



Banking on the grassroots: A financial health check of Jharkhand Gramin bank (JGB) in Ranchi District.

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Abstract

The paper will analyze the post-merger financial sustainability, asset quality, and grass-root level credit delivery of Jharkhand Gramin Bank in Ranchi District through the use of CAMEL approach between FY 2021–22 and FY 2025–26. The results show that there is a structural turnaround witnessed through Credit Deposit Ratio of 61.25% exceeding legal requirements, Gross Non-Performing Assets reducing to 2.45%, and Current Account Savings Account Ratio maintaining a healthy Net Interest Margin of 3.58%. Policy suggestions will highlight the importance of micro-financing, increasing business correspondents' network, and digitization of financial literacy programs in order to resolve the issue of uneven inter-block credit assimilation. More information on finance can be found on academic publishing sites.

Keywords

Regional Rural Banks, Jharkhand Gramin Bank, CAMEL Framework, Financial Inclusion, Ranchi District.

Introduction

The stability and accessibility of the banking system form important elements that contribute to the development of emerging markets, especially when geographical and socio-economic factors in the region make it difficult to have normal financial dealings. Presently, the debate in development economics is not just about access to "basic finance" but has evolved to adopt a whole new meaning of "sustainable finance." In India, the Regional Rural Banks form perfect examples of institutions which bridge the gap between the commercial banking framework and the financing needs of the rural population. In this regard, the Jharkhand Gramin Bank in Ranchi District forms a perfect example.

The Institutional Evolution and Structural Background As far as institutional evolution is concerned, it is very important to bring out the dynamics of structural transformation as well as of naming convention of the institution being considered. The current structure of the bank came into existence on April 1, 2019 due to the consolidation of erstwhile Vananchal Gramin

Bank and Jharkhand Gramin Bank into Jharkhand Rajya Gramin Bank (JRGB), which took place through Gazette Notification No. 454 issued by Ministry of Finance, Department of Financial Services, Government of India dated January 31, 2019. Thereafter, to ensure regional identity and naming convention of the entity, the Central Government by utilizing its power conferred under Section 3(1) of the Regional Rural Banks Act, 1976, renamed the entity as Jharkhand Gramin Bank (JGB) from Jharkhand Rajya Gramin Bank (JRGB). It was notified through Government of India Gazette Notification No. CG-DL-E-24102025-267093 (S.O. 4835(E)) dated October 23, 2025.

The district of Ranchi presents a unique strategic location for this study due to the existence of a “dual economy” within its jurisdiction, where there is a rapidly growing urban area surrounded by rural areas that rely mainly on subsistence farming and small-scale informal businesses. Historically, financial institutions in the rural sector of this plateau area experienced an anomalous situation known as the Credit-Deposit (CD) Ratio problem, whereby despite gathering huge amounts of deposits from a frugal populace, the banks were unable to provide enough loans to the locals. This credit crunch has largely been attributed to the laws governing land tenure in the region, particularly the Chota Nagpur Tenancy (CNT) Act of 1908, which prohibits the mortgage and transfer of lands belonging to tribals.

Looking ahead to the 2025-26 financial year, official data reveal a significant change in the operational strategy in grass-root level banking in Ranchi. JGB has witnessed impressive structural improvements in the quality of assets:

GNPA is currently stable at 2.45%.

Net NPAs touched an all-time low of 0.12%.

A strong CASA ratio of ~68% indicates public trust and availability of low cost funds.

While there have been some observable progressions in the field, important gaps in the research still exist. There are many empirical studies that have analyzed the performance of RRBs from a macro point of view, but unfortunately there is not enough academic work done on the micro or district level performance of RRBs along with the effect of digitization initiatives in last mile through BCs and AEPS in plateau area.

The gaps noted above in literature will be addressed in this study through conducting a detailed “Financial Health Check” of Jharkhand Gramin Bank in Ranchi District using the CAMEL approach (Capital adequacy, asset quality, management efficiency, earnings quality, and liquidity).

The main purpose of this study is to find out whether the financial progress witnessed recently is due to any real structural changes in the credit delivery system, or the bank is still vulnerable to the tendency of “lazy banking” (using safe government securities and deposits as opposed to generating rural credits). Using data that stretches till 2026, this study attempts to provide new empirical knowledge in the area of sustainable rural finance.

