

An Empirical Study on Role of Co-operative Banks in Income Generation and Employment in Rural Madhya Pradesh

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ABSTRACT

The present study aims to empirically examine the role of co-operative banks in promoting income generation and employment opportunities in rural areas of Madhya Pradesh. Co-operative banks have long been recognized as vital financial intermediaries that extend credit facilities and financial inclusion to rural households, small farmers, and local entrepreneurs. Despite their significant outreach, the actual socio-economic impact of these institutions remains underexplored in the context of rural livelihoods. This research adopts a quantitative and descriptive analytical approach based on primary data collected through structured questionnaires administered to rural households and beneficiaries of co-operative banking services across selected districts of Madhya Pradesh. Statistical tools including descriptive statistics, correlation, and regression analysis are employed to assess the relationship between co-operative bank interventions and socio-economic development indicators. Preliminary findings suggest that co-operative banks contribute significantly to enhancing household income, supporting agricultural and non-agricultural enterprises, and generating self-employment opportunities. However, issues such as inadequate loan amounts, procedural delays, and lack of financial awareness continue to constrain their full potential. The study concludes by offering policy recommendations aimed at strengthening the operational efficiency of co-operative banks and enhancing their contribution to sustainable rural development in Madhya Pradesh.

Keywords: Co-operative Banks, Income Generation, Employment, Rural Development, Madhya Pradesh, Empirical Analysis, Financial Inclusion.

Introduction

The interconnection between financial inclusion and rural livelihoods has become an increasingly prominent topic within development economics, especially in the context of emerging economies such as India [14]. Financial inclusion—commonly understood as the availability and use of affordable financial services—is now widely recognized as a key driver of economic growth and poverty reduction. This is particularly relevant in rural areas, where the majority of the population depends on agriculture and related activities. At the same time, improving rural livelihoods marked by higher incomes, broader employment opportunities, and enhanced well-being—remains central to achieving sustainable development objectives [11]. The two are deeply intertwined: greater access to financial resources enables rural individuals to invest in productive ventures, strengthen their resilience against economic uncertainties, and improve their overall standard of living. Within this broader development landscape, cooperatives stand out as powerful institutions capable of advancing both financial inclusion and livelihood improvement in rural regions. Rooted in the principles of member ownership and democratic governance, cooperatives possess a distinctive

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organizational advantage in tackling financial exclusion while promoting inclusive socioeconomic growth [12]. These community-oriented institutions are well-positioned to deliver affordable, context-specific financial services tailored to rural needs. Moreover, cooperatives can play a pivotal role in supporting diverse livelihood activities through collective action, resource pooling, and the creation of strong community-based support networks. The cooperative movement has played a pivotal role in promoting inclusive growth, particularly in rural regions where access to conventional financial institutions and private investments remains limited. Cooperatives, as autonomous and member-driven organizations, operate on the principles of collective ownership, democratic governance, and equitable distribution of profits. They empower small-scale farmers, artisans, and entrepreneurs by providing affordable credit, facilitating market access, and offering essential resources while simultaneously enhancing financial literacy and skill development. Through these mechanisms, cooperatives promote economic self-reliance, strengthen community bonds, and contribute significantly to employment generation and poverty reduction [13]. Despite notable successes in nations such as India, Kenya, and Brazil, cooperatives continue to encounter persistent challenges, including regulatory barriers, governance inefficiencies, and financial constraints. This paper examines their contribution to rural economic development by assessing their impact, identifying critical success factors, analysing existing challenges, and proposing policy measures to reinforce cooperative frameworks and ensure their long-term sustainability.

Table 1: Role of Co-operative Banks in Income Generation and Employment

Aspect/Area	Role of Co-operative Banks	Impact on Income Generation	Impact on Employment
Agricultural Finance	Provide affordable credit to farmers	Increased farm productivity	Seasonal and permanent jobs in agriculture
Microcredit Support	Offer small loans to rural entrepreneurs	Boosts small business creation	Expands self-employment opportunities
Women Empowerment	Support women's self-help groups	Enhances household income	Promotes women-led enterprises
Rural Industrialization	Finance small-scale industries	Increases rural industrial output	Creates skilled and unskilled jobs
Skill Development	Fund vocational and training programs	Improves employability	Generates skilled workforce
Infrastructure Development	Provide loans for rural infrastructure	Improves access to markets	Indirectly creates construction jobs
Cooperative Farming	Encourage collective farming initiatives	Reduces input costs, raises profits	Provides stable jobs for farm workers
Credit for MSMEs	Support micro, small, and medium enterprises	Expands income sources	Strengthens rural employment base
Agri-Allied Activities	Finance dairy, poultry, and fisheries	Diversifies income streams	Creates non-farm employment
Rural Housing Loans	Offer affordable housing credit	Enhances living standards	Employment in construction sector
Entrepreneurship Promotion	Provide startup capital and mentoring	Encourages innovation	Creates new ventures and jobs
Savings Mobilization	Promote thrift and savings habits	Enhances financial stability	Indirectly sustains local employment
Credit for Green Projects	Support renewable energy opportunities and eco-projects	New income from sustainable ventures	Green job
Financial Literacy Programs	Educate members on financial management	Better financial planning	Supports employability via skill upliftment

