

## **REGIONAL RURAL BANKING AND FINANCIAL PERFORMANCE WITH REFERENCE TO IDBI FEDERAL LIFE INSURANCE**

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**ABSTRACT:** Regional rural banks offer loans and other financial services to communities without formal banks. This improves rural development and financial access. Banks and insurance companies like IDBI Federal Life Insurance are intertwined. They struggle to build trust by participating in the community, selling specialized insurance products, and reaching neglected areas. Technology can speed up claims and premium processing, improve efficiency, educate more people about money, and reach more remote people. Additionally, we can reduce risk and improve market share. This symbiotic relationship shows the importance of smart partnerships that generate revenue and help people. Insurance companies thrive in rural locations thanks to financial networks, and insurance products keep rural economies safe.

**Keywords:** *Regional Rural Banks (RRBs), Financial Inclusion, Rural Development, IDBI Federal Life Insurance, Bancassurance, Insurance Penetration, Rural Outreach,*

### **1. INTRODUCTION**

India's RRB Act established Regional Rural Banks (RRBs) in 1975 to serve semi-urban and rural residents. These financial institutions connect small farmers, craftspeople, and agricultural laborers to larger commercial banks to help rural populations get loans. Regional Rural Banks are supervised by the RBI. These commercially sponsored banks help rural residents get credit and improve their communities.

Regional rural institutions may help agricultural businesses. They also aim to simplify rural banking. Small enterprises, farms, residential real estate, and other activities that promote economic growth and individual well-being are eligible for RRB funding. These functions promote equitable regional growth by supporting commercial institutions and satisfying local needs.

RRBs need revenue to operate and help rural areas. Profitability, capital sufficiency, operational efficiency, and NPAs can assess a financial institution's health. Financial success of RRBs strengthens rural financial infrastructure. This is because they can improve customer service, increase technology, and lend more.

Despite their achievements, RRBs have many obstacles that threaten their viability. High NPAs, technology integration issues, and competition from commercial and microfinance institutions can hinder their expansion. They may also overuse sponsor banks. Improved risk

management, novel rural banking solutions, and legislation are needed to solve these concerns.

Regional nation banks are becoming more important in the modern economy, especially as inclusive development and financial inclusion goals are met. Technology-driven solutions and effective RRB management can improve national development goals, rural economies, livelihoods, and financial prosperity. To strengthen rural institutions in India, they must grow.

## **2. STEPS TO IMPROVE FINANCIAL PERFORMANCE**

### **Adopting Technology**

Country banking is faster and more accurate thanks to technology. Banks can improve operations with account management, transaction oversight, and real-time report generating. Mobile banking and ATMs have made it unnecessary for rural residents to drive far to use banks. Automating routine tasks reduces expenses, speeds communication, and reduces human errors. Technology improves efficiency, user-friendliness, transparency, and speed, which boosts customer happiness.

### **Skill Development and Staff Training**

A rural bank's production and efficiency depend on its workers' competence. Comprehensively trained employees excel at risk management, credit verification, debt collection, and customer support. Staff that have been trained can analyze risk, manage underperforming assets, and make informed lending decisions. Staff-provided financial products and responsible financing education boost the bank's image and credibility. Due to ongoing training and education, employees can react to market changes and rural banking issues.

### **Diversification of Products and Services**

A rural bank that only makes conventional or agricultural loans may be more vulnerable to defaults and seasonal variations. Financial companies can boost revenue and customer base by offering more products. The bank provides insurance, small loans, government aid, and investment commodities to rural residents while making a profit. Profits and earnings are more consistent when diversification reduces dependency on one enterprise. This allows banks to respond to economic shocks and serve rural areas.

### **Better Credit Assessment and Recovery Mechanisms**

Credit checks are essential for loan default prevention and regular profits. Banks assess collateral, creditworthiness, and ability to repay loans when extending credit. Monitoring loan accounts and keeping detailed records may help discover borrowers struggling to repay. Legal processes and professional recovery teams help collect debts on schedule while maintaining client relationships. These strategies can help banks protect capital, reduce unpaid assets, and continue providing financial aid.

### **Utilizing Government Support**

Rural banks can receive government aid. Banks can get capital and cash from subsidies, recapitalization, refinancing, or lending to vital sectors. These methods improve funding, minimize financial stress, and reduce default. In underperforming regions, banks can work

with government initiatives to provide rural customers low-interest loans and other incentives to build trust and economic growth.

