



Financial inclusion through Cooperative Banking: Customer Perspectives

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ABSTRACT

Financial inclusion is critical for sustainable economic development. Cooperative banks contribute significantly by offering affordable financial services to underserved population. This study examines customer perceptions regarding the role of cooperative banks in promoting financial inclusion in Tumkur district. Employing a descriptive research design, data collected from account holders were analyzed using percentage method. Results indicate that cooperative banks facilitate savings, expand access to credit, and improve financial security, especially for marginalized groups. However, challenges remain in customer awareness of government schemes, adoption of digital services, and service efficiency due to procedural delays. Although customers appreciate the accessibility and trustworthiness of cooperative banks, the study highlights the necessity for enhanced technological infrastructure, comprehensive financial literacy programs, and more efficient processes to foster inclusive growth.

Introduction

Financial inclusion has become a key element of economic development, ensuring that individuals and communities have access to essential financial products and services at affordable costs. Financial inclusion ensuring that underserved population can access and use essential financial services such as savings, credit, insurance, and payments is widely recognised as a key element of inclusive economic



development (Lakshmi, P & Visalakshmi, S, 2013). Cooperative banks in India have historically served as vital vehicles in pursuit of this goal, especially in rural and semi-urban areas. Their close community ties, low operating costs, and locally embedded governance structure enable them to deliver credit affordably and efficiently to small farmers, micro-entrepreneurs, and low-income households (Sumathy, M. & Nabeel, M, 2022; Tiwari, A.K & Agnihotri, N,2023).

Empirical evidence underscores the impact of cooperative banking on financial empowerment. For instance, cooperative microfinance initiatives have enabled women to enhance savings capacity, business ownership, and asset accumulation (Kimaro, P.J, 2023). Systematic reviews further indicate that cooperative banks are instrumental in bridging financial access gaps for farmers by providing hassle-free, low-cost institutional credit (Gupta,R & Srivastava, R.B.L,2024).

However, cooperative banks confront multiple structural challenges. Urban cooperative banks, while influential in extending affordable credit and enhancing financial literacy, often struggle with limited reach and scalability (Agarwal,P, 2020). More broadly, cooperative banking institutions are held back by resource constraints, outdated technology, regulatory complexities, and persistent issues of customer awareness and trust (Vault of Trust, 2023).

Simultaneously, the rapid growth of digital banking has reshaped expectations. Digitalisation promises transaction efficiency, broader outreach, and improved service quality particularly valuable for rural inclusion (ASSOCHAM & EY, 2017).

Yet, many cooperative banks in India are lagging in digital adoption due to limited infrastructure, cyber security concerns, regulatory friction, and digital literacy gaps among customers (Byas & Bhusawale, 2023; Pawa J.N, 2024).

Understanding customer perspectives how they perceive cooperative banking, their awareness of inclusion schemes, trust in digital transactions, and the difficulties they encounter is crucial for strengthening inclusive finance strategies. These insights can guide policymakers and cooperative banks in designing tailored interventions to build trust, enhance digital access, and ultimately drive financial inclusion goals.

In this study, financial inclusion is defined as the awareness, accessibility, and utilization of financial services and government-sponsored schemes offered by cooperative banks. It is measured by customer responses concerning their knowledge of schemes such as PMSBY, PMJBY, APY and Direct Benefit



Transfer, Digital banking, insurance, pension, and credit facilities, their participation in these services, and the ease of access and benefit derived from them.

Review of Literature

Dinda, R. (2023) assesses the role of cooperative banks in promoting financial inclusion in India. It points out that due to their community-focused operations and localized presence; cooperative banks have considerable potential to reduce the financial access divide. The analysis also stresses that in order to enhance their influence, cooperative banks should adopt technology and digital advancements more readily to broaden their reach and boost operational effectiveness.

A. P. Kavitha. (2022) assesses the contribution of Trithala Service Co-operative Bank in enhancing financial inclusion for rural families in Kerala. The research on Trithala Service Co-operative Bank reveals that while 62 percent of families have bank accounts, 38 percent still do not have access. The primary reason for opening accounts is to save, yet many participants encounter challenges in securing loans and tend to save inconsistently. Major obstacles include low income and a lack of awareness, underscoring the necessity for improved financial literacy and more accessible credit.

