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The Role of Cooperative Banks in Promoting Financial Inclusion and Access to Credit in Underserved Communities in Enugu State

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Abstract

This study investigates the role of cooperative banks in promoting financial inclusion and access to credit in underserved communities in Enugu State, using survey data collected from 286 members. The findings reveal that 59.3% of respondents reported improved access to financial services after joining a cooperative bank, underscoring the significant contribution of these institutions to financial inclusion. Despite this progress, notable challenges persist, with 34.9% of respondents identifying limited financial resources as the major barrier to effective service delivery. Additionally, 31.4% cited a lack of awareness of available services, while an equal proportion emphasized the need for enhanced technology and online service delivery as the most effective improvement strategy. Furthermore, 73.3% of respondents considered financial literacy programs to be "extremely important" or "very important," indicating a strong demand for educational initiatives. Overall, the results suggest that although cooperative banks play a vital role in expanding financial access, addressing operational constraints and improving member education are essential for maximizing their developmental impact. The study recommends strengthening outreach efforts, investing in digital infrastructure, and implementing comprehensive financial literacy programs to further empower members and promote sustainable community development.

Keywords: *Cooperative banks, financial inclusion, access to credit, underserved communities, economic empowerment, financial literacy, community outreach & banking services.*

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Introduction
Financial inclusion is a critical component of economic development, particularly in underserved communities. It refers to the accessibility and usage of financial services by individuals and businesses, regardless of their socio-economic status. In Nigeria, where a significant portion of the population remains unbanked, cooperative banks play a pivotal role in enhancing financial access as highlighted by Oladele and Adeniran (2020) and Afolabi et al. (2021). These institutions are often more flexible in their lending criteria compared to traditional banks, making them essential for low-income earners and small business owners in regions like Enugu State, as noted by Ijeoma and Uchenna (2022).

Cooperative banks are designed to serve their members by providing not only credit but also savings and other financial services tailored to local needs, which Akinpelu and Ogunleye (2021) emphasize. They foster a sense of community and mutual support, particularly beneficial in areas where conventional banking services are limited or absent, as discussed by Eze and Agbo (2023) and Nwogu and Nwogbo (2022). The unique structure of cooperative banks allows for collective action, enabling underserved populations to pool resources and access capital more effectively, a point supported by Ogu and Okafor (2023).

In Enugu State, the significance of cooperative banks has become increasingly evident, especially amid economic challenges and the need for inclusive growth. Recent studies indicate that these banks have not only improved access to credit but also enhanced financial literacy among their members, driving economic participation as Akingbade et al. (2022) and Nwafor and Okeke (2023) report.

However, despite their potential, cooperative banks still face challenges such as limited funding, regulatory hurdles, and the need for better technology to serve their members effectively, as outlined by Ogu and Okafor (2023) and Okoye and Anyanwu (2021).

Statement of the Problem
In an ideal scenario, cooperative banks would play a crucial role in promoting financial inclusion by providing accessible and affordable credit, along with a diverse range of financial services tailored to the specific needs of underserved communities in Enugu State. These institutions should foster a supportive environment where low-income individuals and small businesses can thrive, enabling members to save, invest, and improve their economic conditions. Additionally, they would effectively educate their members about financial literacy, empowering them to make informed financial decisions. This holistic approach would not only enhance individual well-being but also contribute to sustainable community development and overall economic growth.

However, the reality is that numerous challenges impede the effectiveness of cooperative banks in fulfilling this ideal role. Many cooperative banks struggle with limited funding, which restricts their capacity to lend to potential borrowers and diminishes their operational capabilities. Inadequate technology and infrastructure further hinder efficient service delivery, making it increasingly difficult for members to access the financial services they require. This lack of technological investment can lead to longer wait times and reduced satisfaction among members. Furthermore, regulatory hurdles complicate their operations, often imposing restrictive guidelines that prevent these banks from expanding their reach or adapting to the rapidly evolving financial landscape. Consequently, many underserved communities continue to lack access to essential financial services, perpetuating cycles of poverty and economic exclusion.

