the agricultural economy. This trend is partly attributable to the higher risk perception associated with agricultural lending, driven by factors such as monsoon variability, price volatility in agricultural commodities, and the relatively higher transaction costs of servicing small-ticket agricultural loans. The findings presented in Table 5-1 underscore the need for policy interventions that incentivise agricultural lending while also addressing the structural risk factors that deter banks from expanding their agricultural credit portfolios.

6. CHALLENGES FACED BY RURAL BANKING

The growth of rural banking in Nashik District, while noteworthy in several respects, is impeded by a complex web of interconnected challenges that span institutional, infrastructural, human capital, and regulatory dimensions. Understanding these challenges in their totality is essential for formulating effective policy responses that can sustain and deepen the rural banking ecosystem.

6.1 Inadequate Infrastructure and Connectivity

The physical and digital infrastructure available to rural banking institutions in Nashik District remains significantly below the levels required for efficient service delivery. While urban and semi-urban branches are equipped with modern banking technology, many rural branches, particularly those located in remote tehsils, operate with limited technological infrastructure. Persistent power outages, unreliable internet connectivity, and the absence of dedicated IT support staff at rural branches create operational inefficiencies that affect both the quality and speed of banking services. The Business Correspondent model, which was designed to bridge the last-mile gap in banking service delivery, has been hampered by these infrastructure constraints, with many BCs unable to conduct transactions during power outages or in areas with poor mobile network coverage.

6.2 Low Financial Literacy

Financial literacy among the rural population of Nashik District remains a significant barrier to meaningful financial inclusion. The primary survey conducted for this study revealed that only 22 percent of respondents could correctly identify the key features of their bank account, and only 15 percent were aware of the interest rates applicable to their savings and loan products [15]. This low level of financial awareness has several adverse consequences: it limits the utilisation of available banking services, increases vulnerability to financial fraud and mis-selling, and reduces the effectiveness of credit as a tool for economic empowerment. The absence of systematic financial literacy programmes, integrated with the banking operations of rural branches, represents a significant gap in the current rural banking framework.

6.3 Rising Non-Performing Assets

The persistent problem of non-performing assets constitutes one of the most serious challenges facing rural banking institutions in Nashik District. As discussed in Section 4.2, the NPA ratios of both RRBs and cooperative banks in the district remain significantly above the levels observed in the commercial banking sector. The drivers of rural NPAs are multifaceted and include crop failures due to drought or pest infestation, distress sales of agricultural produce at prices below the minimum support price, the absence of comprehensive crop insurance coverage, and the tendency among some borrowers to divert agricultural credit towards non-agricultural purposes. The high NPA levels not only erode the profitability and capital adequacy of rural banks but also create a risk-averse lending culture that constrains the availability of credit to genuine borrowers.

6.4 Staffing and Human Resource Challenges

Rural bank branches in Nashik District face acute staffing shortages, particularly in terms of trained and experienced personnel. The reluctance of qualified banking professionals to serve in remote rural locations, combined with the absence of adequate housing, healthcare, and educational facilities in these areas, has resulted in many rural branches operating with skeletal staff. The primary survey found that 65 percent of respondents who had visited a rural bank branch in the preceding month reported waiting for more than 45 minutes to complete their transaction, and 30 percent reported having to make multiple visits to the branch for a single transaction due to staff unavailability. These staffing challenges not only reduce customer satisfaction but also impair the ability of rural branches to carry out vital functions such as credit appraisal, loan monitoring, and financial counselling.

6.5 Regulatory and Compliance Burden

The increasing regulatory and compliance requirements imposed by the Reserve Bank of India, while necessary for maintaining systemic stability and protecting customer interests, have imposed a disproportionate burden on small rural banks, particularly cooperative banks and PACS. The compliance costs associated with Know Your Customer (KYC) norms, anti-money laundering requirements, and periodic reporting obligations are relatively higher for small banks with limited staff and technological capabilities, diverting scarce resources away from core banking activities. Moreover, the complex regulatory framework governing cooperative banks, which involves multiple layers of supervision by both the RBI and state cooperative departments, creates confusion and operational inefficiencies that hinder the effective functioning of these institutions.

7. SUGGESTIONS AND RECOMMENDATIONS

Based on the findings of this study, the following recommendations are proposed to strengthen the rural banking ecosystem in Nashik District and address the challenges identified in the preceding sections.

First, there is an urgent need to accelerate the digital transformation of rural banking operations. This requires a multi-pronged approach encompassing the expansion of broadband connectivity to all banking villages, the provision of solar-powered ATMs and micro-ATMs in remote locations, the development of simplified mobile banking applications in local languages, and the comprehensive computerisation of all cooperative banks and PACS. The adoption of emerging technologies such as artificial intelligence-based credit scoring and blockchain-based land records could significantly reduce transaction costs and improve the efficiency of rural lending operations.

Second, financial literacy programmes should be integrated as a core component of rural banking operations rather than being treated as an occasional supplementary activity. Banks operating in rural areas should be mandated to allocate a minimum proportion of their operating budgets to financial literacy initiatives, and these programmes should be designed in collaboration with local self-government institutions, non-governmental organisations, and educational institutions to ensure cultural relevance and sustained impact.

