



DEVELOPMENT OF BANKING IN RURAL CHHATTISGARH (2001-2023)

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ABSTRACT:

This research paper examines the transformative journey of rural banking development in Chhattisgarh from 2001 to 2023, tracing the evolution from basic banking infrastructure to comprehensive digital financial inclusion. The study analyzes key policy interventions, technological adoptions, and institutional frameworks that have shaped rural banking accessibility in India's youngest state. Through systematic analysis of government data, institutional reports, and policy documents, this research reveals that rural banking in Chhattisgarh has achieved remarkable progress, with over 99% village coverage, 620 rural branches serving 93% non-urban areas, and significant growth in digital banking adoption. The findings demonstrate how coordinated efforts between government initiatives, regulatory frameworks, and institutional innovations have successfully bridged the rural-urban financial divide, contributing to enhanced financial inclusion and rural economic development.

KEYWORDS:

RURAL BANKING, FINANCIAL INCLUSION, CHHATTISGARH, DIGITAL BANKING, SELF-HELP GROUPS, BANKING CORRESPONDENTS.

PAPER ACCEPTED DATE:

28th January 2024

PAPER PUBLISHED DATE:

30th January 2024

PAPER DOI NO:

10.5281/zenodo.16944792

PAPER DOI LINK:

<https://zenodo.org/records/16944792>

1. INTRODUCTION

The formation of Chhattisgarh as India's 26th state in November 2000 marked the beginning of a new chapter in rural development and financial inclusion. With approximately 80% of its population residing in rural areas and a significant tribal population, Chhattisgarh presented unique challenges and opportunities for banking sector development. The state's economy, primarily dependent on agriculture and forest-based activities, required robust financial infrastructure to support rural livelihoods and promote inclusive growth.

At the time of state formation in 2001, Chhattisgarh inherited limited banking infrastructure, with most rural areas lacking adequate access to formal financial services. The traditional banking model, characterized by brick-and-mortar branches concentrated in urban centers, proved insufficient to serve the scattered rural population effectively. This research examines how systematic policy interventions, technological innovations, and institutional reforms transformed rural banking accessibility over two decades.

The study period (2001-2023) encompasses significant national and state-level financial inclusion initiatives, including the Self-Help Group Bank Linkage Programme

expansion, the Business Correspondent model introduction, Pradhan Mantri Jan Dhan Yojana implementation, and the digital banking revolution accelerated by the COVID-19 pandemic. This comprehensive analysis aims to understand the evolution, challenges, and achievements of rural banking development in Chhattisgarh.

2. REVIEW OF LITERATURE

Asian Journal of Management (2018) This study analyzes the impact of e-banking on rural India, revealing that electronic banking practices reduce operating costs for banks and improve service accessibility for rural clients. The adoption of digital channels is found to be beneficial for financial inclusion and economic growth, although infrastructural challenges remain.

Krishikosh (2023) This doctoral research investigates financial inclusion among rural households in Andhra Pradesh, India, identifying factors that influence access and usage of banking services. It finds that while most households possess bank accounts, actual service utilization is low, attributed to financial illiteracy and difficulty in accessing emergency credit. Educational initiatives and regular program monitoring are

recommended to enhance financial inclusion.

Jasdeep Kaur (2023) The study examines the growth of banking services in rural areas, focusing on the role of rural credit in providing sustainable livelihoods. It explores regional variations in branch expansion, deposit mobilization, and credit deployment, highlighting government and RBI initiatives to cover unbanked regions and improve economic opportunities for rural residents.

3. RESEARCH METHODOLOGY

RESEARCH DESIGN

This study employs a longitudinal descriptive research design, analyzing the development of rural banking in Chhattisgarh over the 2001-2023 period. The methodology combines quantitative data analysis with qualitative insights from policy documents and institutional reports.