Arif, M. (2019) Analysed that digitalization and Fintech are reshaping cooperative banks, enabling services like ATMs, mobile wallets, and RuPay cards to promote inclusion. Despite progress, many cooperatives lag in full digital adoption, limiting outreach. It concludes that continuous technological upgrades and risk management are essential for sustainable financial inclusion.

Jayashree, T, O. & Gangadharan, K. (2016) examines the impact of Urban Cooperative Banks (UCBs) on advancing financial inclusion during the period from 2007 to 2014, utilizing data from the RBI and analytical methods such as CAGR and percentage analysis. The results indicate that UCBs consistently surpassed the 40 percent target for priority sector lending, with notable assistance for small businesses, housing, and microfinance. There was also a steady increase in lending to underprivileged groups. The research concludes that UCBs play a significant role in fostering inclusive growth, but they need to enhance their outreach to less served regions to achieve complete “last-mile” financial inclusion.

Lakshmi, P. & Visalakshmi, S. (2013) Highlights that financial inclusion is crucial for improving the socio-economic conditions of vulnerable groups in India, yet a large section of the population remains excluded. It emphasizes that cooperatives, with their wide rural reach, are effective instruments for promoting inclusive growth. The paper notes that despite government initiatives like rural branch



expansion, simplified KYC (Know your customer) norms, and priority sector lending, access to banking services is still limited, especially for low-income groups.

Research Gap

While cooperative banks play a major role in promoting financial inclusion, there is limited research on the evolving needs and preferences of customers, particularly regarding the adoption and utilization of digital banking services. Examining these evolving trends is crucial for grasping how cooperative banks can improve their services for clients and increase financial accessibility.

Statement of the Problem

Cooperative banks aim to enhance financial inclusion and offer accessible banking services to communities that lack adequate access. However, challenges related to awareness, accessibility, and the uptake of banking products and digital services persist, hindering their overall impact. Recognizing these obstacles is crucial for improving service delivery and ensuring that cooperative banks successfully contribute to inclusive financial development.

Objectives

1. To know the reasons for customers' preference for cooperative banks.
2. To assess the awareness level of respondents regarding cooperative bank products, services, and financial inclusion schemes.
3. To evaluate customers perception of inclusiveness and benefits of cooperative bank services.
4. To identify the challenges faced by customers in accessing both offline and digital banking services.

Scope of the Study

The research is confined to cooperative bank account holders in Tumkur district and aims to examine their awareness, preferences, perceptions, and the challenges they face regarding both conventional and digital banking services.

Research Design

The study uses a descriptive research design to systematically explore the awareness, preferences, perceptions, and challenges experienced by customers of cooperative banks.

**Sources of Data**

The study is based on primary data collected from customers of cooperative banks through a structured questionnaire

Sampling Design

Target Population: All active cooperative bank customers in Tumkur district, including both savings account holders and loan beneficiaries.

Sampling Method: A non-probability approach was used, specifically convenience sampling applied to include only current customers of cooperative banks.

Sample Size

This study analyzes a sample of 120 customers drawn from cooperative banks.

Analysis of Data

The collected data examined through the use of percentage analysis to organize and interpret the results effectively.

Table 1 Demographic Profile of Respondents

| Particulars | Categories | No of Respondents | Percentage (%) |
|------------------|------------|-------------------|----------------|
| Gender | Male | 65 | 54 |
| | Female | 55 | 46 |
| Age | 18-20 | 6 | 5 |
| | 21-30 | 69 | 57 |
| | 31-40 | 33 | 28 |
| | 41-50 | 5 | 4 |
| | Above 50 | 7 | 6 |
| Education | Below SSLC | 6 | 5 |
| | SSLC | 5 | 4 |
| | PUC | 12 | 10 |
| | UG | 30 | 25 |



| | | | |
|---------------------------|-----------------------|----|----|
| | PG | 63 | 52 |
| | PhD | 4 | 3 |
| Place of residence | Rural | 65 | 54 |
| | Semi-Urban | 22 | 18 |
| | Urban | 33 | 28 |
| Income Level | Below ₹1,00,000 | 58 | 48 |
| | ₹1,00,000 – ₹3,00,000 | 36 | 30 |
| | ₹3,00,000– ₹5,00,000 | 17 | 14 |
| | Above ₹5,00,000 | 9 | 8 |

Source: Primary Data

Note: Total Sample size is 120

Table 1 reveals that gender, age, education and income level of participant's. The sample included higher proportion of males (54 Percent) than females (46 Percent). Majority of the participant's fall under the age group of 21-30 years. The majority (52 percent) of the participants have post-graduation education. Participant's majority (54 Percent) represents rural residence. The 48 percent of the participants have income level below ₹ 100000.