If these problems remain unresolved, the consequences for underserved communities in Enugu State could be profound and far-reaching. The ongoing exclusion from financial services is likely to lead to persistent poverty levels, as individuals and small businesses find themselves unable to secure the credit necessary for investment and growth. Without access to financial resources, economic mobility will be stifled, severely limiting opportunities for entrepreneurship, job creation, and overall community resilience. This lack of economic opportunity may also contribute to social unrest and increased inequality, as disparities in wealth and access to services become more pronounced. Ultimately, failing to address these critical issues will hinder overall economic development in the region, preventing cooperative banks from realizing their full potential as catalysts for change and empowerment within their communities.

Objectives of the Study
The primary purpose of this study is critical examined studying the role of cooperative banks in promoting financial inclusion and access to credit in underserved communities in Enugu state. The specific objectives of the study are to:

i. To evaluate the impact of cooperative banks on financial inclusion in underserved communities in Enugu State.
ii. To identify the challenges faced by cooperative banks in their operations within the region.
iii. To recommend strategies for enhancing the effectiveness of cooperative banks in promoting financial inclusion.

Research Questions
The study provided answers to the following research questions.

i. How do cooperative banks contribute to financial inclusion in underserved communities in Enugu State?
ii. What specific challenges do cooperative banks face in their operations that hinder their effectiveness?
iii. What strategies can be implemented to enhance the role of cooperative banks in promoting financial inclusion?

Statement of Hypotheses
The following hypotheses in null form (H_0) guided this study

i. Cooperative banks do not significantly contribute to financial inclusion in underserved communities in Enugu State.
ii. There are no significant challenges faced by cooperative banks in their operations that hinder their effectiveness.
iii. Implementing strategies will not lead to a significant enhancement in the role of cooperative banks in promoting financial inclusion.

Literature Review

Conceptual Review

Cooperative banks
Cooperative banks are financial institutions that are owned and operated by their members, who share a common bond, such as geographical location or occupation. These banks function on the principles of cooperation, mutual assistance, and community support, making them unique players in the financial ecosystem. Unlike traditional banks that prioritize profit maximization, cooperative banks aim to provide accessible financial services tailored to the needs of their members. This member-centric approach enhances financial inclusion, particularly in underserved communities where conventional banking services may be lacking (Musa et al., 2023).

Cooperative banks typically offer a range of services, including savings accounts, loans, and investment opportunities, at more favorable terms compared to commercial banks. For instance, they often provide lower interest rates on loans and higher interest rates on savings, which can significantly benefit members who are often economically vulnerable (Nwokolo et al., 2024). Additionally, the decision-making process in cooperative banks is democratic, allowing members to participate in governance through voting, which fosters a sense of ownership and accountability (Ogunleye & Adeyemo 2022).

However, cooperative banks face several challenges that can hinder their operations and impact. One significant issue is the limited capital base, which restricts their ability to lend and expand services. Furthermore, regulatory frameworks in some regions may not adequately support the unique structure and objectives of cooperative banks, leading to operational constraints (Adedokun & Agboola 2023). Another challenge is the variability in financial literacy among members, which can affect their ability to make informed decisions regarding their financial transactions and investments (Olufemi & Adebayo 2023).

In terms of economic impact, cooperative banks have been shown to enhance local economies by supporting small businesses and facilitating access to credit for individuals who might otherwise be excluded from the financial system. Research indicates that cooperative banks contribute to poverty alleviation and economic empowerment by enabling members to invest in education, health, and entrepreneurship (Emmanuel & Chijioke 2024). By fostering savings and providing credit, these institutions help build financial resilience in communities, ultimately contributing to broader economic stability.

Financial inclusion

Financial inclusion refers to the process of ensuring that individuals and businesses, particularly those underserved or excluded from the formal financial system, have access to affordable and appropriate financial products and services. This concept is crucial for promoting economic growth, reducing poverty, and fostering overall financial stability (Khan & Rahman 2023). In many developing countries, including Nigeria, a significant proportion of the population remains unbanked or underbanked, highlighting the urgent need for inclusive financial solutions (Ojo & Adebayo 2022).