Literature Review

The efficiency of operation, sustainability, and socio-economic impact of Regional Rural Banks (RRBs) in India have already been widely studied in development economics literature. Nevertheless, the assessment of the state of institutions in plateau and tribal states like Jharkhand needs particular context in which one should account for peculiarities of the land tenure system, uneven absorption of credit in space, and re-organization after mergers.

Historical Viability and Restructuring Stage

Prior to the implementation of restructuring measures in recent times, RRBs in Eastern India were characterized by major inefficiencies in operations and credit constraints. In looking at the history of performance of rural financial institutions in Jharkhand, Say and Gupta (2011) found that there existed major structural challenges in the past. It was found out that earlier organizations like Vananchal Gramin Bank and the older versions of Jharkhand Gramin Bank had a credit-deposit ratio ranging from 26% to 30%, which was way below the statutory limit of 60% set by the Reserve Bank of India (RBI). Besides, even as deposits had been growing, non-performing assets and low recoveries of 48%-60% made it hard for the organizations to survive.

Quality of Asset and NPA Management

The management of asset quality still continues to be one of the vital pillars of sound financial conditions in the rural banking model. In comparing the NPA management in eastern Indian states, Singh and Verma (2020) pointed out high levels of default in agriculture lending operations, attributed to crop failures, lack of financial knowledge on the part of borrowers, and moral hazards due to political demands of waivers on farmers' loans. The need to note is that lack of proper credit supervision and regular overdues compromise the capital adequacy of CRAR.

Structural Reform, Merger, and Efficiency

In order to reduce operational duplication and increase economy of scale, the Government of India undertook consolidation of RRBs in a phased manner throughout the country. Through an analysis of the macro effect of such structural mergers in different Indian states, Kumar and Sharma (2021) found that mergers at the state level helped in optimizing branch networks and utilization of capital. They found that merged RRBs performed better in terms of deposit mobilization and credit distribution, but this was contingent on the establishment of good loan recovery measures. Such a situation is analogous to the merger of Vananchal Gramin Bank and Jharkhand Gramin Bank on April 1, 2019.

For the analysis of RRBs' performance regarding agriculture and micro-credit delivery, Bharti and Kumari (2022) have utilized the methodologies of DEA and PLS-SEM. The results obtained from their study showed a positive statistically significant correlation between the utilization of the target credit allocation for the micro-enterprise and the performance of the institution. Importantly, according to Bharti and Kumari (2022), the evaluation of RRBs on the basis of commercial banks' efficiency is not justified, since in most cases the traditional methods used to evaluate financial institutions fail to account for social responsibility.

Financial Inclusion, Business Correspondents and Technology Adaption

The provision of rural banking services has increasingly been through the use of digital last-mile delivery platforms. In their study of grassroot models for financial inclusion in Jharkhand, Devi and Mahato (2023) found out that mere establishment of physical branches was not enough to bring about financial inclusion. The empirical study showed that establishing strong networks of Business Correspondents (BCs) and Bank Sakhis resulted in a considerable increase in low-cost CASA deposits. Furthermore, the intermediaries helped in increasing the adoption of micro-insurance and pension schemes like PMJJBY, PMSBY, and APY.

In terms of an institutional assessment, CARE Ratings (2025) carried out an updated rating analysis on the financial performance of the main rural bank in the state of Jharkhand. The underlying basis for this included the positive developments that the organization had undergone, which include the sustenance of a low-cost CASA ratio (~67%-68%), improved Net Interest Margins (NIMs), and the transition into the cloud infrastructure from the core banking system. However, there were some vulnerabilities too, mainly associated with the credit concentration in agriculture and a very slim margin above the 9% CAR mandate.

Objectives of the Study

1. To study the financial condition and operations of Jharkhand Gramin Bank in Ranchi district after merger based on financial ratios such as C/D ratio, CRAR, and profitability.
2. To evaluate the quality of assets, recovery of loans, and NPAs in branches of Ranchi district in order to find out the major operational problems.
3. To analyze the effect of financial inclusion schemes and digital banking such as BC, PMJDY, and Micro ATMs on deposit mobilization in Ranchi district.

Research Methodology

The financial stability of the Jharkhand Gramin Bank (JGB) in Ranchi District can be examined using the following study that adopts an approach of description and analysis. This methodology aims at assessing the bank's performance from a multidimensional perspective through combining financial ratios of the bank and credit flows of the region.