Third, addressing the NPA challenge requires a combination of preventive and corrective measures. On the preventive side, the expansion of crop insurance coverage, the development of weather-indexed insurance products, and the establishment of commodity price stabilisation mechanisms would reduce the incidence of loan defaults driven by factors beyond the borrower's control. On the corrective side, the strengthening of recovery mechanisms, including the use of digital loan monitoring tools and the engagement of dedicated recovery officers for high-NPA branches, would help contain the growth of NPAs and improve the asset quality of rural banks.

Fourth, the staffing challenges confronting rural bank branches can be addressed through a combination of incentive structures and technological solutions. The introduction of rural service allowances, faster promotion pathways for officers serving in remote branches, and the provision of better housing and healthcare facilities would make rural postings more attractive to banking professionals. Simultaneously, the deployment of video banking facilities and the expansion of the Business Correspondent model with better-trained and better-compensated agents can help bridge the staffing gap in the interim.

Fifth, the regulatory framework for cooperative banks should be rationalised and simplified, with a clear delineation of supervisory responsibilities between the RBI and state cooperative departments. The implementation of a risk-based supervision framework, rather than a one-size-fits-all approach, would reduce the compliance burden on small cooperative banks while maintaining adequate regulatory oversight. Additionally, the professionalisation of cooperative bank management through mandatory training requirements for elected directors and the recruitment of professional chief executive officers would strengthen the governance of these institutions.

8. CONCLUSION

This study has examined the growth and challenges of rural banking in Nashik District from a multi-dimensional perspective, encompassing financial inclusion, institutional performance, technology adoption, credit patterns, and the structural challenges that constrain the sector's effectiveness. The findings reveal a rural banking landscape that has expanded significantly in quantitative terms, driven by policy initiatives such as PMJDY, the SHG-bank linkage programme, and the Kisan Credit Card scheme, yet continues to face persistent qualitative challenges that limit its impact on the economic well-being of rural populations.

The key finding of this study is that the growth of rural banking in Nashik District has been characterised by an urban-rural dichotomy, with the district's urban and semi-urban areas benefiting substantially from expanded banking infrastructure, diversified financial products, and increasing technology adoption, while remote and tribal areas continue to experience significant deficits in banking services. The Maharashtra Gramin Bank and the cooperative banking network have played a crucial role in bridging this gap, but their effectiveness is constrained by high NPAs, staffing shortages, and technological limitations.

The study concludes that sustainable rural banking development in Nashik District requires a holistic approach that simultaneously addresses infrastructure deficits, enhances human capital, strengthens institutional governance, and leverages technology to improve the reach, quality, and affordability of financial services. Future research could build upon this study by conducting large-scale primary surveys, employing econometric techniques to establish causal relationships between rural banking variables and development outcomes, and undertaking comparative analyses across districts in Maharashtra to identify best practices and transferable policy lessons.

REFERENCES

1. Reddy A. Financial Inclusion in India: An Assessment. Journal of Indian Economy. 2020;68(3):45–62.
2. NABARD. Status of Microfinance in India 2022-23. Mumbai: NABARD; 2023.
3. Reserve Bank of India. Banking Statistics of Scheduled Commercial Banks in India. Mumbai: RBI; 2024.
4. Shetty N. Regional Rural Banks in India: Performance and Challenges. Indian Journal of Agricultural Economics. 2021;76(2):198–215.
5. Bajpai A, Sharma R. Cooperative Banking and Rural Credit Disbursement: A Study of Maharashtra. International Journal of Rural Management. 2020;16(1):78–95.
6. Kumar S. Pradhan Mantri Jan Dhan Yojana: A Revolutionary Step Towards Financial Inclusion. Asian Journal of Research in Banking and Finance. 2022;12(2):34–52.

7. Patil M. Digital Banking in Rural India: Opportunities and Obstacles. Journal of Financial Technology and Economics. 2023;8(1):112–128.

8. Deshmukh V. Agricultural Credit and Kisan Credit Card Scheme: An Evaluation. Agricultural Economics Research Review. 2021;34(1):67–84.

9. Government of Maharashtra. Socio-Economic Survey of Nashik District 2022-23. Mumbai: Government of Maharashtra; 2023.

10. Thorat U. Financial Inclusion and Rural Development: The Indian Experience. Economic and Political Weekly. 2020;55(48):42–50.

11. Ghate P, Walke V. SHG-Bank Linkage Programme in Maharashtra: Progress and Prospects. Journal of Microfinance. 2022;24(3):156–172.

12. Census of India. District Census Handbook: Nashik. New Delhi: Government of India; 2011.

13. Chavan P. Non-Performing Assets of Regional Rural Banks: Causes and Consequences. Vikalpa. 2023;48(1):89–104.

14. Mohan R. Technology Adoption in Rural Banking: A Comparative Study. International Journal of Information Management. 2022;63:102–118.

15. Jadhav D. Challenges of Financial Literacy in Rural Maharashtra. Indian Journal of Extension Education. 2021;57(2):45–58.

16. Leeladhar V. Banking the Unbanked: Policy Perspectives on Financial Inclusion. RBI Bulletin. 2020;64(4):1125–1138.

17. Kulkarni S. Priority Sector Lending and Regional Disparities in Banking Services. Journal of Banking and Finance. 2023;47(2):201–218.

18. World Bank. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Washington, D.C.: World Bank; 2022.