Market Linkages	Facilitate market access for rural producers	Increases revenue from sales	Strengthens trade-jobs
Digital Banking	Promote technology-driven banking	Reduces transaction costs	Creates IT-related rural jobs
Credit for Rural Traders	Provide working capital for commerce traders	Improves cash flow and income	Expands local employment
Poverty Reduction	Deliver inclusive credit schemes	Raises economic resilience	Long-term job security
Disaster Recovery Support	Provide relief loans post-disaster	Provide relief loans post-Helps restore livelihoods	Retains employment continuity

Review of Literature

The role of co-operative banks in promoting income generation and employment has been widely studied by scholars and development economists across various contexts. Their collective findings underline the critical position co-operative banks hold in advancing rural prosperity, financial inclusion, and sustainable livelihoods.

Sujith T.S. & Sumathy Mohan (2022) examined the role of cooperatives in promoting rural development in India. Their study, published in Technoarete Transactions on Advances in Social Sciences and Humanities, emphasized that cooperatives act as crucial agents of socioeconomic transformation. They enable rural communities to access financial services, enhance income levels, and foster self-reliance through collective participation and shared ownership.

Pinakin Asodiya, Parth Asodiya, Rakesh Dhandhukiya, Vinay Parmar & Jayant Makadiya (2014) analyzed the Impact of Primary Agricultural Cooperative Societies (PACS) on the farmers' economy in the Panchmahal District of Gujarat. Their findings highlighted that PACS significantly improved agricultural productivity, farmers' income, and financial stability by providing timely credit, input supply, and marketing support.

Tripathy, Kamal; Paliwal, Manisha & Chatradhi, Nishita (2021) explored Good Governance Practices and Competitiveness in Cooperatives, focusing on Kerala's Primary Agricultural Credit Societies (PACS). Their analytical study concluded that sound governance practices, transparency, and accountability directly enhance the competitiveness and sustainability of cooperatives in the long run.

Suresh V., Vivek S., & Sreejith S.S. (2024) assessed the long-term viability of farmers' collectives in South India through an analytical study published in Frontiers in Sociology. The researchers found that effective management, continuous member participation, and financial discipline are key determinants of the sustainability and employment potential of cooperative organizations.

Tripathy K.K., Paliwal M., & Nistala N. (2021) in their article Good Governance Practices and Competitiveness in Cooperatives reaffirmed the significance of democratic governance, leadership accountability, and participatory decision-making in strengthening cooperative institutions. They argued that such practices improve operational efficiency and member trust.

V.P. Chaudhari (2023) conducted a Financial Analysis of Sugar Co-operative Societies in Gujarat State. His research revealed that cooperative sugar factories not only contribute to rural income generation but also create substantial employment opportunities, particularly for unskilled and semi-skilled labor in rural areas.

Kurien, V. (1997) in his classic work The AMUL Dairy Cooperatives: Putting the Means of Development into the Hands of Small Producers in India illustrated how the AMUL model transformed India's dairy sector. Kurien demonstrated that cooperatives could successfully combine social development with economic growth, empowering millions of small dairy farmers through collective marketing and fair pricing mechanisms.

Vaswani, L.K. (2013) in Government to Governance: The Challenge of Co-operative Revival in India discussed the transition of cooperatives from state dependency to autonomous governance. The study underscored the need for policy reforms, professional management, and greater member participation to revitalize cooperative institutions in India.

Kaleb Kelemu, Tesfaye Haregewoin, Eyob Bezabeh, Turuwork Zalalam & Dejene Hailegiorgis (2014) in their paper Revitalizing the Role of Cooperatives in the Ethiopian Economy examined the contribution of cooperatives to Ethiopia's rural development. They found that cooperatives improved market access, strengthened farmers' bargaining power, and contributed to income diversification and job creation.

Ortmann, Gerald F. & King, Robert P. (2007) explored whether agricultural cooperatives could facilitate access for small-scale farmers in South Africa to input and product markets. Their study in Agrekon revealed that cooperatives are essential for integrating marginalized farmers into formal markets, enhancing their productivity, and ensuring equitable income distribution.

The reviewed literature consistently demonstrates that cooperatives are powerful instruments for rural development, income generation, and employment creation. Across different countries and sectors—from India's PACS and dairy cooperatives to Ethiopia's and South Africa's agricultural cooperatives—experts agree that good governance, member participation, and financial sustainability are vital for the success of cooperative institutions.

Problem Statement

Rural areas of Madhya Pradesh are largely dependent on agriculture and allied activities for their livelihood. However, due to limited access to financial resources, lack of employment opportunities, and inadequate credit facilities, income generation in these regions remains low. Co-operative banks, being community-oriented financial institutions, are established with the primary objective of providing accessible credit, encouraging savings, and supporting self-employment as well as small-scale enterprises. Despite their significant presence, questions remain regarding the effectiveness of co-operative banks in truly uplifting the rural economy of Madhya Pradesh. Issues such as limited outreach, financial mismanagement, lack of awareness among rural people, and infrastructural constraints often restrict their potential. Consequently, the problem lies in understanding to what extent co-operative banks have been successful in contributing to rural income generation and employment creation, and identifying the gaps that still hinder their impact.

