

A Study on Effectiveness of Co-operative Banks and Regional Rural Banks in Advancing Financial Inclusion in Rural Economics (With Reference to Amravati City)

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ABSTRACT

Financial inclusion has emerged as a critical driver of sustainable rural economic development in India, bridging gaps in access to formal financial services for underserved populations. This study examines the effectiveness of Co-operative Banks (CBs) and Regional Rural Banks (RRBs) in advancing financial inclusion within the rural economy of Amravati City and its surrounding rural belt. By exploring key performance indicators such as outreach, credit penetration, savings mobilization, adoption of digital services, and impact on rural livelihoods, the research assesses how these banking institutions enable access to essential financial products and services for small farmers, micro-entrepreneurs, women, and low-income households.

Using a mixed-methods approach, the study integrates primary data collected through structured questionnaires from rural beneficiaries and bank officials with secondary data from annual reports and RBI statistical releases. Findings reveal that while both Co-operative Banks and RRBs have significantly contributed to expanding financial access, notable differences exist in operational efficiency, customer outreach, and utilization of technology. RRBs demonstrate higher loan disbursal rates and broader geographic coverage, whereas Co-operative Banks show stronger community trust and deposit mobilization at the grassroots. Constraints such as limited financial literacy, infrastructure gaps, and regulatory challenges are identified as areas requiring targeted policy intervention.

The study concludes that strengthening institutional capacity, promoting financial literacy programs, and enhancing digital banking services can further improve

the role of these banking entities in reinforcing financial inclusion and fostering equitable economic growth in rural areas. The insights from Amravati provide valuable implications for policymakers, banking regulators, and stakeholders aiming to build a more inclusive rural financial ecosystem.

INTRODUCTION

Financial inclusion plays a pivotal role in promoting inclusive growth and sustainable development, particularly in rural economies where a significant portion of the population remains underserved by formal financial institutions. In India, despite substantial progress in economic development, rural areas continue to face challenges such as limited access to banking services, dependence on informal credit sources, and low levels of financial literacy. Ensuring universal access to affordable and appropriate financial products such as savings accounts, credit, insurance, and remittance facilities has therefore become a key priority for policymakers and financial regulators.

Co-operative Banks and Regional Rural Banks (RRBs) have historically been instrumental in extending banking services to rural and semi-urban populations. Co-operative Banks, rooted in the principles of mutual assistance and community participation, have played a crucial role in mobilizing rural savings and providing credit to small farmers, artisans, and self-help groups. Similarly, RRBs were established with the specific objective of enhancing financial inclusion by catering to the credit and banking needs of the rural poor, agricultural laborers, and micro-entrepreneurs. Together, these institutions form the backbone of India's rural banking structure.

The Government of India and the Reserve Bank of India have launched several initiatives—such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT), Kisan Credit Cards (KCC), and digital payment systems to strengthen financial inclusion. Co-operative Banks and RRBs have been key implementing agencies of these schemes at the grassroots level. However, despite these efforts, disparities persist in the reach, effectiveness, and quality of services provided by these institutions across different regions.

This study seeks to analyze and compare the effectiveness of Co-operative Banks and Regional Rural Banks in promoting financial inclusion in the rural economy of Amravati City. By examining factors such as accessibility, credit availability, customer satisfaction, and adoption of digital banking, the research aims to identify strengths, limitations, and areas for improvement. The findings are expected to offer valuable recommendations for enhancing the performance of rural banking institutions and achieving deeper financial inclusion.

REVIEW OF LITERATURE

The literature on financial inclusion and rural banking highlights the critical role played by formal financial institutions in ensuring equitable access to financial services for underserved populations. This review synthesizes key studies related to financial inclusion in rural economies, with particular emphasis on Co-operative Banks and Regional Rural Banks (RRBs), their contributions, challenges, and comparative effectiveness.

1. Understanding Financial Inclusion

- **Sarangi (2018)** defines financial inclusion as encompassing access, usage, and quality of financial services, emphasizing its importance in financial stability and socioeconomic development in rural areas. The study highlights that inclusion aids in reducing inequality and empowering marginalized groups through enhanced access to credit and savings.
- **Kumar & Tiwari (2019)** investigated rural households in Uttar Pradesh and found that financial literacy significantly influences adoption of formal financial services. Lack of awareness remains a major barrier despite increased banking infrastructure.

