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Research Article

The Role of Urban Cooperative Banks in Creating Financial Inclusion and its Impact on Enhanced Development- An Evidence from Andhra Pradesh

Shaik Darga Madina[1], Lt.Dr.Jetti Pandu Rangarao[2], Dr.P.Uma Maheswari Devi[3]
[1]*Research Scholar (PT), Department of Commerce and Management Studies, Adhikavi Nannaya University, Rajamahendravaram, East Godavari Dt., Andhra Pradesh.*
[2]*Asst.Professor, Department of Commerce, P.R Government College (A), Kakinada, A.P.*
[3]*Professor, Department of Commerce and Management Studies, Adhikavi Nannaya University, Rajamahendravaram, East Godavari Dt., Andhra Pradesh.*

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ABSTRACT

The financial system's role fortifies a country, enabling it to excel in a competitive global landscape. Financial inclusion is a crucial development metric for alleviating poverty and attaining financial objectives. It catalyses development, particularly in poor countries. This article examines the part of urban cooperative banks in bridging the gap in access to finance and enhancing financial literacy for affordable financing in urban settings. The study also investigates the degree to which UCB services contribute to social development in the areas of education, health, and economic status among the studied population. The quantitative cross-sectional research design was selected to investigate the influence of UCB services on financial inclusion and improved development. This present study comprising 72 questions over eight dimensions, advocates for a sample size of 720 from thirty-six operating urban cooperative banks with multiple branches throughout Andhra Pradesh, India, serving urban and semi-urban populations. The SEM results indicate a robust positive correlation among UCB services (Access, Usage, Availability, Acceptability, and Quality), with the exception of Affordability. The findings indicated that the characteristics of Financial Inclusion had a significant beneficial influence on Enhanced Development.

Keywords: Urban Cooperative banks, Financial Inclusion and Development

1. Introduction

The Indian financial system is crucial for a nation's economic development, encompassing several parts, including financial institutions, agents, along with markets. The Committee on monetary Inclusion's report delineated financial inclusion as the progression of guaranteeing admittance to financial services along withwell-timed, sufficient credit for defenseless populations, including marginalisedas well as low-income groups, at a reasonable cost (GoI 2008). Financial inclusion is a means to attain economic growth by addressing income inequality within the economy. Financial inclusion empowers impoverished individuals to save and borrow, facilitating asset accumulation, investment in education, and enhancement of livelihood prospects, so improving their quality of life. Inclusive finance particularly advantages marginalised groups, including women, youth, and rural areas.

Consequently, financial inclusion has become a significant policy target in numerous countries worldwide, aimed at enhancing the lives of the impoverished. The World Bank has proposed a roadmap for attaining universal financial access by 2025, acknowledging that 2.5 billion adults globally are 'unbanked.' Over 50 nations, including India, have established ambitious financial inclusion objectives. The emphasis on financial inclusion is not only to deliver banking services to underserved and non-banking regions but also to enhance financial literacy and supply financial products at reduced costs and expedited timelines. The RBI proposes the 5P's model for financial inclusion, which includes Product, Place, Price, Protection, and Profit. CRISIL defines financial inclusion as the degree to which all segments of society have admittance to formal monetary services, including loans, deposits, insurance, and pensions.

Financial exclusion is characterised as the incapability of specific communal sectors to access appropriate, affordable, equitable, as well as secure financial goods and services from conventional providers. The core principle of monetary inclusion is to assurance that a diversity of appropriate monetary services is reachable to all individuals, empowering them to comprehend and utilise those services. In addition to conventional financial intermediation, it may encompass a basic no-frills banking account for executing payments, a savings product customized to the cash flow patterns of low-income households, small loans and overdrafts for productive, personal, and other uses, as well as insurance (both life and non-life), among other offerings.

This research analyses the role of urban cooperative banks in promoting financial inclusion, amidst numerous financial institutions and banks engaged in this endeavour. A co-operative bank is a financial institution owned by its members, who simultaneously serve as both the proprietors and clients of the bank. Co-operative banks are typically established by individuals from the same local or professional community or those who share a shared interest. The cooperative credit system is structured in three tiers and operates on a federal basis. The State Co-operative Bank (SCB) occupies the highest tier in each state (since cooperation is a state topic in India); at the intermediate district level, there are Central Co-operative Banks (CCBs); and at the village level, there exist primary agricultural credit societies (PACS). Cooperative banks are categorised into two types: urban cooperative banks and rural cooperative banks.

Urban cooperative banks were founded under the Cooperative Societies Act of 1904 to provide loans to small borrowers and businesses; nevertheless, the scope of their operations has evolved considerably in contemporary times. Currently, India has more than 1,500 scheduled as well as non-scheduled Urban Cooperative Banks, with a total branch count surpassing 11,000. The banks own deposits over Rs 5.33 lakh crore and total loans surpassing Rs 3.33 lakh crore. Numerous banks face limitations concerning technology platforms and challenges in providing contemporary banking services (Press Information Bureau, GOI, 2024).