Table 2 Duration of Relationship with Bank

| Duration | No of Respondents | % |
|-------------------|--------------------------|------------|
| Less than 1 year | 33 | 27 |
| 01-03 | 34 | 28 |
| 03-05 | 21 | 19 |
| More than 5 years | 32 | 26 |
| Total | 120 | 100 |

Source: Primary Data

Table 2 presents the duration of customer relationship with bank. The sample respondents represented in all the four groups, majority of the respondents (28 percent) have 1-3 years of banking relationship with cooperative banks.

Table 3 Primary Reason for Preference of Cooperative Banks



| Reason for Preference | No of Respondents | Percentage (%) |
|---------------------------------------|-------------------|----------------|
| Better interest rates | 67 | 55 |
| Personalized customer service | 44 | 36 |
| Community focus and trust | 38 | 31 |
| Easy access and location convenience | 45 | 38 |
| Lower fees and charges | 42 | 35 |
| Support for local farmers/ businesses | 35 | 29 |

Source: Primary Data

The Table 3 shows that customer's opinion on reason for preference of cooperative banks .the 55 percent of the respondents indicated better interest rates and 38 percent of the respondent's opinion to easy access and location convenience.

Table 4 Respondents' Awareness Level of Cooperative Bank Products and Services

| Product/Service | Not aware | | Slightly aware | | Moderately aware | | Fully aware | |
|------------------------------------------------------|-------------------|----|-------------------|----|-------------------|----|-------------------|----|
| | No of Respondents | % | No of respondents | % | No of respondents | % | No of respondents | % |
| Savings account | 0 | 0 | 17 | 14 | 19 | 16 | 84 | 70 |
| Credit / Loan facility | 10 | 8 | 34 | 28 | 37 | 31 | 39 | 33 |
| Insurance policy | 20 | 17 | 38 | 32 | 42 | 35 | 20 | 17 |
| Pension scheme | 33 | 28 | 34 | 28 | 42 | 35 | 11 | 9 |
| Digital Banking and payment system (UPI, mobile app) | 21 | 17 | 27 | 23 | 35 | 29 | 37 | 31 |
| Fixed deposit / Recurring deposit | 12 | 10 | 30 | 25 | 47 | 39 | 31 | 26 |

Source: Primary Data

Table 4 shows the level of awareness; it indicates that savings accounts are the most recognized service, with 70 percent of participants fully informed, and followed by a moderate awareness of credit and loan options. Knowledge of insurance and pension plans is notably low, with only 17 percent and nine percent fully informed, respectively, revealing deficiencies in understanding social security services. Digital banking is making strides, as 31 percent reported full awareness, although a significant portion remained uninformed. Fixed and recurring deposits received moderate recognition, with 39 percent showing moderate awareness and 26 percent being fully knowledgeable. In summary, cooperative banks are well acknowledged for traditional offerings like savings and credit but must improve awareness of digital, insurance, and pension products.

Table 5 Awareness of Financial Inclusion schemes

| Program/Scheme | Yes | | No | | Not Sure | |
|-----------------------------|-----------------|-----------|-----------------|-----------|-----------------|-----------|
| | No of responses | % (n=120) | No of Responses | % (n=120) | No of responses | % (n=120) |
| Direct Benefit Transfer | 83 | 69 | 21 | 18 | 16 | 13 |
| PM Suraksha Bima Yojana | 59 | 49 | 31 | 26 | 30 | 25 |
| PM Jeevan Jyoti Bima Yojana | 55 | 46 | 29 | 24 | 36 | 27.5 |
| Atal Pension Yojana | 57 | 48 | 32 | 27 | 31 | 26 |
| Financial Literacy Camps | 37 | 31 | 50 | 42 | 33 | 28 |

Source: Primary Data

The table shows the level of awareness regarding financial inclusion services provided by cooperative banks, revealing that Direct Benefit Transfer has the highest recognition rate at 69 percent among the participants. In contrast, awareness of insurance programs like PMSBY (49 percent) and PMJJBY (46 percent), as well as the Atal Pension Yojana (48 percent), remains at a moderate level, with a significant number of respondents being either uninformed or uncertain. Nonetheless, Financial Literacy Camps show the lowest level of awareness at 31%, emphasizing the necessity for cooperative banks to enhance their outreach and educational efforts to improve participation in these schemes.



