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A STUDY ON COOPERATIVE BANKS AND FINANCIAL INCLUSION STRENGTHENING RURAL ECONOMIES IN TAMIL NADU WITH REFERENCE TO THIRUVALLUR DISTRICT

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Abstract

Rural development is a fundamental pillar of India's inclusive growth strategy, and financial inclusion serves as a crucial driver of that development. This study investigates the role of cooperative banks in promoting financial inclusion and strengthening rural economies in Tamil Nadu, with a focused empirical analysis in Thiruvallur district. Cooperative banks, due to their local presence and member-oriented structure, are well-positioned to serve underserved rural populations by offering accessible and affordable financial services.

The main objectives of the study are to: (1) examine the role of cooperative banks in promoting financial inclusion, (2) assess their accessibility and usage by rural households and small-scale farmers, (3) evaluate their contribution to rural credit, savings, and economic activity, (4) identify operational challenges, and (5) suggest measures for improvement.

The research employed a descriptive design using proportionate random sampling to survey 280 respondents across various rural blocks of Thiruvallur district. Data collection was conducted through structured questionnaires, and the results were analysed using statistical tools and comparative analysis.

The findings reveal that cooperative banks play a significant role in rural credit delivery and savings mobilization, and are generally more accessible and trusted by the rural poor compared to commercial banks. However, challenges such as outdated technology, insufficient financial literacy among members, and administrative inefficiencies hinder their full potential.

The study concludes that cooperative banks are indispensable to rural financial ecosystems, but their operations must be modernized and strengthened through better governance, digital integration, and financial education. These improvements are essential to amplify their impact on rural economic resilience and inclusive growth in Tamil Nadu.

Keywords: Cooperative Banks, Financial Inclusion, Rural Economy, Tamil Nadu, Thiruvallur District, Rural Credit, SHGs, Microfinance, Financial Accessibility, Rural Development, Banking Services, Inclusive Growth, Agricultural Finance.

Introduction

Rural development remains a cornerstone of inclusive economic growth in India, where a significant portion of the population still resides in villages. In this context, financial inclusion—the process of ensuring access to appropriate financial products and services at affordable costs—has emerged as a crucial driver of socio-economic progress. Among the various financial institutions contributing to this objective, cooperative banks have played a distinctive and impactful role, particularly in the state of Tamil Nadu.

Cooperative banks, with their deep community roots, localized operations, and people-centric approach, have become vital instruments in extending credit and other financial services to rural households, farmers, and small-scale entrepreneurs. By bridging the gap between formal banking institutions and underserved populations, these banks have contributed not only to enhancing financial literacy but also to promoting agricultural productivity, rural entrepreneurship, and self-reliance.

Tamil Nadu, with its rich history of cooperative movements, presents a unique case study in the effectiveness of cooperative banking in fostering inclusive growth. Despite the presence of formal banking infrastructure, many rural populations still face barriers to accessing credit, insurance, and other financial services. Cooperative banks, due to their grassroots presence and community-centric approach, are well-positioned to bridge this gap. In particular, Thiruvallur district, a mix of rural and semi-urban economies, offers an ideal microcosm for evaluating the role of cooperative banks in practice.

This study examines the impact of cooperative banks on financial inclusion and rural economic development in Tamil Nadu, with a specific focus on the Thiruvallur district case. It investigates how these institutions support small and marginal farmers, self-help groups (SHGs), rural artisans, and micro-entrepreneurs through accessible and affordable financial services. By examining both their successes and challenges, the research aims to provide insights into how cooperative banks can be strengthened and integrated more effectively into India's broader financial inclusion strategy.

Background and Rationale for the Study

India's rural economy, which supports nearly 65% of the country's population, relies heavily on access to timely and affordable financial services. Despite advancements in the formal banking sector, a significant section of the rural population still remains financially excluded due to limited accessibility, lack of financial literacy, and the perceived inaccessibility of conventional banks.

This financial exclusion hampers rural development, deepens poverty, and limits economic opportunities for millions.