DATA SOURCES

Primary data sources include:

- NABARD State Focus Papers (2020-2024)
- Chhattisgarh Rajya Gramin Bank Annual Reports
- Reserve Bank of India Financial Inclusion data
- State Level Bankers Committee Chhattisgarh reports
- Government of India policy documents

ANALYTICAL FRAMEWORK

The analysis framework examines five key dimensions:

1. **Institutional Development:** Evolution of banking institutions and their rural presence
2. **Policy Interventions:** Impact of national and state-level financial inclusion policies
3. **Technological Adoption:** Digital banking and technology-enabled financial services
4. **Coverage and Accessibility:** Geographic and demographic reach of banking services
5. **Performance Indicators:** Credit flow, deposit mobilization, and financial inclusion metrics

4. ANALYSIS AND DISCUSSION

4.1 INSTITUTIONAL FRAMEWORK EVOLUTION (2001-2010)

FOUNDATION PHASE (2001-2005)

The initial years following Chhattisgarh's formation were characterized by establishing basic banking infrastructure. The state inherited limited rural banking presence, with most services concentrated in district headquarters and major towns. During this period, public sector banks began systematic rural expansion, focusing on opening branches in unbanked centers with populations above 2,000.

EXPANSION AND CONSOLIDATION (2006-2010)

The introduction of the Business Correspondent model in 2006 marked a paradigm shift in rural banking delivery. Banks began experimenting with alternative service delivery channels, recognizing the limitations of traditional

branch-based expansion in serving scattered rural populations. The period also witnessed the strengthening of cooperative banking structures and the consolidation of Regional Rural Banks.

4.2 FINANCIAL INCLUSION DRIVE (2011-2017)

NATIONAL FINANCIAL INCLUSION MISSION

The launch of comprehensive financial inclusion initiatives nationally had significant impact on Chhattisgarh's rural banking landscape. The state participated actively in the three-phase Financial Inclusion Plan:

Phase I (2010-2013): Coverage of villages with population above 2,000

- State Bank of India covered 196 out of 1,050 allocated villages
- Successful completion by March 2012

Phase II (2013-2016): Villages with population 1,000-1,999

- 741 villages allocated to SBI out of 4,122 villages statewide
- Complete coverage achieved by March 2013

Phase III (2013-2016): Villages with population below 1,000

- Implementation through Sub-Service Area approach
- Focus on sustainable banking service delivery models

PRADHAN MANTRI JAN DHAN YOJANA IMPLEMENTATION

The launch of PMJDY in August 2014 revolutionized financial inclusion in Chhattisgarh. The state achieved remarkable success in account opening, with over 4 million Jan Dhan accounts opened. Key achievements included:

- Zero-balance accounts for financially excluded households
- RuPay debit card distribution exceeding 2.9 million
- Integration with Aadhaar for direct benefit transfers

4.3 TECHNOLOGICAL TRANSFORMATION (2015-2020)

DIGITAL INFRASTRUCTURE DEVELOPMENT

The period witnessed significant investment in digital banking infrastructure. Major banks expanded their ATM networks and introduced mobile banking services. HDFC Bank's rural expansion strategy exemplified this trend, opening 12 rural branches in unbanked locations and achieving 70% rural/semi-urban presence in its Chhattisgarh network.

BUSINESS CORRESPONDENT MODEL MATURATION

The BC model evolved significantly during this period, with improved technology integration and standardized service delivery. Chhattisgarh Rajya Gramin Bank's data indicates substantial growth in BC network:

- 3,748 active Banking Correspondents by 2024

- BC activity rate improved from 29% (2015) to 100% (2024)
- Transaction volume increased from 58.64 lakh to 99.91 lakh (2023-24)

SELF-HELP GROUP EXPANSION

SHG-Bank Linkage Programme witnessed unprecedented growth:

- 2,68,303 active SHGs with 11,26,039 members (2024)
- Enhanced focus on women's economic empowerment
- Introduction of Bank Sakhi model with 721 Bank Sakhis operational

4.4 DIGITAL BANKING REVOLUTION (2020-2023)

COVID-19 CATALYST EFFECT

The COVID-19 pandemic accelerated digital banking adoption in rural Chhattisgarh. Research indicates significant behavioral changes in mobile banking usage, driven by necessity during lockdowns and continued post-pandemic due to convenience and accessibility.