An urban cooperative bank is a prime cooperative bank located in urban areas with populations ranging from 100,000 to fewer than 1,000,000, and in semi-urban areas with populations from 10,000 to less than 100,000. Urban Cooperative Banks, due to its entrenched affiliations with particular communities, may readily cultivate the trust of small depositors and borrowers. The UCBs possess a distinct edge over commercial banks due to their local origin and deep integration with the community. The UCBs find it simpler to overcome the psychological barrier that hinders the final stage of financial inclusion—establishing trust within the target group and attracting consumers. As large commercial banks endeavour to establish branches and utilise technology to access hitherto unexploited areas of the country, it is imperative for UCBs to engage in the competition that is inherently theirs to dominate.

Thus, the Government of India along with RBI, are persistently striving to improve monetary inclusion in India. The strategy on monetary inclusion was executed among an emphasis on the supply part of monetary inclusion initiatives as well as programs. Nonetheless, unintentional exclusion (Tulasi et al. 2017) furthermore the inferior quality of banks in fostering monetary inclusion, as reported by the Press Information Bureau, GOI, 2024, are demand-side concerns that require attention. This study analyses the influence of urban cooperative bank services on financial inclusion and societal development from the perspective of their consumers.

2. 2. Conceptual Development and Hypotheses

2.1 The Role of UCBs

Despite the promising future of India's banking sector, the ever-changing nature of the market is preventing Role of UCB"S from expanding even more. According to J. Deshmukh and Som (2011), people on the ground were able to use financial services provided by urban cooperative banks. Small as well as medium-sized traders, entrepreneurs, artisans, along with farmers can get the banking services they need from urban cooperative banks, unlike private and commercial banks that exclusively work with famous and wealthy businesses. Meanwhile, according to S.R. Dhere (2014), cooperative banks are crucial to India's financial inclusion efforts because they bring banking services to previously unbanked areas, create jobs and income opportunities in rural areas, and support inclusive development in rural areas.

According to Bose (2014), urban cooperative banks are crucial for the enlargement of small as well as medium-sized businesses in cities, as well as for satisfying the lending needs of different sectors. According to Sanjivkumar S. Agrawal (2016), urban along with semi-urban regions of the nation rely on urban cooperative banks to fulfil their banking demands. UCBs make up nearly the same percentage of bank advances as they do of deposits, which is around 5%. As a tool for monetary inclusion, UCBs has a big blow on social and monetary growth, even if they only make up a small fraction of businesses overall. By facilitating the transfer of savings from middle- and lower-class individuals to smaller borrowers—including vulnerable parts of society—they close a significant loophole in the system for providing financial services. While many people in urban and semi-urban areas are also financially excluded, a disproportionate number of people living in rural areas fall into this category. According to K. Manjula and Satish Chandra Bhatnagar (2019), urban cooperative banks, which are a part of India's cooperative banking structure, can help with the financial inclusion problem in these areas.

According to research by Agarwal, P. (2020) on the topic of urban cooperative banks and monetary inclusion, there is a significant disparity between the supply and demand for cheap financing in India at the moment. In addition to commercial banks, urban cooperative banks have grown substantially in size, deposits, and lending in metropolitan areas, solidifying their position as a pillar of financial inclusion. To guarantee that all people can use banks, the functions of UCBs are vital, according to Khurana R. (2023). As UCBs tailor banking services to meet the needs of different communities, they help build an economy that is more equitable and just.

2.2 Performance of UCBs (Supply side and Demand side)

Although UCBs play an imperative part in providing loans to the urban poor, Paul and Selvakumar (2020) highlighted this. Despite this, UCBs' financial performance is lower when compared to that of other banks in India, whether public or private. There are some metrics where the UCBs' performance is above average, and there are others where it falls short of expectations. According to M.P. Thomas and Radhika Gupta (2021), UCBs vary greatly in their asset bases, areas of operation, and business types. Nevertheless, being community-based organisations, they are greatly capable of meeting the financial demands of society's weaker segments. Small borrowers, retail dealers, micro, small, and medium companies (MSMEs), slum dwellers, craftsmen, domestic workers, and construction workers have historically been their target customers, and they have traditionally limited their operations to metropolitan, urban, or semi-urban centres. The fact that UCBs' shareholders are also their stakeholders gives them a leg up as compared to commercial banks when it comes to helping the urban poor gain admittance to banking services.

The current body of research on financial inclusion relies on indexes that collect data on financial services from the supply side, rather than the demand side, according to Mukhopadhyay, J. (2016). According to Sharma (2016), all five of the measured aspects of service quality indicate that the bank in question provides satisfactory service.

According to Mounika et al. (2021), UCBs provide a variety of services that contribute to financial inclusion. These services include customer-centric approaches that are intended to convene the diverse requirements of their clients, community engagement, aextensivechoice of financial products as well as services (such as savings and current accounts, loans for agriculture, small businesses, education, and housing), and recurring deposit schemes. Technology Adoption: Customers have more freedom and convenience thanks to the availability of basic online banking services and mobile banking applications, and Impact on Society and the Economy: The bank helps alleviate poverty by making banking services more accessible, which in turn empowers individuals and businesses to reach their financial objectives.