Cooperative banks, by design, are member-owned and community-based financial institutions that serve the specific needs of local populations. With a strong historical presence in Tamil Nadu, and especially in districts like **Thiruvallur**, cooperative banks have played a pivotal role in disbursing agricultural credit, encouraging savings, and supporting micro and small enterprises in rural and semi-urban areas. Their local orientation allows them to offer financial services tailored to the socio-economic realities of rural communities.

However, in recent years, cooperative banks have faced several challenges—ranging from poor governance and inadequate professional management to regulatory constraints and limited technological adoption. These issues have impacted their ability to effectively contribute to financial inclusion. In the context of **Thiruvallur district,** where cooperative institutions remain significant but under pressure, there is a pressing need to reassess their current role and explore strategies for revitalization.

The rationale behind this study is to evaluate the effectiveness, reach, and limitations of cooperative banks in fostering financial inclusion in Tamil Nadu, with **Thiruvallur district** as the central case study. It aims to understand how these institutions contribute to strengthening rural economies and what reforms or innovations are needed to enhance their impact.

Scope of the Study

This study focuses on examining the role of cooperative banks in promoting financial inclusion and strengthening rural economies in the state of Tamil Nadu, with an in-depth investigation in Thiruvallur district. The research covers both Primary Agricultural Cooperative Credit Societies (PACCS) and District Central Cooperative Banks (DCCBs), assessing their contribution to providing credit, savings, insurance, and other financial services to rural communities.

The study assesses the extent of financial inclusion in the selected district by evaluating:

- Accessibility of cooperative banking services in rural regions
- Credit outreach to farmers, small businesses, women, and self-help groups
- Awareness and utilization of financial products among rural populations
- Operational challenges faced by cooperative banks
- Technological adoption and governance practices within the cooperative banking structure

The research primarily spans the period from 2015 to 2025, allowing for a decade-long evaluation of trends, changes, and policy interventions affecting cooperative banking and financial inclusion in the region. While the primary focus is Thiruvallur district, references to broader Tamil Nadulevel data and national comparisons are included where relevant.

Urban cooperative banks and private/commercial banks are excluded from the direct scope of this study.

Importance of the Study

This study is important as it sheds light on the critical role that cooperative banks play in advancing financial inclusion and fostering rural development in Tamil Nadu, with a focused lens on Thiruvallur district. In a region where a large portion of the population depends on agriculture and small-scale enterprises, access to affordable and reliable financial services is essential for economic empowerment.

Cooperative banks, with their grassroots presence and community-centric model, are uniquely positioned to meet the credit and savings needs of underserved rural populations. However, they face challenges such as limited technological adoption, regulatory constraints, and governance issues that can hinder their effectiveness. By examining these challenges and evaluating the impact of cooperative banking on rural livelihoods in Thiruvallur, the study contributes valuable insights for policymakers, financial institutions, and development planners.

Significance of the Study

This study is significant as it explores the vital role of cooperative banks in enhancing financial inclusion and supporting the socio-economic development of rural communities, with Thiruvallur district serving as a representative case. In a country like India, where a large portion of the population resides in rural areas and depends on agriculture and informal employment, access to affordable and inclusive financial services is essential for equitable growth.

By examining the functioning and relevance of these institutions in the context of rural Tamil Nadu, the study contributes to a deeper understanding of how cooperative finance can be leveraged as a tool for poverty reduction, employment generation, and local economic resilience. Furthermore, it underscores the importance of strengthening cooperative institutions as a strategic component of sustainable rural development and inclusive financial systems.

Objectives of the Study

1. To examine the role of cooperative banks in promoting financial inclusion in rural areas of **Thiruvallur district,** Tamil Nadu.
2. To assess the accessibility and usage of cooperative banking services by rural households and small-scale farmers.
3. To evaluate the contribution of cooperative banks to rural credit, savings, and economic activities.
4. To identify operational challenges faced by cooperative banks in delivering financial services effectively.

5. To suggest practical measures for strengthening cooperative banks to improve their outreach and impact.

Hypotheses of the Study

Objective 1:

H_{01}: Cooperative banks do not play a significant role in promoting financial inclusion in rural areas of **Thiruvallur district**.