ADVANCED SERVICE DELIVERY MODELS

RECENT DEVELOPMENTS INCLUDE:

- **Branch-on-Wheels:** ICICI Bank's mobile banking units covering remote villages
- **Digital Payment Systems:** Integration of UPI and digital wallets in rural areas
- **Airtel Payments Bank:** Expansion to over 1,650 unbanked villages

INFRASTRUCTURE MODERNIZATION

Banking infrastructure witnessed comprehensive digitization:

- Core Banking System implementation across rural branches
- Aadhaar-enabled payment systems deployment
- Mobile network coverage expansion supporting digital banking services

5. FINDINGS

5.1 QUANTITATIVE ACHIEVEMENTS

BRANCH NETWORK EXPANSION

- Chhattisgarh Rajya Gramin Bank operates 620 branches, with 93% serving non-urban areas
- Banking outlet density achieved near-universal coverage of eligible villages
- Significant reduction in average distance to nearest banking point

FINANCIAL INCLUSION METRICS

- Over 99% of eligible villages have access to banking services
- Jan Dhan account penetration exceeds 40 lakh

accounts statewide

- SHG membership reached 11.26 lakh individuals across 2.68 lakh groups

CREDIT FLOW PERFORMANCE

- Total credit potential assessed at ₹46,056.72 crore for 2023-24
- Priority Sector Lending achievement: 111.31% of targets (2021-22)
- Agricultural credit disbursement: ₹15,516.02 crore (80.37% of target)

DIGITAL BANKING GROWTH

- BC transaction volume doubled from 58.64 lakh to 99.91 lakh (2023-24)
- Mobile banking adoption accelerated post-COVID-19
- Digital payment integration in government welfare schemes

5.2 QUALITATIVE TRANSFORMATIONS

SERVICE DELIVERY INNOVATION

The evolution from traditional branch banking to multi-channel service delivery represents a fundamental transformation. The integration of Banking Correspondents, Bank Sakhis, and digital platforms has created a comprehensive rural banking ecosystem.

COMMUNITY-CENTRIC APPROACH

The success of SHG-Bank Linkage Programme and Bank Sakhi model demonstrates the effectiveness of community-based financial service delivery. Women's participation in financial decision-making has increased significantly.

POLICY INTEGRATION

Successful integration of banking services with government welfare schemes, particularly through Jan Dhan-Aadhaar-Mobile (JAM) trinity, has enhanced both financial inclusion and governance efficiency.

5.3 SECTORAL IMPACT ANALYSIS

AGRICULTURAL SECTOR

- Enhanced credit access for small and marginal farmers
- Integration of crop insurance and agricultural lending
- Support for Farmer Producer Organizations (FPOs)

MSME DEVELOPMENT

- Improved credit flow to micro and small enterprises
- Support for rural entrepreneurship through SHG-based enterprises
- Integration with government schemes like MUDRA Yojana

SOCIAL INFRASTRUCTURE

- Banking support for education, healthcare, and

housing needs

- Renewable energy financing for rural households
- Infrastructure development through NABARD's RIDF

6. CHALLENGES AND LIMITATIONS

6.1 INFRASTRUCTURE CONSTRAINTS

Despite significant progress, infrastructure challenges persist:

- **Connectivity Issues:** Limited internet penetration in remote areas affects digital banking adoption
- **Power Supply:** Irregular electricity supply hampers banking operations in rural areas
- **Digital Literacy:** Gap in digital financial literacy among older populations

6.2 OPERATIONAL CHALLENGES

BANKING CORRESPONDENT SUSTAINABILITY

Research indicates concerns about BC model sustainability, including:

- Irregular commission payments affecting BC retention
- Limited income opportunities beyond basic banking transactions
- Need for continuous capacity building and support

CREDIT DELIVERY EFFICIENCY

- High transaction costs for small-ticket rural lending
- Complex documentation requirements deterring potential borrowers
- Need for risk assessment models suitable for rural contexts

6.3 INCLUSION GAPS

TRIBAL AREA COVERAGE

Despite progress, remote tribal areas continue to face challenges:

- Recent initiatives like bank branch opening in Pamed (Bijapur) and Jagargunda (Sukma) highlight ongoing coverage gaps
- Specialized approaches required for Particularly Vulnerable Tribal Groups (PVTGs)

GENDER AND AGE DISPARITIES

- Lower mobile phone ownership among women affecting digital banking access
- Resistance to technology adoption among older age groups

7. POLICY IMPLICATIONS AND RECOMMENDATIONS

7.1 INFRASTRUCTURE DEVELOPMENT

DIGITAL INFRASTRUCTURE ENHANCEMENT

- Accelerate broadband penetration in rural areas

through public-private partnerships

- Ensure reliable power supply for banking infrastructure
- Develop offline-capable banking solutions for connectivity-poor areas

BRANCH NETWORK OPTIMIZATION

- Strategic placement of banking outlets based on geographic and demographic analysis
- Integration of banking services with other rural service centers
- Flexible operating models adapted to local conditions

7.2 SERVICE DELIVERY INNOVATION

TECHNOLOGY INTEGRATION

- Develop vernacular language banking applications
- Implement voice-based banking services for low-literacy populations
- Enhance cybersecurity frameworks for rural digital banking

CAPACITY BUILDING

- Comprehensive financial literacy programs targeting all age groups
- Specialized training for Banking Correspondents and Bank Sakhis
- Community-based digital banking education initiatives

7.3 PRODUCT INNOVATION

RURAL-SPECIFIC FINANCIAL PRODUCTS

- Develop weather-indexed insurance products for agricultural risks
- Create flexible loan products aligned with rural income patterns
- Design savings products encouraging long-term financial planning

INTEGRATION WITH LIVELIHOOD PROGRAMS

- Strengthen linkages between banking services and rural livelihood schemes
- Support for value chain financing in agriculture and allied sectors
- Enhanced credit support for women's entrepreneurship

8. FUTURE OUTLOOK

8.1 EMERGING TRENDS

Artificial Intelligence and Machine Learning

The integration of AI/ML technologies in rural banking is expected to enhance:

- Risk assessment for rural lending
- Personalized financial product recommendations

- Fraud detection and prevention in digital transactions

BLOCKCHAIN TECHNOLOGY

Potential applications include:

- Transparent and secure land record management
- Supply chain financing for agricultural products
- Efficient cross-border remittances for migrant workers

8.2 POLICY DIRECTIONS

REGULATORY FRAMEWORKS

- Evolution of regulatory frameworks supporting innovative financial service delivery
- Enhanced consumer protection mechanisms for digital banking
- Incentive structures promoting financial inclusion in underserved areas

PUBLIC-PRIVATE PARTNERSHIPS

- Collaborative models between banks, fintech companies, and government agencies
- Shared infrastructure development for rural financial services
- Integrated service delivery platforms

9. CONCLUSION

The development of rural banking in Chhattisgarh from 2001 to 2023 represents a remarkable transformation journey from basic infrastructure establishment to comprehensive digital financial inclusion. The state's experience demonstrates how coordinated policy interventions, technological innovations, and institutional adaptations can successfully bridge rural-urban financial divides.

Key achievements include near-universal banking coverage, robust Self-Help Group networks, effective Business Correspondent models, and accelerating digital banking adoption. The integration of banking services with government welfare schemes through the JAM trinity has enhanced both financial inclusion and governance efficiency.

However, challenges remain, particularly in ensuring sustainable service delivery models, addressing digital literacy gaps, and reaching the most marginalized populations. The ongoing initiatives targeting tribal areas and the focus on women's financial empowerment indicate continued commitment to inclusive development.

The lessons from Chhattisgarh's rural banking development provide valuable insights for other regions facing similar challenges. The emphasis on community-based service delivery, technology integration, and policy coordination offers a replicable model for achieving comprehensive financial inclusion.

Looking forward, emerging technologies and evolving regulatory frameworks present opportunities for further

innovation in rural financial services. The foundation established over the past two decades positions Chhattisgarh well to leverage these opportunities for sustained rural economic development and enhanced financial inclusion.

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