2.3 Financial Inclusions Dimensions and Development

Nirupam Mehrotra, Puhazhendhi, Gopakumaran Nair, and Sahoo (2009) employed diverse criterion to evaluate the condition of monetary Inclusion within an economy, specifically (i) the outreach element and (ii) the definite usage dimension. They proposed the development of a multidimensional index to quantify the degree of Financial Inclusion, incorporating data on bank penetration, accessibility of banking services, ease of use of banking services, and utilisation of the banking structure.

Syed SohailJavaad (2012) defined financial inclusion as a collection of metrics assessing the extent to which a nation's populace has access to financial services. Moreover, he noted that Financial Inclusion is assessed through various metrics, including the utilisation of bank accounts, the accessibility of Automatic Teller Machines (ATMs) or Point Of-Sale (POS) terminals, the frequency of financial transactions per capita, the employment of credit/debit cards, and other similar indicators.

Singh, S., & Mahlawat, S. (2016) established a financial inclusion index across three districts in South Haryana, examining financial inclusion through the lenses of bank penetration, bank services, and bank use. Shrikrishna Mahajan, (2023) Financial inclusion extends beyond merely establishing a bank account. The degree of an individual's monetary inclusion can be accessed through their monetary consciousness along with financial behaviour.

2.4 Linkage between Dimensions of UCB's services, Financial Inclusion and Development

2.4.1 Usage

The study by Omar, M. A., & Inaba, K. (2020) highlighted the beneficial correlation between increased utilisation of financial services and the alleviation of poverty and income disparity in developing countries. Immurana et al. (2021) examined access and utilisation as facets of financial inclusion to evaluate its effect on public health. Future research could investigate additional aspects of financial inclusion, including availability and quality, to achieve a more thorough comprehension of its impact on population health.

2.4.2 Accessibility

The findings of Lal, T. (2018) indicates that financial inclusion through cooperative banks significantly and directly contributes to poverty alleviation. Financial inclusion has significantly enhanced the lives of the disadvantaged by providing that admittance to necessary monetary services such as savings, loans, insurance, and credit. Churchill, S. A., &

Marisetty, V. B. (2020) demonstrated that access to credit is vital in enhancing consumption, healthcare, income, and employment prospects, all of which are essential for alleviating poverty. The study by Ansong et al. (2021) robustly endorses the notion that enhancing access to formal savings services can serve as an effective long-term approach for families to improve their financial preparedness for their children's future schooling.

2.4.3 Awareness

Roy et al. (2017) observed that monetary awareness is a crucial factor influencing the monetary inclusion of the respondents. Members of the self-help group with elevated financial knowledge exhibit greater financial inclusion, evidenced by increased utilisation of banking products and services. Haleem, A., & Madhuwanthi, W. P. C. (2020) advocate for policies that stimulate entrepreneurship, augment financial aid to low-income families, and increase awareness of financial services to improve financial inclusion.

2.4.4 Quality

Haleem, A., & Madhuwanthi, W. P. C. (2020) concluded that financial institutions must devise deposit and lending strategies and furnish adequate and comprehensive information on monetary products as well as services to integrate low-income individuals into a formal financial framework.

2.4.5 Availability

The study by Churchill, S. A., & Marisetty, V. B. (2020) demonstrated that enhancing the accessibility of various bank account types, such as savings accounts, empowers low-income households and incentivises them to engage in education and skills, which can be pivotal in alleviating poverty.

2.4.5 Acceptability

The study by Shankar Kumar, S., & Jeyaprabha, B. (2022) identified that financial inclusion encompasses the improvement of saving and investment behaviours, facilitation of autonomous transactions, promotion of entrepreneurship, provision of affordable insurance to the public, and the delivery of pension benefits to the unorganised segment of the nation. The study indicates that future research may examine individuals' perceptions, involvement levels, and empowerment, while also performing a comparison analysis of different financial inclusion programs in various geographical regions.

2.4.7 Affordability

Nsiah et al. (2021) advocate for policies that facilitate accessible and inexpensive financial services for the populace to improve financial inclusion.

2.5 Financial inclusion and Development

The findings of Edoh et al. (2021) demonstrate that an increase in household health expenditure is directly attributable to financial inclusion. The findings of Murendo et al. (2021) revealed that financial inclusion significantly influenced dietary diversity and food consumption, enhancing them by 12% and 14%, respectively. Sen, A., and Laha, A. (2022) performed an analysis to scrutinize the affiliation amid financial inclusion as fine as quality of life (QOL). The canonical correlation analysis results indicated a substantial and significant relationship among financial inclusion along with quality of life across multiple Indian states. The existence of put down accounts along with the infant survival rate, serving as markers of financial inclusion as well as quality of life, significantly influenced this relationship, together among Indian states as well as within districts of West Bengal. Jiang, Y., & Liu, Y. (2022) assert that financial inclusion enhances household participation in business and mitigates the likelihood of business exit.

Based on the review of literatures and objectives presented in the study the following hypotheses are framed.