### **Customer Awareness Programs**

Country banking needs good financial management. Banks can promote to clients and hold seminars on appropriate credit, saving, and borrowing. Customers are more likely to understand bank products, repayment schedules, and risk management techniques when banks raise awareness. This reduces loan defaults. The bank's interaction with customers is strengthened by educational activities that boost customer autonomy. Customers who understand and use banking services improve financial inclusion and bank profits.

## **3. LITERATURE SURVEY**

Fukuda, H., & Tanaka, Y. (2025): Built by Tanaka and Fukuda. Fukuda and Tanaka (2025) found that regional economics and laws affected rural Indian institutions' bottom lines. They focused on how unstable rural economies, shifting interest rates, and agricultural credit risk affect asset quality and profitability. Risk-based lending, adaptive credit rules, and real-time monitoring helped banks survive market turbulence, according to their research. The report recommended more inclusive financial services, rural outreach, and risk management frameworks. It also stressed the importance of adaptable governance, fallback strategies, and flexible lending. It was decided that operations require internal efficiency and strict regulatory oversight.

Chakraborty, S., et al. (2024): To paper the relationship between financial success and credit risk management, Chakraborty et al. (2024) used regression and association analysis on 25 rural banks in one region. The findings showed that systematic loan assessments, coordinated recovery tactics, and ongoing asset management helped banks preserve profitability. Governance, operational efficiency, internal audits, and financial success are interconnected, they said. The recommendations included performance-based monitoring systems, improved staff training, and modern risk management procedures. RRBs need risk management and internal controls to improve profitability and resilience, according to the authors.

Patel, N., & Deshmukh, K. (2023): Deshmukh and Patel wrote it 2009. Patel and Deshmukh examined how technology and financial advances affect regional and national organizations in 2023. When banks used AI for risk assessment, real-time transaction monitoring, and predictive credit scoring, default rates dropped, efficiency improved, and profitability climbed. They explored how integrating traditional banking practices with digital tools could improve rural staff efficiency, loan recovery, and customer service. The paper recommends rural communities adopt digital technologies for financial stability and equitable prosperity.

Rao, S., & Verma, P. (2022): Rao and Verma (2022) examined how asset-liability management affects medium-sized rural organizations' financial performance. They enhanced profitability and reduced failure risks by synchronizing deposit collecting and loan distribution. Gap analysis, liquidity assessment, and ratio evaluation showed this. Their analysis showed that proactive funding, scenario-based monitoring, and strategy planning are

essential for operational stability. They concluded that good asset-liability management is necessary to achieve rural loan disbursement and financial success.

Baid, D., & Baicker, K. (2021): Baid and Baicker (2021) used panel data analysis to assess Regional Rural Banks' financial and operational soundness to paper rural market expansion. Banks can increase revenue without borrowing by controlling non-performing assets. The report stressed the importance of synchronizing recovery efforts and loan portfolios with asset quality assessments for long-term viability. Their analysis suggests that RRBs cannot grow or survive without strict credit risk management and effective operations.

#### **4. ADVANTAGES OF RRBS**

##### **Promoting Financial Inclusion**

RRBs make bank account information accessible to everyone. Rural populations without bank accounts can get loans, savings accounts, insurance, and money transfers from RRBs. Rural residents may be able to reduce their reliance on undercover lenders. Financial services integration helps rural communities manage resources, connect to markets, and develop strategy.

##### **Supporting Agriculture and Rural Development**

RRBs provide loans and other financial services to small enterprises, artisans, and farmers. This advances rural and agricultural areas. Small enterprises can get efficient tools, and farms can get low-interest funding for seedlings, fertilizer, and machinery. This money ensures sound investments, allowing people to grow their income, expand their farms, and improve their communities. Additionally, it boosts pastoral economies.

##### **Employment Generation**

Local RRB offices and banking will create jobs. Bank teller, teller helper, and support staff hiring affects the workforce. Indirect employment is created by providing transportation, maintenance, and protection. This employment improves rural life, keeps people from moving to cities, and promotes social security by giving a steady salary.

##### **Encouraging Savings and Investment**

Rural customers are more likely to save and invest when they trust regional rural banks. Even distant consumers can contribute, earn interest, and save for their children's college, medical, and emergency needs. Credit helps people start or grow businesses, improving their finances. Rural banks' long-term economic success depends on people saving and investing.