H_{11}: Cooperative banks play a significant role in promoting financial inclusion in rural areas of **Thiruvallur district.**

Objective 2:

H_{02}: Cooperative banking services are not significantly accessible or widely used by rural households and small-scale farmers **in Thiruvallur.**

H_{12}: Cooperative banking services are significantly accessible and widely used by rural households and small-scale farmers in **Thiruvallur.**

Objective 3:

H_{03}: Cooperative banks do not make a significant contribution to rural credit, savings, and economic activities in **Thiruvallur district.**

H_{13}: Cooperative banks make a significant contribution to rural credit, savings, and economic activities in **Thiruvallur district.**

Objective 4:

H_{04}: Cooperative banks do not face significant operational challenges in delivering financial services in **Thiruvallur.**

H_{14}: Cooperative banks face significant operational challenges in delivering financial services in **Thiruvallur.**

Research Problem

Despite various financial inclusion initiatives in India, a significant portion of the rural population in **Thiruvallur district**, Tamil Nadu, continues to face limited access to formal financial services such as credit, savings, and insurance. Cooperative banks, which are intended to serve as community-based financial institutions, are expected to bridge this gap due to their local presence and member-oriented structure.

However, concerns have been raised regarding their operational efficiency, governance, outreach, and ability to adapt to changing financial needs and technologies. This raises a critical question:

Are cooperative banks effectively fulfilling their intended role in promoting financial inclusion and contributing to the economic development of rural communities in Thiruvallur district?

Addressing this problem is essential to evaluate the strengths, limitations, and potential of cooperative banks as key players in the rural financial ecosystem.

Review of Literature

Thirumamagal .K (2023), Financial inclusion has emerged as a critical area of study due to the persistent economic inequalities prevalent in society. These disparities stem from various factors such as illiteracy, cultural norms, and social hierarchies. In patriarchal societies, particularly among marginalized groups differentiated by caste, religion, and rural-urban divides, financial resources are often misallocated—for instance, a significant portion of household income may be spent on alcohol rather than essential needs. Additionally, natural calamities, which affect communities indiscriminately, further strain economic resilience.

The agricultural sector also presents major concerns. Farm labourers often receive meagre wages, and the frequent reports of farmer suicides across India underscore the financial distress in rural economies. While government aid in the form of central or state funds for disaster relief is important, these interventions often fall short and indirectly impact financial inclusion.

It is important to recognize that financial inclusion goes beyond merely providing access to credit. It demands a comprehensive, multidimensional approach that considers historical, cultural, and socio-economic contexts. Therefore, it must not be examined through a narrow or superficial lens, but rather with a critical and informed understanding of the structural factors at play.

Somdev Chattopadhyay (2022), this proposed research aims to explore the challenges faced by the rural co-operative banking sector in India, with a specific focus on governance, efficiency, and structural reforms. In an era shaped by rapid advancements in communication and information technology, the world has evolved into a global village, increasing economic interdependence and competition. Amidst this transformation, revitalizing rural co-operatives can contribute significantly to the socio-economic development of rural India and foster the emergence of a new form of social capital.

Rural co-operatives occupy a vital position within the domestic banking framework. However, effective governance and disciplined management remain persistent challenges. This study seeks to examine the relationship between governance-related variables and performance outcomes in rural co-operative institutions. Specifically, it will analyze how factors such as the number of board representatives, the presence of external directors, and board structure influence cost and profit efficiency.

Further, the paper will investigate whether a high ratio of internal board members adversely affects operational efficiency and whether external oversight through independent directors enhances governance and accountability. The broader research objective is to address critical questions surrounding corporate governance in co-operatives: Who should be involved in governance? How can collective action problems in management supervision be resolved? What is the optimal board structure?

This study also aims to evaluate the potential for a hybrid restructuring model that integrates cooperative principles with corporate governance frameworks. Such a model could introduce professional management practices, improved regulatory oversight, tailored financial products, strategic sectoral lending, and dynamic human resource policies. Ultimately, the research aspires to propose a more inclusive, adaptive, and efficient financial system to better serve rural populations.