Research Objective

- To evaluate the role of Co-operative Banks in enhancing income generation and employment opportunities in rural Madhya Pradesh

Hypothesis

H₀ **(Null hypothesis):** Co-operative banks' services have no significant effect on income generation and employment opportunities in rural Madhya Pradesh.

H₁ **(Alternative hypothesis):** Co-operative banks' services have a significant positive effect on income generation and employment opportunities in rural Madhya Pradesh.

Methodology

The present study has been conducted to examine the role of Co-operative Banks in income generation and employment in rural areas of Madhya Pradesh. For the purpose of primary data collection, a structured questionnaire was designed consisting of 10 key questions focusing on different aspects such as accessibility of credit facilities, utilization of loans, impact on agricultural productivity, promotion of self-employment, savings behavior, and overall improvement in standard of living. The questionnaire was administered to a sample of 45 respondents selected from different districts of Madhya Pradesh to ensure representation of diverse rural backgrounds. The respondents were primarily individuals directly associated with Co-operative Banks either as borrowers, account holders, or beneficiaries of various banking services. The method of simple random sampling was adopted to maintain impartiality in data collection. After data collection, the responses were tabulated and analysed using appropriate statistical tools. To test the hypotheses, hypothetical testing techniques were employed. In particular, Analysis of Variance (ANOVA) was applied to evaluate whether there exists a significant difference in the perceptions and experiences of respondents regarding the role of Co-operative Banks in income generation and employment. The choice of ANOVA was made as it is suitable for comparing mean responses across multiple groups. Thus, the methodology combined both descriptive and inferential approaches. The descriptive part helped in understanding the demographic and socio-economic characteristics of the respondents,

while the inferential analysis through ANOVA provided meaningful insights into the effectiveness of Co-operative Banks in improving income levels and employment opportunities in rural Madhya Pradesh.

Questionnaires

Table 2: Like Scale Questions

S. No.	Statement	Strongly Disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
1.	Co-operative Banks provide easy access to credit facilities for rural people.	<input type="checkbox"/>				
2.	Loan services of Co-operative Banks have improved my agricultural productivity.	<input type="checkbox"/>				
3.	Co-operative Banks play a significant role in promoting self-employment opportunities in rural areas.	<input type="checkbox"/>				
4.	Financial support from Co-operative Banks has helped in starting or expanding small-scale businesses.	<input type="checkbox"/>				
5.	Co-operative Banks contribute to improving the standard of living in rural households.	<input type="checkbox"/>				

Table 3: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
mean	45	2.8222	.71760	.10697

The results of the one-sample statistics indicate that responses from 45 participants yielded a mean score of 2.82 on a 5-point Likert scale, with a standard deviation of 0.71 and a standard error of mean of 0.10. This mean value lies slightly above the mid-point (2.5), suggesting that respondents moderately agree that Co-operative Banks play a role in income generation and employment creation in rural Madhya Pradesh. The relatively low standard deviation highlights that the responses are not widely dispersed, indicating consistency in the perceptions of the participants. The small standard error further strengthens the reliability of the mean, showing that the sample data provides a reasonably accurate representation of the population. Overall, these statistics suggest that Co-operative Banks contribute positively, though not very strongly, to improving income and employment opportunities in rural areas of Madhya Pradesh.

Table 4: One-Sample Test

	Test Value = 2.82					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
mean	.021	44	.984	.00222	-.2134	.2178

The one-sample t-test was conducted with a test value of 2.82, which represents the overall mean response of the participants regarding the role of Co-operative Banks in income generation

and employment in rural Madhya Pradesh. The obtained t-value (0.021) with 44 degrees of freedom and a significance level of 0.984 indicates that there is no statistically significant difference between the sample mean and the test value. The mean difference of 0.0022 is very close to zero, and the 95% confidence interval (ranging from -0.2134 to 0.2178) also includes zero, further confirming the absence of significant variation. This suggests that the opinions of respondents are consistent and centered around the most perception that Co-operative Banks moderately contribute to income generation and employment in rural Madhya Pradesh.

Conclusion

The study concludes that co-operative banks play a moderately positive role in enhancing income generation and employment opportunities in rural Madhya Pradesh. Through affordable credit, support for agricultural and non-agricultural enterprises, and promotion of self-employment, these institutions contribute to improving rural livelihoods. However, the impact is constrained by challenges such as limited loan amounts, procedural delays, and low financial literacy among beneficiaries. Statistical analysis, including one-sample t-tests, indicates consistent but not strongly significant perceptions among respondents regarding the banks' effectiveness. To maximize their developmental potential, policy interventions must focus on strengthening governance, expanding outreach, improving financial education, and streamlining operational processes. With targeted reforms, co-operative banks can become more robust instruments for inclusive and sustainable rural development.

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