- H1: There is positive influence between UCBs services in terms of (Usage, Access, Availability, Quality, Acceptability and Affordability) and financial inclusion.
- H2: There is positive influence between financial inclusion and Enhanced Development (Education and Economic Status)

2.6 Model

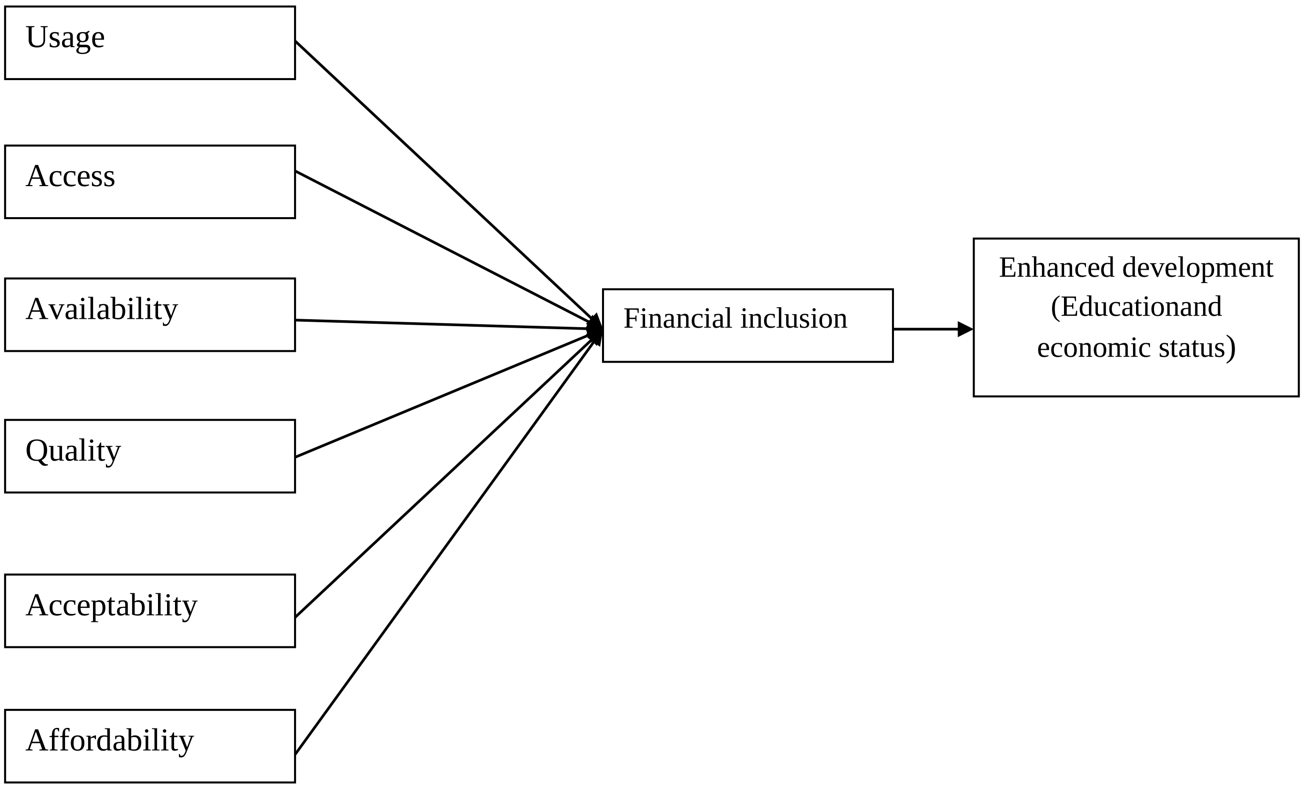

Figure 1: Conceptual Model of the Study

2.7Objectives of the study

1. To study the role of UCBs services in terms of (Usage, Access, Availability, Quality, Acceptability and Affordability) in creating financial inclusion in the study area.
2. To study the impact of financial inclusion in enhancing the Development in terms of (Education and Economic Status).
3. To suggest tailor made UCBs services to enhance societal development through better financial inclusion reach.

3. Data and Methods

The quantitative cross-sectional research design was chosen to scrutinize the impact of UCBs services in creating financial inclusion and development. Data for this study were foundation from equally primary as well as secondary sources. Principal data was collected from beneficiaries of urban cooperative banks in the Andhra Pradesh districts through a structured questionnaire. The target population encompassed individuals who are beneficiaries of urban cooperative banks operating in districts of Andhra Pradesh state, India. The sampling units for the current study are the urban cooperative banks located in the study area that the researcher identified through the official website of the Cooperative Department, Government of Andhra Pradesh. There are thirty sixmain urban cooperative banks which are operational and have various branches spread all across the state are meant to cater to the urban and semi-urban population.

Convenience sampling method was employed to select sampling units from among the beneficiaries of urban cooperative banks residing in the study areas across various districts of Andhra Pradesh. This choice was made because convenience sampling relies on data collected from readily available individuals willing to participate in the study.As for secondary data, the researcher consulted various sources such as books, research papers, magazines, and theses, published or unpublished, to comprehensively understand the problem. Additional information was obtained from government and non-government agencies, including the Cooperative Department of Andhra Pradesh, United Nations Development Programme, and Andhra Pradesh Bank's reports from the State Level Banker's Committee etc.