##### **Stimulating Local Economic Growth**

Entrepreneurs, small enterprises, and groups that receive finance from rural banks strengthen the local economy. These loans help businesses serve local communities, produce more, and access rural markets. Businesses boost the local economy by creating jobs, revenue, and tourism. These efforts make RRBs better at rural development and community health.

## 5. RESULTS

### REGIONAL RURAL BANKS – BASIC PROFILE (FY 2023-24)

Indicator	Value
Number of RRBs	43
Sponsoring Banks	12 Scheduled Commercial Banks
Branch Network	22,069 branches
Districts Covered	676
Share of Rural Branches	~70%
Total Staff Strength	~90,000

### REGIONAL RURAL BANKS – DEPOSITS & ADVANCES

Year	Deposits (₹ crore)	Advances (₹ crore)	Credit-Deposit Ratio (%)
2020-21	5,84,000	3,96,000	67.8
2021-22	6,23,000	4,38,000	70.3
2022-23	6,85,000	4,92,000	71.9
2023-24	7,25,000	5,16,000	71.2

### COMPARATIVE TABLE – RRBS VS IDBI FEDERAL

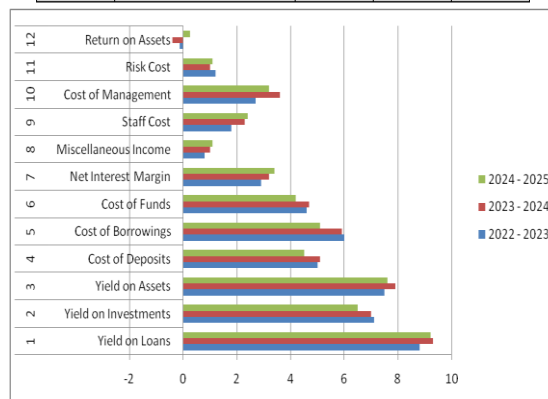
Metric	RRBs (FY 2023-24)	IDBI Federal Life (FY 2023-24)
Network Size	43 RRBs, 22,069 branches	PAN-India distribution network
Business Volume	Deposits: ₹ 7.25 lakh crore; Advances: ₹ 5.16 lakh crore	AUM: ₹ 2.92 lakh crore
Net Profit	₹ 7,571 crore	₹ 1,569 crore
Asset Quality / Solvency	GNPA: 6.1%; CRAR: 14.2%	Solvency Ratio: 187%
Growth	Steady rise in deposits/advances	Strong renewal premium & EV growth
Customers Served	31.3 crore deposit accounts, 3 crore loan accounts	~13 million policyholders
Core Focus	Rural banking, priority sector lending	Life insurance & wealth protection

### IDBI FEDERAL LIFE INSURANCE – PREMIUM INCOME

Year	First Year Premium (₹ crore)	Renewal Premium (₹ crore)	Total Premium (₹ crore)
2020-21	4,125	26,891	31,016
2021-22	4,711	28,945	33,656
2022-23	5,102	30,662	35,764
2023-24	5,565	33,445	39,010

**FINANCIAL COSTS AND MARGINS (%)**

S. No	Parameter	2023	2024	2025
1	Yield on Loans	8.8	9.3	9.2
2	Yield on Investments	7.1	7	6.5
3	Yield on Assets	7.5	7.9	7.6
4	Cost of Deposits	5	5.1	4.5
5	Cost of Borrowings	6	5.9	5.1
6	Cost of Funds	4.6	4.7	4.2
7	Net Interest Margin	2.9	3.2	3.4
8	Miscellaneous Income	0.8	1	1.1
9	Staff Cost	1.8	2.3	2.4
10	Cost of Management	2.7	3.6	3.2
11	Risk Cost	1.2	1	1.1
12	Return on Assets	-0.13	-0.4	0.27



**INTERPRETATION:** Regional rural banks' net interest margin rose from 2.9% in 2023 to 3.4% in 2025, demonstrating greater basic profitability. Fair loan and asset yields and lower fund expenditure led to this result. Banks earned 0.27% return on assets in 2025 despite rising staff and administrative expenditures. Thus, operating revenue and risk-related expenses fall.

**6. CONCLUSION**

IDBI Federal Life Insurance needs Regional Rural Banks to succeed. Institutional use in rural India is crucial. Due to client confidence in IDBI Federal Life Insurance, it can increase revenue, shareholder equity, and operational cash flows. The RRB network of community banks helps IDBI Federal Life Insurance boost market share, improve premium collection, and enter rural areas. By delivering crucial banking services to underserved communities, this cooperation promotes long-term financial stability and development for all parties.

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