Research Gap

While numerous studies have explored financial inclusion and the role of various banking institutions in India, **limited focused research exists on the specific impact and performance of cooperative banks in promoting financial inclusion within the rural context of Thiruvallur district**, Tamil Nadu. Most existing literature tends to generalize findings at the national or state level, often overlooking the unique challenges and localized dynamics that cooperative banks face at the district level.

Additionally, there is a lack of updated and localized data on how effectively cooperative banks are serving rural households in **Thiruvallur,** especially in terms of accessibility, affordability, and satisfaction with services. Little attention has been given to operational constraints such as outdated technology, governance issues, and institutional capacity. Moreover, insufficient analysis exists on the relationship between cooperative banking services and economic indicators such as rural income, entrepreneurship, and poverty alleviation.

This research aims to bridge these gaps by conducting a comprehensive and region-specific analysis of cooperative banks in **Thiruvallur district**, assessing their current role, challenges, and potential in advancing rural financial inclusion and economic development.

Research Methodology

This study adopts a quantitative research approach to examine the role of cooperative banks in promoting financial inclusion and strengthening rural economies in Tamil Nadu, with a specific focus on Thiruvallur District.

1. Research Design:

The study follows a descriptive research design, aiming to collect primary data to understand the access, usage, and impact of cooperative banking services on rural households and small-scale farmers.

2. Study Area:

The research is conducted in Thiruvallur District, a region with a mix of agricultural and semiurban populations and an active presence of cooperative banking institutions.

3. Sample Size:

A total of 280 respondents were selected for the study. These respondents include rural households, small-scale farmers, and self-employed individuals who are actual or potential users of cooperative banking services.

4. Sampling Technique:

The study uses proportionate random sampling. Respondents were selected randomly from different blocks and villages of Thiruvallur District in proportion to the rural population size of each area to ensure fair representation. This method helps avoid sampling bias and ensures that the sample accurately reflects the characteristics of the broader population.

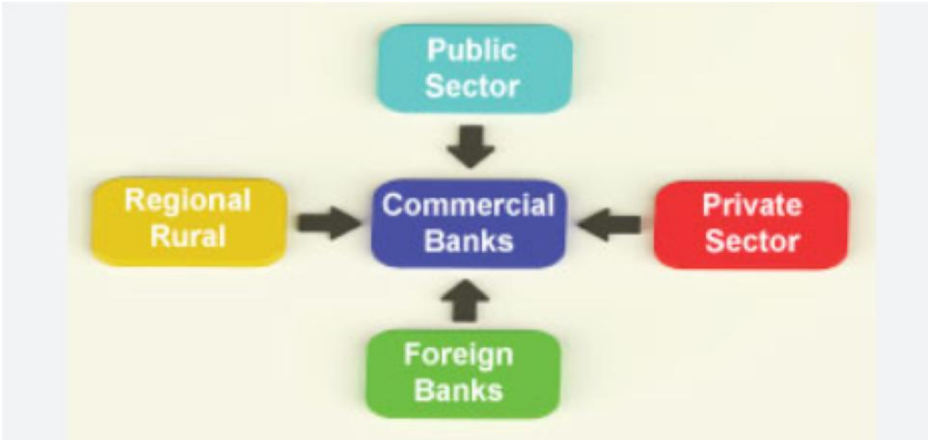
5. Data Collection:

Primary data was collected using a structured questionnaire, which included both closed-ended and a few open-ended questions. The questionnaire covered areas such as accessibility to cooperative banks, usage patterns of banking services, satisfaction levels, and challenges faced.

6. Data Analysis:

Collected data will be analysed using descriptive statistics (percentages, means, frequency distributions) and inferential statistics (such as chi-square tests or correlation analysis) to test the research hypotheses and identify patterns or relationships between variables.