3.1 Sample Participants and Characteristics

The demographic data obtained from the respondents offers valuable insight into the reach and responsibility of Urban Cooperative Banks (UCBs) in promoting monetary inclusion across different segments of the population in Andhra Pradesh. Starting with gender representation, the sample is almost evenly split between males (51.7%) and females (48.3%).

This near-equal distribution is crucial for analysing financial inclusion from a gender perspective, as it enables a balanced assessment of access to and utilization of UCB services by both men and women. In terms of income, the sample encompasses a diverse range of earnings, with a significant portion (31.80%) in the 20,001-30,000 monthly income range and another 25.4% earning below 20,000.

This distribution indicates that UCBs are accessible to lower- and middle-income groups who may otherwise face exclusion from formal financial systems due to limited resources. The age distribution is predominantly younger, with 51.2% of respondents between 26 and 35 years old. This youthful demographic is essential for UCBs as it represents individuals who are at the early stages of their financial journey, with varying degrees of financial literacy and potential for long-term customer relationships. Educational background in this sample shows a highly educated population, with 19.30% holding postgraduate degrees. This indicates that UCBs are engaging a clientele that is likely financially aware and potentially seeks more sophisticated financial products than basic savings or loan offerings. Occupationally, the sample is diverse, with private employees (32.4%), students (26.0%), and self-employed individuals (21.4%) forming the major occupational groups. This distribution underscores the varied needs UCBs must cater to.

Private employees may be interested in payroll management services, loans for household needs, or investment options. Marital and family size data provides additional context, highlighting the social responsibilities that could influence financial decision-making. With nearly equal representation of married (47.9%) and unmarried (52.1%) respondents, the data allows for an understanding of whether UCBs are meeting the needs of individuals with family commitments, such as home loans or child education plans.

Additionally, family size data, which shows 52.1% with families of six or more members, could indicate a demand for more flexible credit options or savings plans tailored to larger households with multiple dependents. UCBs, as community-focused entities, have the potential to serve as a critical resource for family-oriented financial planning.

Social status distribution reveals the inclusivity of UCB services, with Scheduled Castes (14.7%), Scheduled Tribes (7.22%) and Other Backward Classes (47.22%) forming significant segments. This highlights the reach of UCBs within traditionally marginalized groups, reflecting on the banks' ability to promote equity within financial inclusion.

3.2 Sample Measures

The present study, with 72 items for eight constructs, argues for a sample size of 720 or more, meeting the recommended criteria of Hair et al. (2010) suggest a minimum of 10-15 respondents per variable, while Bentler and Chou (1987) recommend at least five respondents per item in normally distributed data without missing values or outliers. The complete questionnaire was divided into two segments; the initial segment pact among demographic data, while the succeeding sector inquired about the study's variables. The very first section addresses the eleven demographic characteristics of respondents along with awareness on UCBs.

There were 72 questions evaluating each of the eight constructs in the second section of the study. The first six constructs of the questionnaire are related to UCBs services with 36 questions. The following two constructions stood for the aspects of financial inclusion and enhanced development with 36 questions.

A five-point Likert scale was old to determine the respondents' perceptions of the impact of UCB's services on financial inclusion and enhanced development. The scale's points represent the individual or family's degree of satisfaction and comprehension after being linked with the variables. The five point Likert-type scale ranges from 1 = Strongly Disagree to 5 = Strongly Agree or the most significant level of satisfaction.

4. Results and Discussion

4.1 Model fit indices- Overall Model Fit (goodness of fit)

Confident fitness indexes do not attain the requisite level during the initial assessment of the measurement model using AMOS 23.0. When we looked at the factor loading, we discovered that it was greater than 0.5 for all of the items. As a result, there is no room for dropping any item that may cause an issue in the measurement model to have poor fit because content validity for the current study was ensured by selecting the constructs through a literature review. If this is the case, the items among factor loadings less than 0.5 must be impassive before running the new measurement model.

Table 1: The Fitness Indexes for Measurement Model

Name of category	Name of index	Index value	Comments
adjusted goodness of fit	AGFI	0.871	The required level is achieved
Incremental fit	TLI	0.897	The required level is achieved
Parsimonious fit	Chisq/df	2.786	The required level is achieved
Goodness of Fit index (GFI)	GFI	0.897	Higher values indicate better fit, no established thresholds
Root mean square error of approximation (RMSEA)	RMSEA	0.056	The required level is achieved
Comparative Fit Index (CFI)	CFI	0.897	The required level is achieved

Overall structural model fit is also known as evaluation of the goodness of fit measures of structural models. Goodness of fit measures determines whether the researcher should reject or accept the structural model being tested (Hair et al, 2006; Reisinger & Mavondo, 2007). There are four main types of goodness of fit measures to assess the structural model.

Overall structural model fit is also known as structural model goodness of fit evaluation. In the current study, various indices from various goodness of fit measures are provided. These results show that the projected model has the best fit to the data because all measures met the acceptable level and the model is accepted. The goodness of fit indices for the measurement model after item parceling is represented in the Results of Fitness Indexes for Measurement Model above.