Table 6 Account holders Ranking of Cooperative Bank Services Based on Inclusiveness for Underserved Communities

| Services | Rank-1 Most inclusive | Rank-2 Very inclusive | Rank-3 Moderately inclusive | Rank-4 Less inclusive | Rank-5 Least inclusive |
|----------------------------------------------------|-----------------------------|-----------------------------|-----------------------------------|-----------------------------|------------------------------|
| Savings Account | 54 | 32 | 22 | 7 | 5 |
| Credit / Loan facility | 28 | 51 | 28 | 7 | 6 |
| Insurance policy | 19 | 37 | 38 | 14 | 12 |
| Pension Schemes | 25 | 33 | 40 | 12 | 10 |
| Digital Banking and payment system (UPI/app) | 34 | 32 | 36 | 6 | 12 |
| Fixed deposit / Recurring deposit | 35 | 36 | 34 | 7 | 8 |

Source: Primary Data

Table 6 indicates that savings accounts and credit services are perceived as the most accessible options for underserved populations. Insurance products and pension plans are considered to be moderately inclusive, indicating limited availability. Digital banking and fixed deposit accounts received varied evaluations, pointing to a slow acceptance but inconsistent access.

Table 7 Respondents' Perception of Most Beneficial Services of Cooperative Banks

| Services | No of Responses | % |
|----------------------------------------------|-----------------|----|
| Savings Account | 88 | 73 |
| Credit / Loan facility | 66 | 55 |
| Insurance policy | 31 | 26 |
| Pension Schemes | 27 | 23 |
| Digital Banking and payment system (UPI/app) | 44 | 37 |
| Fixed deposit / Recurring deposit | 37 | 31 |

Source: Primary Data

Table 7 reveals that savings accounts (73 Percent) and credit/loan services (55 Percent) are viewed as the most useful offerings of cooperative banks. There is a moderate level of preference for digital banking

(37 Percent) and fixed/recurring deposits (31 percent), whereas insurance (26 percent) and pension plans (23 percent) are regarded as the least advantageous. This underscores the prevalence of traditional services compared to more modern and security-focused options.

Table 8 Availability of Digital Banking Services in Cooperative Banks

| Services | Yes | | No | | Don't know | |
|-------------------------------------------|----------------|----|----------------|----|----------------|----|
| | No of Reponses | % | No of Reponses | % | No of Reponses | % |
| UPI transactions | 75 | 63 | 23 | 19 | 22 | 18 |
| Mobile banking | 64 | 53 | 28 | 23 | 28 | 23 |
| Internet banking | 58 | 48 | 26 | 22 | 36 | 30 |
| BBPS (Bharat Bill Payment System) | 34 | 28 | 37 | 31 | 49 | 41 |
| IMPS (Immediate Payment Service) | 40 | 33 | 33 | 28 | 47 | 39 |
| NEFT (National Electronic Funds Transfer) | 65 | 54 | 19 | 16 | 36 | 30 |
| RTGS (Real-Time Gross Settlement) | 54 | 45 | 26 | 22 | 40 | 33 |

Source: Primary Data

Table 8 shows that basic digital services, including UPI (63 percent), NEFT (54 percent), and mobile banking (53 percent), are commonly accessible, whereas internet banking (48 percent) and RTGS (45 percent) have moderate levels of access. More advanced services like BBPS (28 percent) and IMPS (33 percent) exhibit low availability, with a significant number of respondents lacking awareness of these options. This underscores the necessity for enhancing infrastructure and increasing customer awareness regarding newer digital services.

Table 9 Perception of Trust towards Digital Transactions

| Perception of trust | No of responses | % |
|----------------------|-----------------|----|
| Completely trust | 32 | 27 |
| Moderately trust | 52 | 43 |
| Slightly trust | 15 | 13 |
| Do not trust at all | 8 | 6 |
| Unsure/No experience | 13 | 11 |



| | | |
|--------------|------------|------------|
| Total | 120 | 100 |
|--------------|------------|------------|

Source: Primary Data

Table 9 shows that most respondents either have moderate trust (43 percent) or complete trust (27 percent) in digital transactions, demonstrating a reasonable level of confidence. Nevertheless, 13 percent reported only minimal trust, and six percent voiced a lack of trust, highlighting ongoing security concerns. Furthermore, 11 percent indicated they had no experience, pointing to limited exposure among some Users.