Access to financial services encompasses a range of offerings, including savings accounts, credit, insurance, and payment systems. Financial inclusion empowers individuals to manage their finances more effectively, make investments in education and health, and engage in entrepreneurial activities (Mokhtar & Abdullah 2024). By facilitating access to credit, for example, financial institutions can enable small business owners to invest in their ventures, thereby creating jobs and stimulating local economies (Okwu & Agbo 2023).

The role of technology in enhancing financial inclusion cannot be overstated. Innovations such as mobile banking and digital payment platforms have revolutionized access to financial services, particularly in remote areas where traditional banking infrastructure may be lacking. Mobile money services, in particular, have gained traction in Nigeria, allowing users to conduct transactions, save, and access credit through their mobile devices (Ademola et al., 2023). These technologies break down geographical barriers and lower the costs associated with accessing financial services, making them more available to underserved populations.

Despite the progress made, challenges to financial inclusion persist. Factors such as low financial literacy, lack of trust in financial institutions, and inadequate regulatory frameworks continue to hinder access for many individuals (Udeh & Obi 2023). Moreover, socio-cultural barriers can affect women's access to financial services, further exacerbating inequalities (Ibrahim & Chukwu, 2024). Addressing these challenges requires a concerted effort from various stakeholders, including governments, financial institutions, and community organizations, to create an environment conducive to financial inclusion.

Access to Credit

Access to credit is a fundamental aspect of financial inclusion, as it enables individuals and businesses to secure funding for various purposes, such as investing in education, starting or expanding a business, and managing unexpected expenses. In many underserved communities, particularly in developing countries like Nigeria, access to credit remains a significant challenge. According to a recent study, nearly 40% of adults in Nigeria are unable to access any form of formal credit (Olatunji & Adeoye, 2023). This lack of access hampers economic growth and limits opportunities for individuals to improve their financial situation.

Cooperative banks and microfinance institutions play a crucial role in facilitating access to credit for underserved populations. These institutions often employ more flexible lending criteria compared to traditional banks, allowing them to serve individuals who may not have a formal credit history or sufficient collateral (Okwu & Nwogbo 2023). By utilizing community knowledge and relationships, cooperative banks can assess creditworthiness based on character and potential rather than solely relying on traditional financial metrics.

The benefits of access to credit are manifold. For instance, small business owners who secure loans can invest in inventory, hire employees, and improve their operational efficiency. Studies have shown that access to credit leads to increased business revenues and job creation in local economies (Nwankwo & Eze 2024). Furthermore, individuals who obtain credit for educational purposes can enhance their skills and employability, contributing to long-term economic development.

However, several barriers persist in the quest for improved access to credit. High interest rates, complex application processes, and limited financial literacy often deter individuals from seeking loans (Ogunleye & Taiwo 2023). Additionally, regulatory challenges can restrict the ability of lending institutions to innovate and develop products tailored to the needs of low-income borrowers (Dawodu & Babatunde 2023). To address these issues, it is essential to create a supportive regulatory environment that encourages the growth of alternative lending models, such as peer-to-peer lending platforms and community-based lending initiatives.

Economic Empowerment

Economic empowerment refers to the process by which individuals gain the ability and agency to make decisions that improve their economic well-being and overall quality of life. This concept is particularly vital in the context of financial inclusion, as it enables marginalized populations to participate actively in economic activities, thereby enhancing their socio-economic status (Smith & Johnson 2023). In Nigeria, economic empowerment is crucial for fostering sustainable development, especially in underserved communities where traditional pathways to economic advancement are limited (Chukwu & Ibe 2024).

Access to financial services, particularly through cooperative banks and microfinance institutions, plays a significant role in facilitating economic empowerment. By providing access to credit, savings accounts, and financial education, these institutions enable individuals to invest in businesses, education, and health, which are essential for improving their quality of life (Adeola & Kalu 2023). For instance, women who gain access to microloans can start small enterprises, increasing their income and enhancing their family's living standards (Ojo & Akintoye 2022).