Geographical and Sectoral Scope

The study is limited specifically to the Ranchi district divided into 18 administrative blocks. It provides a comparison of the “Urban vs. Rural” banks. Also, the study method includes assessing the PSL targets, the shift from old-fashioned crop loans to the growing MSME sector that in 2026 constitutes about 58.5% of the credit potential of the region.

Data Sources and Collection

- This research is conducted primarily using secondary data spanning five fiscal years (FY 2021–22 to FY 2025–26). The choice of this span of time is intended to enable an assessment of the post-merger recovery path of the bank and its performance stability in the 2025-26 fiscal year.
- Financial Statements: Annual financial statements of JGB formerly known as JRGB(2022-2026).
- Regulatory Reports: Quarterly data of the State Level Bankers' Committee (SLBC) Jharkhand and NABARD State Focus Papers (2026-27).
- District Level Indicators: Statistical Abstracts of Lead District Manager (LDM), Ranchi, giving block-level information on CD ratios and PSL performance.

Analytical Framework (CAMEL Model)

The core financial health check is conducted using the **CAMEL framework**, an internationally recognized tool for bank supervision. Each component is evaluated through specific ratios

Data Analysis Techniques

The quantitative data is subjected to:

CAMEL Dimension	Key Performance Indicator (KPI)	Operational Formula / Definition	Analytical Objective
Capital Adequacy	Capital to Risk-Weighted Assets Ratio (CRAR)	$(\text{Tier I Capital} + \text{Tier II Capital}) / \text{Total Risk-Weighted Assets} * 100$	Measures the bank's capital cushion to absorb potential financial losses.
	Debt-to-Equity Ratio	$(\text{Total Borrowings} + \text{Total Deposits}) / \text{Total Shareholder Equity}$	Evaluates financial leverage and capital structure reliance on external debt.
Asset Quality	Gross NPA Ratio (GNPA %)	$(\text{Gross Non-Performing Assets} / \text{Total Gross Advances}) * 100$	Evaluates overall credit risk exposure in the loan portfolio.
	Net NPA Ratio (NNPA %)	$(\text{Gross NPAs} - \text{Provisions Held}) / \text{Total Net Advances} * 100$	Measures actual non-performing loan risk remaining after provisioning.
	Provision Coverage Ratio (PCR)	$(\text{Total Provisions Held} / \text{Gross NPAs}) * 100$	Evaluates balance sheet protection against potential default losses.
Management Efficiency	Business per Employee	$(\text{Total Deposits} + \text{Total Gross Advances}) / \text{Total Number of Employees}$	Evaluates workforce productivity and operational efficiency.
	Profit per Employee	$\text{Net Profit After Tax} / \text{Total Number of Employees}$	Measures revenue generation efficiency relative to staff size.
	Cost-to-Income Ratio	$(\text{Operating Expenses} / \text{Total Operating Income}) * 100$	Measures efficiency in controlling operating costs against revenue generated.
Earnings Quality	Return on Assets (RoA)	$(\text{Net Profit After Tax} / \text{Average Total Assets}) * 100$	Evaluates management efficiency in generating profit from asset base.
	Net Interest Margin (NIM)	$(\text{Interest Income} - \text{Interest Expended}) / \text{Average Total Assets} * 100$	Assesses profitability derived from core lending and deposit activities.
Liquidity	Credit-Deposit (C/D) Ratio	$(\text{Total Advances} / \text{Total Deposits}) * 100$	Measures the extent to which deposits are deployed into productive local credit.
	CASA Deposit Share	$(\text{Current Account Deposits} + \text{Savings Account Deposits}) / \text{Total Deposits} * 100$	Assesses the availability and stability of low-cost deposit funding.

- **Trend Analysis:** To identify patterns in NPA reduction and CASA growth.
- **Ratio Analysis:** To benchmark JRGB’s performance against the national RRB average (approx. 14.4% CRAR).
- **Comparative Mapping:** Correlating credit disbursement with block-level tribal demographics to assess the depth of financial inclusion.

Data Interpretation and CAMEL-Based Financial Evaluation

This section evaluates the empirical data collected for Jharkhand Gramin Bank (JGB) across the five-year longitudinal period (FY 2021–22 to FY 2025–26). The analysis is structured around the CAMEL framework and district-level credit deployment in Ranchi district.

CAMEL Model Performance Analysis

The consolidated financial ratios evaluated for Jharkhand Gramin Bank over the five-year reference period are presented in Table 2.1.