Table 10 Challenges Faced by Respondents in Using Offline Cooperative Bank Services

| Challenges | No of responses | % |
|------------------------------|-----------------|----|
| Long queues/delays | 35 | 29 |
| Lack of staff support | 44 | 37 |
| Low awareness about products | 44 | 37 |
| Poor digital infrastructure | 50 | 42 |
| Language barriers | 19 | 16 |
| Documentation issues | 32 | 27 |

Source: Primary Data

Table 10 indicates that inadequate digital infrastructure (42 percent) is the most frequently cited challenge, with the absence of staff support and insufficient awareness of products tied for second place at 37 percent each. Lengthy wait times (29 percent) and issues with documentation (27 percent) also obstruct access to services, while language barriers (16 percent) are noted as the least significant concern. In summary, gaps in infrastructure and information stand out as major obstacles in offline cooperative banking services.

Table 11 Challenges in Accessing Digital Banking

| Major challenges | No of responses | % |
|----------------------------|-----------------|----|
| Lack of knowledge | 35 | 29 |
| Poor internet connectivity | 65 | 54 |
| Fear of fraud | 59 | 49 |
| Language barrier | 14 | 12 |



| | | |
|--------------------------|----|----|
| Difficult user interface | 15 | 13 |
|--------------------------|----|----|

Source: Primary Data

Table 11 shows that the main obstacles to accessing digital banking are inadequate internet connectivity (54 percent) and concerns about fraud (49 percent). A considerable number of people (29 percent) are also hindered by a lack of knowledge, whereas language difficulties (12 percent) and complicated user interfaces (13 percent) are lesser issues. In summary, technical challenges and security worries impede the uptake of digital banking.

Findings

The research indicates that most participants are young adults aged 21 to 30, with 54 percent being male, 52 percent holding postgraduate degrees, and 54 percent coming from rural backgrounds, while 48 percent have an income of less than ₹100,000. A significant portion of respondents (28 percent) have been in a relationship with cooperative banks for 1 to 3 years. Savings accounts and credit or loan services are widely acknowledged, accessible, and advantageous offerings, while insurance, retirement plans, and financial education initiatives demonstrate low levels of awareness and perceived accessibility. In terms of digital banking, fundamental services such as UPI (63 percent), NEFT (54 percent), and mobile banking (53 percent) are fairly accessible, with users demonstrating moderate levels of trust. Internet banking (48 percent) and RTGS (45 percent) have moderate availability, while more advanced services like BBPS (28 percent) and IMPS (33 percent) are less prevalent, and many respondents remain unaware of them. This indicates a partial uptake and reveals deficiencies in infrastructure, awareness, and customer support. Challenges with offline banking consist of inadequate infrastructure (42 percent), insufficient staff support (37 percent), lengthy wait times (29 percent), and problems with documentation (27 percent). The adoption of digital banking is obstructed by inadequate internet connectivity (54 percent), concerns about fraud (49 percent), and a lack of understanding (29 percent). Direct Benefit Transfer shows the highest awareness (69 percent), while other government schemes have moderate recognition. Overall, cooperative banks are well-regarded for traditional services but need to improve awareness, accessibility, and digital adoption to better serve underserved communities.

Suggestions

To boost financial inclusion, cooperative banks ought to organize awareness initiatives focused on insurance, pension plans, and financial inclusion programs, while also upgrading digital infrastructure and educating customers to foster trust and address technological challenges. Concurrently, it is crucial to



enhance offline services by minimizing wait times, streamlining documentation processes, and offering more effective assistance from staff members. Guaranteeing equitable access to both conventional and contemporary banking services will especially aid rural and low-income clients.

Conclusion

The research indicates that cooperative banks are crucial in promoting financial inclusion by providing affordable and accessible services to various customer segments, particularly in rural and low-income areas. Nonetheless, there are still issues regarding the awareness of financial initiatives, digital technology adoption, and the efficiency of services. Tackling these obstacles through financial education initiatives, improved digital infrastructure, and more user-friendly offline services will foster enhanced trust and engagement. By combining their traditional strengths with contemporary innovations, cooperative banks can establish themselves as trustworthy agents of inclusive growth and sustainable financial empowerment.

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