According to the table, the chi square/d.f ratio was 2.786, which was less than the threshold value of 3.00. (Hair et al., 2006). The Goodness of Fit index (GFI) is 0.897. There are no established thresholds, so higher values indicate better fit. The current study's root mean square error of approximation (RMSEA) significance was 0.056, which is acceptable, Root mean square error of estimate values less than 0.08 are satisfactory, according to Hair et al., 2006. When compared to the recommended values, all other indices supported a good fit to the data.

4.2 Structural Equation Model

Structural equation modelling (SEM), also identified as path analysis, is a multivariate method used in this study to test hypotheses about the impact of Urban Cooperative Banks Services, Financial Inclusion and Enhance Development.

Figure 1: Structural Equation Model for Urban Cooperative Banks Services, Financial Inclusion and Enhance Development

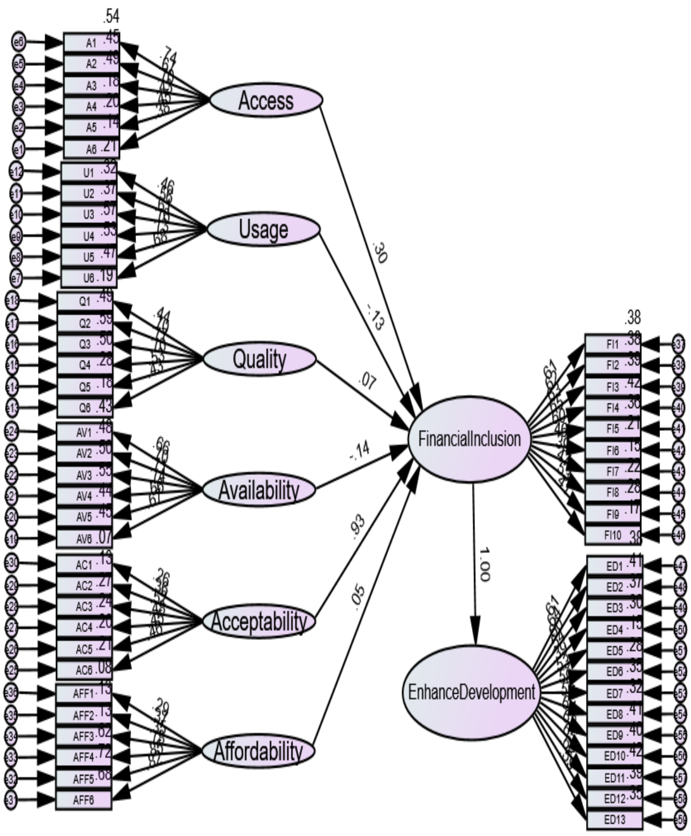

Table 2: Model fit indices of Structural Equation Model for Urban Cooperative Banks Services, Financial Inclusion and Enhance Development

Fit indices	Model Values	Threshold Values
Chi-square	1324.543	
Df	722	
Chi –square /df	1.834	< 3, < 5
GFI	0.962	> 0.95
AGFI	0.878	>0.80
RMSEA	0.028	<0.05
CFI	0.956	> 0.95
NFI	0.929	> 0.95

PCFI	0.829	> 0.50
PNFI	0.745	> 0.50

Results of Hypothesis H1-H2: Urban Cooperative Banks Services (Access, Usage, Quality, Availability, Acceptability and Affordability) have a significant influence on Financial Inclusion and Enhance Development

Table 3 provides insights into the relationships between various factors of Urban Cooperative Bank (UCB) services and financial inclusion, as well as the subsequent impact on enhance development.

The path coefficient between Access and Financial Inclusion is β = 0.362, with a Critical Ratio (C.R.) of 6.181 and $p < 0.01$, demonstrating a statistically noteworthy and positive association.

This finding suggests that improving access to UCB services significantly enhances financial inclusion. A standardized regression weight of 0.362 implies that a one standard deviation amplify in Access leads to a 0.362 standard deviation enlarge in Financial Inclusion. The path coefficient between Usage and Financial Inclusion is β = -0.085, with a C.R. of -4.007 and $p < 0.01$, which shows a significant but negative relationship.

This result indicates that while accessibility is being provided, challenges in usage may hinder the effectiveness of financial inclusion efforts. Addressing these barriers is essential for improving the utilization of financial services.

The relationship amid Quality of Services and Financial Inclusion is reflected in a path coefficient of β = 0.067, with a C.R. of 2.090 and $p < 0.047$, demonstrating a statistically significant but weaker positive impact. This underscores that while quality improvements are important, their contribution to financial inclusion might be less pronounced compared to other factors such as access or acceptability.

The SEM analysis also highlights the influence of Availability and Acceptability on financial inclusion. The path coefficients for these variables are β = -0.090 (Availability) and β = 1.225 (Acceptability), with C.R. values of -4.322 and 9.904, respectively, both significant at $p < 0.01$.

While the negative relationship for availability suggests that over-saturation or inefficiencies may adversely impact financial inclusion, the strong positive coefficient for acceptability emphasizes the magnitude of support services with the preferences and trust of the user base.

The path coefficient for Affordability is β = -0.027, with a C.R. of 1.698 and $p > 0.05$, indicating an insignificant relationship.