Table 2.1: Financial Performance and CAMEL Indicators of Jharkhand Gramin Bank (FY 2022 to FY 2026)

CAMEL Dimension	Key Financial Ratios / Indicators	FY 2021–22	FY 2022–23	FY 2023–24	FY 2024–25	FY 2025–26
Capital Adequacy	Capital to Risk-Weighted Assets Ratio (CRAR %)	11.71%	11.31%	10.95%	11.50%	12.10%
	Debt-to-Equity Ratio	12.4x	11.8x	11.2x	10.5x	9.8x
Asset Quality	Gross Non-Performing Assets (GNPA %)	6.42%	4.80%	3.69%	2.96%	2.45%

	Net Non-Performing Assets (NNPA %)	1.98%	1.19%	0.99%	0.85%	0.68%
	Provision Coverage Ratio (PCR %)	70.34%	73.50%	75.99%	83.66%	86.20%
Management Efficiency	Business per Employee (₹ Crore)	8.21	9.15	10.42	11.85	13.20
	Profit per Employee (₹ Lakh)	3.45	4.12	5.20	6.80	7.95
	Cost-to-Income Ratio (%)	64.20%	61.50%	58.80%	55.40%	52.10%
Earnings Quality	Return on Assets (RoA %)	0.45%	0.58%	0.72%	0.88%	1.02%
	Net Interest Margin (NIM %)	2.85%	3.10%	3.25%	3.42%	3.58%
Liquidity	Credit-Deposit (C/D) Ratio (%)	45.44%	49.49%	54.51%	58.13%	61.25%
	Low-Cost CASA Deposit Share (%)	66.35%	68.32%	68.30%	67.50%	68.10%

Sources: Compiled from Annual Audited Financial Statements of JGB/JRGB (2022–2026), SLBC Jharkhand Reports, and NABARD State Focus Papers.

Evaluation of Core Financial Metrics

Capital Adequacy (C)

The CRAR for the bank was significantly higher than the statutory minimum requirement of 9.0% stipulated by the Reserve Bank of India and NABARD, increasing from 11.71% in FY22 to 12.10% in FY26. Despite being lower than the average level of RRBs in the country, around 14.4%, the decrease in debt/equity is indicative of improved capital generation capabilities post-merger.

Asset Quality (A)

There was a remarkable structural improvement in asset quality. The Gross NPA ratio declined from 6.42% in fiscal year 2021-22 to 2.45% in fiscal year 2025-26, and the Net NPA ratio decreased to less than 0.70%. The Provision Coverage Ratio (PCR) increased to 86.20%, highlighting a strong balance sheet position against any default risk in agriculture/ priority sectors.

Management Efficiency (M)

There were high labor efficiency benefits due to business synergies after amalgamation. The business per employee increased from ₹8.21 crore to ₹13.20 crore within the span of five years. Moreover, due to rationalization in operations, the cost-income ratio decreased from 64.20% to 52.10%.

Earnings Quality (E)

The Earning quality ratios have a sustained growth trend. Return on Assets (RoA) moved up to 1.02% from 0.45%, whereas Net Interest Margin (NIM) rose to 3.58% in the fiscal year 2025-26. The main reason for such growth was the sustained share of CASA deposits at ~67-68%.

Liquidity and Credit Creation (L)

In the past, the Regional Rural Banks in Jharkhand have had extremely low C/D ratios of 26% to 30% (Say & Gupta, 2011). The C/D ratio of the bank increased steadily from 45.44% in FY22 to 61.25% in FY26 and has been able to overcome the benchmark of 60% set by RBI.

Regional Disparities and Block-Level Credit Absorption Dynamics in Ranchi

A micro-level evaluation of the 18 administrative blocks in Ranchi district reveals important spatial and sectoral dynamics:

- **Difference in C/D ratio between Urban and Rural branches:** The C/D ratios for branches based in urban/semi-urban areas such as Kanke, Namkum, and Town Block have exceeded 65% while that for branches in deep rural areas such as Lapung, Burmu, and Bero have been around 48% to 53%.
- **Shift to Credit Flows towards MSMEs:** Credit flows in the Ranchi district changed from being primarily for agriculture to being for micro and small enterprises in accordance with the regional priority sectors' goals. The MSME credit disbursements formed 58.5% of the total PSL disbursement accomplishments of Ranchi district by FY 2025-26, thanks to micro-enterprises finance through PM MUDRA Scheme and SHG Bank Linkages.
- **Financial Inclusion and Digital Delivery Channels:** The role played by Bank Sakhis and micro ATMs in rural areas of Ranchi blocks led to more than 42% of basic savings bank deposit accounts (BSBDAs) being opened up.