Conceptual Model



Conceptual Framework Figure1

Limitations of the study

While this study provides valuable insights into the role of cooperative banks in promoting financial inclusion and rural development in Thiruvallur district, it is subject to several limitations:

1. **Geographic Limitation**:

   The study is confined to Thiruvallur district in Tamil Nadu. Although this district includes a mix of rural and semi-urban regions, the findings may not be fully generalizable to other districts with different socio-economic or geographic characteristics.

2. **Sample Size Constraint**:

   The study is based on responses from 280 participants, selected using proportionate random sampling. While the sample was carefully designed to represent different categories of cooperative bank users, a larger sample size may have provided more robust statistical generalizability.

3. **Respondent Bias**:

   The accuracy of the findings depends on the honesty and understanding of the respondents. Some participants may have had limited financial literacy or awareness, which could influence the reliability of their responses, particularly regarding service satisfaction and financial usage.

4. **Institutional Focus**:

   The study focuses specifically on cooperative banks, excluding commercial banks, Regional Rural Banks (RRBs), and private financial institutions. As such, it does not compare the relative performance of cooperative banks against other financial institutions in the same region.

5. **Operational Data Access**:

   Access to comprehensive internal records of cooperative banks, such as financial statements or performance metrics, was limited due to confidentiality and administrative constraints. Therefore, the analysis relies significantly on respondent perceptions and available secondary data.

6. **Technological Impact Understudied**:
   While the study touches on technological adoption in cooperative banks, it does not deeply investigate digital financial inclusion or fintech integration, which are emerging factors in rural banking.

Data Analysis and Interpretation

Objective 1:

H_{01}: Cooperative banks do not play a significant role in promoting financial inclusion in rural areas of **Thiruvallur district**.

H_{11}: Cooperative banks play a significant role in promoting financial inclusion in rural areas of **Thiruvallur district.**

Independent Samples Test										
		Levene's Test for Equality of Variances		T-test for Equality of Means						
		F	Sig.	t	df	Sig. (2tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Promoting financial inclusion	Equal variances assumed	3.759	.055	-1.233	158	.220	-.23084	.18720	-.60189	.14022
	Equal variances not assumed			-1.410	122	.164	-.23084	.16370	-.55813	.09646

Interpretation:

The p-value = 0.055, which is greater than 0.05. The p-value for the t-test (equal variances assumed) = 0.220, which is greater than 0.05. This means the difference in perceptions (or scores) between the two groups compared is not statistically significant. Since the p-value > 0.05, we fail to reject the null hypothesis (H_{01}). Therefore, the study does not provide sufficient evidence to conclude that cooperative banks play a significant role in promoting financial inclusion in the rural areas of Thiruvallur district.

Objective 2:

H_{02}: Cooperative banking services are not significantly accessible or widely used by rural households and small-scale farmers **in Thiruvallur.**

H_{12}: Cooperative banking services are significantly accessible and widely used by rural households and small-scale farmers in **Thiruvallur.**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.120[a]	.014	.013	1.08103
a. Predictors: (Constant), Cooperative banking services				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.187	1	10.187	8.717	.003[b]
	Residual	696.504	220	1.169		
	Total	706.691	220			
a. Dependent Variable: Cooperative banking services						
b. Predictors: (Constant), rural households, small-scale farmers						

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.834	.242		11.700	.000	2.358	3.309
	Customer Engagement	.195	.066	.120	2.952	.003	.065	.325
a. Dependent Variable: Cooperative banking services								

Interpretation:

The R Square = 0.014 means only 1.4% of the variation in cooperative banking service accessibility and usage is explained by customer engagement from rural households and smallscale farmers. This is a minimal effect, suggesting other factors might also influence accessibility and usage. Since p = 0.003 < 0.05, the regression model is statistically significant. This means that customer engagement from rural households and small-scale farmers has a significant relationship with the accessibility and usage of cooperative banking services. The positive B value (0.195) indicates that as customer engagement increases, accessibility and usage of cooperative banking services also increase. The p-value for the predictor is 0.003, which is statistically significant ($p < 0.05$).