This suggests that while affordability is an important factor, it does not independently exert a significant influence on financial inclusion within this model. Other factors, such as access and acceptability, appear to outweigh affordability in driving inclusion outcomes. Finally, the SEM results reveal a strong positive relationship between Financial Inclusion and Enhanced Development, with a path coefficient of β = 1.054, C.R. of 12.898, and $p < 0.01$.

This finding underscores the critical role of financial inclusion facilitated by UCB services in promoting societal development.

A one standard deviation amplify in Financial Inclusion corresponds to a 1.054 standard deviation amplify in Enhanced Development, highlighting its substantial contribution to sustainable development goals.

Table 3: Standard estimates of structural equation model for Urban Cooperative Banks Services, Financial Inclusion and Enhance Development

Dependent Variables		**Independent Variables**	**Estimate**	**S.E.**	**C.R.**	**P**	**Results**
FinancialInclusion	<---	Access	.362	.059	6.181	***	**Supported**
FinancialInclusion	<---	Usage	-.085	.021	-4.007	***	**Supported**
FinancialInclusion	<---	Quality	.067	.032	2.090	***	**Supported**
FinancialInclusion	<---	Availability	-.090	.021	-4.322	***	**Supported**
FinancialInclusion	<---	Acceptability	1.225	.124	9.904	***	**Supported**
FinancialInclusion	<---	Affordability	.027	.016	1.698	.089	**Unsupported**
EnhanceDevelopment	<---	FinancialInclusion	1.054	.082	12.898	***	**Supported**

Note: significant at 1 % level

The results of the Structural Equation Modeling (SEM) analysis on Urban Cooperative Banks (UCBs) services, financial inclusion, and enhanced development demonstrate several key findings. The path coefficient for the affiliation amid **Access** and **Financial Inclusion** is **β = 0.362,** with a Composite Reliability **(C.R.)** of **6.181** and **p < 0.01,** indicating a significant and positive influence. This result recommends that escalating admittance to UCB services has a substantial positive outcome on financial inclusion. A one standard difference increase in Access corresponds to a 0.362 standard deviation increase in Financial Inclusion, emphasizing the importance of improving access to financial services in promoting broader financial participation. On the other hand, the path coefficient between **Usage** and **Financial Inclusion** is **β = -0.085,** with a **C.R.** of **-4.007**and **p < 0.01**, indicating a negative relationship. Despite access being provided, challenges related to the procedure of monetary services are hindering the effective realization of financial inclusion. Barriers such as digital illiteracy, lack of user-friendly services, or financial awareness appear to be limiting the effective use of these services, even though they are available.

The association amid **Quality** of services as well as **Financial Inclusion** is marked by a path coefficient of **β = 0.067**, with a **C.R.** of **2.090** and **p < 0.047**, showing a weaker, yet significant positive impact. This suggests that although the quality of services provided by UCBs is important, its contribution to financial inclusion is less pronounced compared to other factors like access or acceptability. The impact of **Availability** and **Acceptability** on financial inclusion was also explored. The path coefficient for **Availability** is **β = -0.090** with a **C.R.** of **-4.322,** while **Acceptability** shows a positive path coefficient of **β = 1.225** with a **C.R.** of **9.904,** both significant at **p < 0.01**. The negative relationship for Availability suggests that over-saturation or inefficiencies in service provision may negatively impact financial inclusion. In contrast, the strong positive coefficient for Acceptability highlights the critical importance of aligning UCB services with customer preferences, trust, and cultural expectations, which are crucial for enhancing financial inclusion. The path coefficient for Affordability is β = -0.027, with a C.R. of 1.698 and p > 0.05, suggesting an insignificant relationship with financial inclusion. This indicates that, although affordability is important, it does not independently exert a significant influence on financial inclusion within this model. Other factors such as access and acceptability seem to play a more decisive role in driving financial inclusion outcomes.

Finally, the SEM results confirm a strong positive relationship between **Financial Inclusion** and **Enhanced Development**, with a path coefficient of **β = 1.054,** a**C.R.**of**12.898**, and **p < 0.01**. This highlights that financial inclusion, particularly facilitated by UCB services, has a critical role in promoting societal development. Aone standard deviation augment in Financial Inclusion leads to a 1.054 standard deviation increase in Enhanced Development, underscoring the contribution of financial inclusion to achieving sustainable expansion goals. Overall, the SEM analysis underscores the importance of UCB services in driving financial inclusion through access and acceptability, which in turn promote societal development. However, challenges in usage and availability, along with the insignificant impact of affordability, suggest areas for improvement. These findings support with preceding research that highlights the importance of access, acceptability, and trust in enhancing financial inclusion and societal well-being. Addressing barriers in usage and service quality, while tailoring services to meet customer needs, will maximize the benefits of UCB services and enhance their impact on development.