Key Findings and Discussion

The five-year data for Jharkhand Gramin Bank (2021-22 to 2025-26) shows noticeable changes in its financial health and regional credit delivery. The primary empirical findings are discussed below:

Improvement in Credit-Deposit (C/D) Ratio: Historically, RRBs in Jharkhand struggled with low C/D ratios around 26% to 30%, which meant local deposits were not being converted into local credit (Say & Gupta, 2011). Following the post-merger restructuring, JGB increased its C/D ratio to 61.25% by FY 2025-26. This meets and slightly exceeds the Reserve Bank of India's target of 60%, showing that the bank is moving away from passive deposit holding toward active local lending.

Lower Non-Performing Assets: Asset quality has improved steadily over the five-year period. Gross NPAs dropped from 6.42% in FY 2021-22 to 2.45% in FY 2025-26, while Net NPAs dropped to 0.68%. A Provision Coverage Ratio (PCR) of 86.20% provides a good safety net against potential loan defaults in agricultural and priority sectors.

Low-Cost Deposit Base: The bank maintained a CASA deposit share between 67% and 68%. Having access to these low-cost deposits helped JGB keep its interest expenses in check, supporting a Net Interest Margin (NIM) of 3.58% and a Return on Assets (RoA) of 1.02% by 2025-26.

Shift Toward MSME Financing: In Ranchi district, priority sector credit moved away from standard crop loans toward small enterprises. MSME loans accounted for 58.5% of total priority credit disbursements by FY 2025-26, driven largely by PM MUDRA and self-help group (SHG) linkages.

Operational Bottlenecks

- Despite overall improvements in financial ratios, the bank still faces several operational challenges in Ranchi district:
- **Credit Discrepancy Between Rural and Urban Locations:** Urban and semi-urban areas within Ranchi (such as Kanke and Namkum) have good C/D ratios (greater than 65%), whereas far-off rural blocks (for example, Lapung and Burmu) are lagging behind (between 48% to 53%), showing that there are still credit absorption bottlenecks in the rural tribal and agricultural belts.
- **Lagging Capital Adequacy:** Despite having sufficient CRAR (12.10%) which easily meets the required ratio of 9.0%, JGB's CRAR is below the average in national RRBs (~14.4%), thereby restricting its scope to expand rapidly on a large scale.
- **Digital Infrastructure Issues in Rural Fringe Areas:** Problems like poor network connectivity, low digital awareness amongst small landowners, and operational problems with micro-ATM often make the business correspondent activities difficult in rural fringes.

Recommendations and Policy Strategies

To sustain its financial health and maximize grassroots impact, the following strategic measures are recommended:

Customized Micro-Credit Schemes for Rural Occupations in Poor-performing Blocks: Design customized micro-credit schemes targeting rural occupations such as Lac cultivation, Horticulture, Poultry, and Forest produce processing in poorly performing blocks such as Lapung and Burmu.

Improving BC Environment: Upgrade the technological base of Bank Sakhis and BCs by providing them with more incentives and robust offline capable micro-ATMs to increase doorstep banking.

Digital Financial Literacy Enhancement: Organize organized financial literacy camps in partnership with NABARD and Gram Panchayats in Ranchi district to fast-track the move away from cash-based borrowings to digital-based credit.

Capital Base Enhancement: Use retained earnings to create capital buffers to help JGB get close to the countrywide RRB CRAR average of 14.4%.

Conclusion

Financial audit of Jharkhand Gramin Bank indicates a rapid recovery and restructuring after the bank's amalgamation. Transitioning from the era of high NPA and low C/D ratio that was characteristic for RRBs in the region, JGB managed to surpass the threshold level of C/D ratio at 60%, sharply reduce non-performing assets and create a sustainable low cost CASA deposit base. In the Ranchi district, through its transition to MSME financing and financial inclusion programs, JGB became a key force for grass root economic development. Addressing credit inequality issues and improving digital delivery systems will allow JGB to remain financially viable and accomplish its social mission.

Ethical Considerations and Limitations

This research paper maintains academic integrity through using regulatory disclosures that have been published in the public domain. The identified weakness in this study is the problem of "averaging," whereby the high success rate in urban areas such as Ranchi (Kanke Block), for instance, might mask the credit deficiency in tribal blocks (such as Tamar or Bero).

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