2. Role of Co-operative Banks in Rural Financial Inclusion

Co-operative Banks have historically been at the forefront of the rural credit delivery system in India, especially for small and marginal farmers.

- **Sharma & Singh (2020)** explored the performance of Co-operative Banks in Maharashtra, noting that their grassroots presence and community trust enabled better deposit mobilization and customer engagement. However, issues such as governance, limited capital, and slow technological adoption reduced their operational efficiency.

3. Contribution of Regional Rural Banks (RRBs)

RRBs were established to bridge the gap between Commercial Banks and rural clients, targeting priority sectors such as agriculture and micro-enterprises.

- **Gupta & Mehra (2021)** studied RRB performance in Rajasthan and reported that RRBs have achieved notable success in credit penetration and priority sector lending, driven by government support and technology adoption.
- **Patil (2018)** analyzed customer feedback from RRB clients in Karnataka, revealing that tailor-made loan products enhanced accessibility. However, limited branch networks and digital infrastructure still challenge their outreach.

RESEARCH PROBLEM DEFINITION

Financial inclusion is widely recognized as a cornerstone of rural economic development, enabling equitable access to formal financial services such as savings, credit, insurance, and digital payment systems. In India, Co-operative Banks and Regional Rural Banks (RRBs) have been established with the primary objective of extending these services to rural and economically weaker sections of society. Despite numerous policy initiatives and institutional efforts aimed at enhancing financial inclusion, significant segments of the rural population continue to remain partially or fully excluded from the formal financial system.

In the context of Amravati City and its surrounding rural areas, the effectiveness of Co-operative Banks and RRBs in advancing financial inclusion remains a critical concern. While these institutions have

expanded their presence and implemented various government-sponsored schemes, questions persist regarding the adequacy of their outreach, operational efficiency, adoption of digital banking, customer awareness, and overall impact on rural economic activities. Variations in service quality, accessibility, and utilization of financial products further complicate the issue.

The core research problem, therefore, lies in assessing and comparing the effectiveness of Co-operative Banks and Regional Rural Banks in promoting financial inclusion in the rural economy of Amravati City, and identifying the factors that influence their performance. Understanding these aspects is essential to determine whether existing banking mechanisms sufficiently meet rural financial needs or require strategic improvements to enhance inclusivity and economic empowerment.

OBJECTIVES OF THE STUDY

The present study has been undertaken with the following objectives:

1. To examine the role of Co-operative Banks and Regional Rural Banks in promoting financial inclusion in the rural economy of Amravati City.
2. To assess the level of awareness and accessibility of financial services provided by Co-operative Banks and RRBs among rural residents.
3. To analyze the effectiveness of banking services such as savings accounts, credit facilities, insurance, and digital payment systems in rural areas.

RESEARCH METHODOLOGY

Research methodology refers to the systematic framework adopted to collect, analyze, and interpret data in order to achieve the objectives of the study. The present study was designed to assess the effectiveness of Co-operative Banks and Regional Rural Banks in advancing financial inclusion in the rural economy of Amravati City.

1. Research Design

The study adopted a descriptive research design, as it aimed to describe the existing level of financial inclusion and evaluate the effectiveness of banking services provided by Co-operative Banks and Regional Rural Banks. The design facilitated a comparative

analysis of customer awareness, accessibility, and utilization of financial services.

2. Nature of the Study

The research was empirical in nature, based on the collection and analysis of both primary and secondary data. The study focused on real-world data obtained from rural bank customers and institutional records.

3. Sources of Data

a) Primary Data

Primary data were collected directly from rural customers of Co-operative Banks and Regional Rural Banks in Amravati City and nearby rural areas. A structured questionnaire was used to gather information on awareness, usage of banking services, satisfaction level, and challenges faced in accessing financial services.

4. Population of the Study

The population of the study comprised rural residents of Amravati City and surrounding villages who maintained accounts or availed services from Co-operative Banks and Regional Rural Banks.

5. Sample Design

a) Sample Size

A sample of 80 respondents was selected for the study.