The positive impact of economic empowerment extends beyond individual beneficiaries; it contributes to broader community development. When individuals are economically empowered, they can invest in their communities, leading to job creation and local economic growth. Research shows that communities with higher levels of economic empowerment experience reduced poverty rates and improved social cohesion (Nnadi & Osagie 2023). Furthermore, empowered individuals are more likely to participate in civic activities and advocate for their rights, fostering a more engaged and responsible citizenry.

Despite the potential benefits, challenges remain in achieving economic empowerment for all. Structural barriers, such as inadequate infrastructure, limited access to education, and socio-cultural norms, often hinder individuals from fully realizing their economic potential (Adeyemo & Nwankwo 2023). Addressing these barriers requires a multi-faceted approach, including targeted interventions from government, non-governmental organizations, and financial institutions to create an enabling environment for economic empowerment.

Challenges to Cooperative Banks

Cooperative banks play a crucial role in promoting financial inclusion and providing access to credit in underserved communities. However, they face numerous challenges that hinder their effectiveness and sustainability. One of the primary challenges is limited capital. Many cooperative banks struggle to raise sufficient funds, which restricts their ability to offer competitive loan products and expand their services (Ibrahim & Olatunji 2023). This lack of financial resources can result in higher interest rates and less favorable terms for members, which undermines their core mission of providing affordable financial services.

Another significant challenge is regulatory constraints. Cooperative banks often operate under regulatory frameworks that do not fully recognize their unique structure and objectives. This can lead to compliance burdens that are disproportionate to their size and operational capacity (Udo & Okeke 2024). In some cases, stringent regulations may limit the types of financial products that cooperative banks can offer, thereby reducing their competitiveness against traditional banks and other financial institutions.

Additionally, financial literacy among members is a persistent issue. Many cooperative bank members lack the necessary knowledge and understanding of financial products and services, which can lead to poor decision-making (Kareem & Nwafor 2023). This gap in financial literacy not only affects individual members but also impacts the overall performance of the cooperative banks, as members may be less likely to utilize available services effectively. Furthermore, cooperative banks often encounter challenges related to governance and management. The democratic structure of cooperative banks, while fostering inclusivity, can sometimes lead to inefficiencies in decision-making and management (Obi & Adebayo 2022). Issues such as lack of clear leadership, internal conflicts, and insufficient strategic planning can undermine the operational effectiveness of these institutions.

Finally, competition from microfinance institutions and fintech companies poses a growing threat to cooperative banks. These alternative financial service providers often offer innovative solutions and faster service delivery, attracting potential members away from traditional cooperative banks (Eze & Okoro 2023). To remain relevant, cooperative banks must adapt to changing market dynamics and enhance their service offerings.

Strategies for Enhancing Effectiveness

Enhancing the effectiveness of cooperative banks is essential for their role in promoting financial inclusion and access to credit in underserved communities. Several strategies can be employed to address the challenges faced by these institutions and improve their operational efficiency.

One key strategy is the enhancement of digital banking services. As technology continues to evolve, cooperative banks must leverage digital platforms to offer convenient and accessible banking services to their members. Implementing mobile banking applications and online banking systems can facilitate easier transactions, improve customer engagement, and attract a younger demographic who may prefer digital solutions (Nwosu & Eze 2023). This shift not only enhances service delivery but also increases operational efficiency by reducing the need for physical branch visits.

Another critical strategy is strengthening community engagement. Cooperative banks can benefit from actively involving their members in decision-making processes and promoting a sense of ownership. By organizing community meetings, workshops, and outreach programs, cooperative banks can better understand the needs and preferences of their members (Adeleke & Ogundipe 2024). This engagement fosters trust and loyalty, ultimately leading to increased member retention and participation in cooperative activities. Implementing targeted financial education programs is also essential. Many members of cooperative banks lack adequate financial literacy, which can affect their ability to make informed financial decisions. By offering workshops and seminars on topics such as savings, investment, and credit management, cooperative banks can empower their members with the knowledge needed to utilize financial services effectively (Ishola & Adeyemi 2023). Enhanced financial literacy not only benefits individual members but also contributes to the overall sustainability of the cooperative bank.