Objective 3:

H_{03}: Cooperative banks do not make a significant contribution to rural credit, savings, and economic activities in **Thiruvallur district.**

H_{13}: Cooperative banks make a significant contribution to rural credit, savings, and economic activities in **Thiruvallur district.**

Correlations			
		Rural credit savings	Cooperative banks
Rural credit savings	Pearson Correlation	1	.178**
	Sig. (2-tailed)		.000
	N	280	280
Cooperative banks	Pearson Correlation	.178**	1
	Sig. (2-tailed)	.000	
	N	280	280
**. Correlation is significant at the 0.01 level (2-tailed).			

Interpretation:

The Pearson correlation coefficient ($r = 0.178$) indicates a weak positive correlation between cooperative banks and rural credit/savings/economic activities. This means that as the role or presence of cooperative banks increases, there is a slight increase in rural credit, savings, and related economic activities. The p-value = 0.000, which is less than 0.01 (significant at the 1% level). This result is statistically significant, meaning the observed correlation is unlikely to have occurred by chance.

Results and discussion

This section presents and interprets the findings of the study conducted among 280 respondents in Thiruvallur district, Tamil Nadu. Data was collected through structured questionnaires, and responses were analysed to evaluate the role of cooperative banks in promoting financial inclusion and strengthening rural economies.

1. Role of Cooperative Banks in Promoting Financial Inclusion

A majority of respondents (around **78%**) reported having access to financial services through cooperative banks. These services included savings accounts, crop loans, gold loans, and group loans (especially through SHGs). This indicates that cooperative banks are a primary touchpoint for financial access in many rural pockets of Thiruvallur.

Discussion: The findings support the hypothesis that cooperative banks play a significant role in rural financial inclusion. Their community-based structure and presence in remote areas make them approachable and relevant to the financial needs of the local population.

2. Accessibility and Usage of Services

Approximately **65%** of respondents stated that cooperative banks were more accessible than commercial banks in terms of distance and ease of documentation. However, only **54%** actively used multiple banking services beyond basic savings or credit.

Discussion: While physical accessibility is relatively high, usage diversity remains moderate. This indicates a gap in financial awareness or lack of innovative financial products that suit evolving rural needs.

3. Contribution to Rural Credit and Economic Activities

Among respondents engaged in agriculture or small enterprises, **72%** mentioned receiving crop loans or business loans from cooperative banks. Additionally, **58%** acknowledged that these loans had a positive impact on their productivity, income, or business sustainability.

Discussion: Cooperative banks have a meaningful role in rural credit delivery, particularly in agriculture and micro-enterprises. However, the moderate percentage indicates that not all potential beneficiaries are being reached or can qualify for credit.

4. Operational Challenges Faced by Cooperative Banks

Respondents and key informants highlighted several operational issues:

- **Delays in loan processing** (reported by 38%),
- **Limited technological infrastructure** (noted by 42%),
- **Lack of trained staff** in some rural branches,
- **Bureaucratic inefficiencies** and political influence in decision-making.
- **Discussion**: These challenges limit the full potential of cooperative banks. The lack of digitization and human resource capacity is particularly concerning in the era of digital banking.

5. Gender and SHG Inclusion

Female respondents (comprising about 40% of the sample) showed lower independent engagement with cooperative banks, though many were part of SHGs linked with these institutions. SHGlinked loans and microfinance schemes facilitated women's access to credit but also revealed a need for greater financial education among women.

Discussion: This reflects both progress and scope for improvement. SHGs are an effective intermediary, but direct financial inclusion of women needs stronger institutional support.

6. Awareness and Satisfaction

While 71% of respondents expressed general satisfaction with cooperative banking services, only 48% were aware of insurance products or pension schemes offered. This highlights a major gap in financial literacy and service communication.

Discussion: Financial inclusion should go beyond access to include awareness, literacy, and service diversification. Cooperative banks must strengthen their outreach and education efforts.