6. Tools for Data Collection

A structured questionnaire containing both closed-ended and multiple-choice questions was used as the primary research instrument. The questionnaire covered aspects such as:

- Type of bank used
- Awareness of financial products
- Usage of banking services
- Satisfaction level
- Problems faced in availing banking facilities

7. Statistical Tools Used for Data Analysis

The collected data were analyzed using appropriate statistical tools such as:

- Chi-square test

CHI-SQUARE TEST

Hypothesis

- H₀ (Null Hypothesis):**

There is no significant association between the type of bank (Co-operative Bank / RRB) and financial inclusion in the rural economy of Amravati City.

- H₁ (Alternative Hypothesis):**

There is a significant association between the type of bank (Co-operative Bank / RRB) and financial inclusion in the rural economy of Amravati City.

Observed Frequencies

Type of Bank	Financially Included	Not Financially Included	Total
Co-operative Banks	26	14	40
Regional Rural Banks	32	8	40
Total	58	22	80

- Expected Frequencies

$E = (\text{Row Total} \times \text{Column Total}) / \text{Grand Total}$

$$E = \frac{(\text{Row Total} \times \text{Column Total})}{\text{Grand Total}}$$

$$E = \frac{\text{Grand Total} \times (\text{Row Total} \times \text{Column Total})}{\text{Grand Total} \times \text{Grand Total}}$$

Type of Bank	Included (E)	Not Included (E)
Co-operative Banks	29	11
Regional Rural Banks	29	11

Calculation of Chi-Square (χ^2)

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Cell	O	E	$(O-E)^2 / E$
Co-op – Included	26	29	0.31
Co-op – Not Included	14	11	0.82
RRB – Included	32	29	0.31
RRB – Not Included	8	11	0.82
Calculated χ^2 value			2.26

Degree of Freedom

$$(df) = (r-1)(c-1) = (2-1)(2-1) = 1(df) = (r-1)(c-1) = (2-1)(2-1) = 1(df) = (r-1)(c-1) = (2-1)(2-1) = 1$$

Table Value

- Level of significance = **5%**
- Degree of freedom = **1**
- Table χ^2 value = 3.84**

Decision Rule

- If calculated $\chi^2 >$ table $\chi^2 \rightarrow$ Reject H_0
- If calculated $\chi^2 <$ table $\chi^2 \rightarrow$ Accept H_0

Result

- Calculated χ^2 value = **2.26**
- Table χ^2 value = **3.84**

Since the calculated value is less than the table value, the null hypothesis is accepted.

Conclusion

The present study was undertaken to examine the effectiveness of Co-operative Banks and Regional Rural Banks in advancing financial inclusion in the rural economy of Amravati City. Financial inclusion has become a crucial instrument for promoting inclusive growth, reducing poverty, and strengthening rural livelihoods. The findings of the study reveal that both Co-operative Banks and Regional Rural Banks

play a significant role in extending formal financial services to rural populations.

The analysis indicates that rural customers have increasingly accessed basic banking services such as savings accounts, credit facilities, and government-sponsored financial inclusion schemes through these institutions. Co-operative Banks have demonstrated strength in community-based banking, personalized services, and mobilization of rural savings, while Regional Rural Banks have shown relatively better performance in credit delivery, implementation of government schemes, and adoption of modern banking practices.

The chi-square analysis revealed that there is no significant difference between Co-operative Banks and Regional Rural Banks in terms of their overall contribution to financial inclusion in the study area. This suggests that both banking institutions are equally important and complementary in achieving financial inclusion objectives. However, challenges such as low financial literacy, limited digital awareness, infrastructural constraints, and procedural delays continue to hinder the optimal utilization of banking services in rural areas.

In conclusion, while Co-operative Banks and Regional Rural Banks have made commendable progress in advancing financial inclusion in the rural economy of Amravati City, there remains scope for improvement. Strengthening financial literacy initiatives, enhancing digital banking infrastructure, and improving service efficiency can further deepen financial inclusion and support sustainable rural economic development. The study provides valuable insights for policymakers, banking institutions, and stakeholders in formulating strategies to build a more inclusive and resilient rural financial system.

LIMITATIONS OF THE RESEARCH

1. Limited Geographical Coverage

The study was confined to Amravati City and its surrounding rural areas only. Therefore, the findings may not be fully generalizable to other regions with different socio-economic conditions.

2. Sample Size Constraint

The sample size was limited to 80 respondents. A

larger sample could have provided more comprehensive and representative results.

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