Financial inclusion, in turn, plays a pivotal role in driving enhanced societal development. However, the negative impact of Usage and Availability, along with the insignificance of Affordability, points to areas requiring focused attention to maximize the benefits of UCB services. These findings emphasize the need for UCBs to address usage challenges, improve service quality, and tailor services to user preferences to strengthen access and acceptability in enhancing financial inclusion. Studies have consistently shown that easy access to financial services, particularly through institutions like Urban Cooperative Banks, positively correlates with increased financial participation and inclusion (Demirgüç-Kunt et al., 2018; Allen et al., 2016). Similarly, the significant role of acceptability reflects earlier evidence highlighting trust and cultural alignment as key determinants of financial service adoption (Cull et al., 2012; Sarma & Pais, 2011).The negative relationship between usage and financial inclusion resonates with previous findings that suggest barriers such as digital illiteracy, lack of user-friendly services, or inadequate financial awareness can impede effective utilization of financial services, despite their availability (Aker & Mbiti, 2010; Beck et al., 2008). This study's results on quality align with research that underscores the necessity of improving service standards to ensure sustained financial inclusion (Claessens, 2006; Burgess & Pande, 2005).

Additionally, the insignificant impact of affordability is consistent with studies in developing regions, where other factors, such as accessibility and trust, often take precedence over cost considerations in influencing financial inclusion (Dupas & Robinson, 2013; Honohan, 2008). Finally, the strong positive impact of monetary inclusion on enhanced societal development corroborates extensive literature demonstrating how monetary inclusion drives financial growth, improves well-being, and fosters sustainable development outcomes (World Bank, 2014; Banerjee & Duflo, 2011).These findings reaffirm existing knowledge while providing specific insights into the role of UCBs in advancing financial inclusion and societal development, offering valuable direction for both policy and practice.

5. Conclusions

In conclusion, the study provides strong evidence that Urban Cooperative Banks (UCBs) have a significant role in promoting financial inclusion and driving societal development. However, to maximize their impact, UCBs must focus on improving access, usability, and acceptability of their services, ensuring they meet the specific needs of underserved communities. Additionally, UCBs should invest in enhancing financial literacy as well as customer education to make certain to facilitate individuals can efficiently make use of financial services. By doing so, UCBs can contribute to accomplish sustainable development goals and improving the overall well-being of the communities they serve. Financial inclusion, in this context, is not just about access to services, but about making sure that those services lead to tangible improvements in the lives of individuals and the development of society as a whole.

5.1 Managerial and Theoretical Implications

This study offers significant managerial and theoretical implications, providing actionable insights for Urban Cooperative Banks (UCBs) Andhra Pradesh districts and enriching the theoretical understanding of financial inclusion as a driver of societal development.From a managerial perspective, the findings highlight the critical need for enhancing service usability and consistency across UCB branches. While UCBs have made strides in offering accessible banking services, there remain gaps in user-friendliness and standardization of processes. Managers must prioritize simplifying banking procedures to accommodate customers with limited financial literacy or technological expertise. For instance, ensuring that forms and processes are clear, straightforward, and available in local languages can make banking more approachable for diverse customer segments. Furthermore, inconsistencies in service quality between branches indicate the necessity of standardized operating protocols. These protocols can help ensure that customers, regardless of location, receive uniform and dependable service, fostering trust and reliability in the institution.Customer satisfaction emerged as another crucial area requiring managerial attention. The study identifies specific challenges, such as delays in loan processing, insufficient responsiveness of staff, and gaps in community engagement activities. Addressing these issues requires a multifaceted approach. Managers should invest in robust customer service training programs, equipping staff with the skills to handle queries efficiently and build long-term relationships. Additionally, streamlining loan approval processes and improving the clarity of financial product information can significantly enhance the customer experience. Proactive measures, such as deploying customer feedback systems, can help UCBs identify and address service gaps in real time.

From a hypotheticalstandpoint, this revise contributes to the growing body of literature on financial inclusion and its impact on societal development. It provides empirical evidence supporting the responsibility of financial inclusion as a mediator between UCB services and broader developmental outcomes, such as improved education, economic stability, and wellbeing. This finding aligns with social capital theory, which posits that access to resources through institutional networks plays a significant role in fostering societal progress. UCBs, by providing accessible and inclusive financial services, enhance the social and economic fabric of communities, reinforcing the principles of this theory.The study also extends stakeholder theory by emphasizing the dual role of UCBs as economic entities and agents of social change. By addressing the needs of underserved and marginalized communities, UCBs demonstrate how financial institutions can align their operational goals with societal welfare. This underscores the interconnectedness between financial inclusion and sustainable development, highlighting the importance of inclusive financial systems in addressing socio-economic disparities.Challenging traditional assumptions in behavioural economics and microfinance literature, the study reveals that affordability, often considered a primary driver of financial inclusion, has a limited direct impact. Instead, factors such as accessibility, trust, and education play a more significant role. This nuance encourages scholars and practitioners to explore non-monetary barriers to inclusion, such as psychological, cultural, and informational obstacles, thereby broadening the scope of financial inclusion research. The findings also support institutional theory, showcasing the importance of creating policies and institutional structures that cater to local needs. UCBs act as intermediaries, bridging the gap between formal financial systems and underserved populations. This highlights the need for regulatory frameworks that encourage innovative and inclusive banking practices. By addressing localized challenges and leveraging community-specific insights, UCBs can better serve their target populations while contributing to broader developmental goals.

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