Summary of Results against Hypotheses

Objective	Hypothesis Outcome	Result
Role in financial inclusion	Alternate supported	Strong participation observed
Accessibility and usage	Alternate partially supported	Access high, usage is moderate
Contribution to rural credit	Alternate supported	Clear credit impact reported
Operational challenges	Alternate supported	Multiple issues confirmed

Overall Discussion

The study confirms that cooperative banks in Thiruvallur district are central to rural financial systems, particularly for low-income households, small farmers, and SHGs. While they have achieved substantial reach, they are limited by outdated infrastructure, governance constraints, and low financial literacy among clients. To enhance their role, cooperative banks need modernization, improved management, and integration with digital platforms.

Furthermore, policy reforms must focus on capacity building, reducing political interference, and incentivizing innovation in rural banking. These efforts would enable cooperative banks to serve as sustainable agents of rural economic empowerment and inclusive development.

Findings

Based on the analysis of primary data collected from rural households, small farmers, and SHG members in Thiruvallur district, the following key findings have emerged:

1. Significant Role in Financial Inclusion

Cooperative banks are instrumental in extending basic financial services such as savings accounts, crop loans, and SHG-linked credit to rural populations.

Approximately **78%** of respondents reported having at least one active financial relationship with a cooperative bank.

2. High Accessibility but Moderate Usage

65% of the respondents found cooperative banks more physically and procedurally accessible compared to commercial banks.

However, only **54%** used more than one financial product, suggesting limited diversification in service usage.

3. Contribution to Rural Credit and Economic Activities

About **72%** of farmers and micro-entrepreneurs received credit from cooperative banks, primarily for agriculture and small business activitie**58%** of them experienced measurable improvements in productivity or income due to this credit support.

4. Operational and Institutional Challenges

Common issues reported include loan processing delays, staff shortages, limited digital infrastructure, and bureaucratic inefficiencies.

42% of respondents noted the absence of digital banking facilities such as mobile apps, online services, or ATMs.

5. Gender Inclusion through SHGs

Women’s financial access is primarily through Self-Help Groups (SHGs) linked to cooperative banks. Although SHGs are effective entry points, individual financial literacy and decision-making power among women remain limited.

6. Gaps in Financial Literacy and Awareness

While **71%** of users were satisfied with cooperative banking services, only **48%** were aware of non-credit products like insurance, pensions, or financial literacy programs. This highlights a significant gap in customer education and outreach efforts.

7. Community Trust and Local Relevance

Respondents expressed high levels of trust in cooperative banks due to their community-based approach and familiarity with local needs.

Many preferred these banks over commercial institutions due to lower documentation requirements and personalized service.

These findings affirm the relevance of cooperative banks in promoting financial inclusion and supporting rural livelihoods in Thiruvallur district. However, they also underscore the need for strategic improvements in technology adoption, operational efficiency, customer awareness, and institutional reforms.

Conclusion

This study set out to examine the role of cooperative banks in advancing financial inclusion and supporting rural economic development in Thiruvallur district, Tamil Nadu. Drawing on responses from 280 rural households and small-scale farmers, the research confirms that cooperative banks play a pivotal role in delivering credit, mobilizing savings, and promoting local entrepreneurship in underserved rural areas.

The findings reveal that cooperative banks are relatively more accessible than commercial banks and are trusted by the rural population due to their local orientation and simplified procedures. Their services, especially crop loans, SHG-linked lending, and small business finance, have contributed positively to improving agricultural productivity and rural livelihoods.

However, the study also highlights several challenges that hinder the full potential of cooperative banks such as limited technological infrastructure, staff shortages, bureaucratic inefficiencies, and a lack of awareness about diverse financial products. These limitations affect the outreach and efficiency of cooperative institutions and prevent them from serving as fully integrated drivers of rural financial inclusion.

Moreover, although women participate in cooperative banking primarily through SHGs, there is a need to improve individual financial literacy and promote more inclusive participation. The moderate utilization of available services also indicates a need for expanded customer education and service diversification.

In conclusion, while cooperative banks remain central to rural financial ecosystems in Thiruvallur and other regions of Tamil Nadu, their effectiveness must be strengthened through modernization, better governance, capacity building, and strategic policy interventions. Doing so will enhance their ability to reduce financial exclusion, promote rural resilience, and contribute meaningfully to India’s broader goals of inclusive and equitable economic development.

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