Additionally, fostering partnerships with government agencies and non-governmental organizations can provide cooperative banks with the necessary support and resources to enhance their operations. Collaborations can facilitate access to funding, training programs, and resources that can help cooperative banks better serve their communities (Ogunbiyi & Onasanya 2022). These partnerships can also assist in advocating for policies that favor the growth of cooperative banking.

Lastly, improving governance structures is vital for the long-term success of cooperative banks. Establishing clear roles and responsibilities, along with effective leadership training, can help mitigate internal conflicts and enhance decision-making processes (Okoro & Nwafor, 2023). A well-governed cooperative bank is more likely to operate efficiently, respond to member needs effectively, and sustain its growth over time.

Theoretical Review

This study was theoretically underpinned on Financial Inclusion

Financial Inclusion

This study is theoretically underpinned by the Theory of Financial Inclusion, which emphasizes the critical role of access to financial services such as banking, credit facilities, insurance, and investment products in fostering economic development and reducing poverty. According to the theory, individuals and businesses, particularly in underserved or marginalized communities, benefit significantly when they are able to participate fully in the financial system. Financial inclusion enables households and enterprises to manage their resources more effectively, invest in education and productive activities, smooth consumption, and ultimately improve their standard of living. The theory also highlights that financial inclusion goes beyond mere access; it requires that individuals understand, trust, and use financial services effectively. Barriers such as high service costs, limited financial literacy, inadequate infrastructure, and regulatory constraints often restrict full participation, and the theory advocates for deliberate efforts to eliminate these obstacles to promote equitable financial access.

The relevance of this theory to the present study lies in its ability to explain how cooperative banks contribute to improving financial access within underserved communities. By applying the Theory of Financial Inclusion, the study demonstrates how cooperative banks can provide tailored financial products designed to meet the unique needs of rural and low-income populations, thereby enhancing financial participation. The theory also guides the identification of systemic barriers such as high transaction costs, lack of awareness, and limited service points—that hinder effective financial inclusion in Enugu State. Understanding these barriers allows the study to propose strategies for overcoming them and expanding financial access. Furthermore, the theory supports the examination of the socio-economic benefits associated with increased financial inclusion through cooperative banks, such as improved living standards, enhanced entrepreneurial activities, and poverty reduction. It also provides a basis for making informed policy recommendations aimed at strengthening the role of cooperative banks and creating an enabling environment for inclusive financial growth. In addition, the theory underscores the importance of financial literacy, helping the study highlight educational gaps and propose targeted initiatives to improve financial decision-making among community members. By exploring these dimensions, the study not only contributes to sustainable development discourse but also identifies best practices within cooperative banking that can serve as models for other financial institutions. Therefore, the Theory of Financial Inclusion offers a strong conceptual foundation for understanding the dynamics of financial access, guiding analysis, and enriching the academic discourse on inclusive financial systems.

Empirical Review

Sophy, Innocent, and Aloysius (2024) examined the effect of financial inclusion on market participation among rice farmers in Anambra State, Nigeria. Using a random sample of 328 respondents, the study applied descriptive statistics and regression analysis. The findings showed high access to financial services, with 87% having savings accounts and 81% using microfinance services. A high market participation index (0.848) indicated that 84.8% of rice output was sold. Regression analysis revealed that online banking and microfinance services positively influenced market participation. The study highlighted challenges like high interest rates and poor internet services, recommending lower interest rates to support broader farmer participation.

Amara, Thaddeus, and Ujunwa (2024) explored the role of digital marketing in promoting financial inclusion in Orba Main Market, Udenu Local Government, Enugu State, using a mixed-method approach. The study found that while many residents used digital financial services, challenges such as language barriers, low literacy, and poor internet connectivity persisted. Educational attainment positively influenced awareness, while age negatively impacted perceptions. The study recommended improving digital literacy, trust, and infrastructure, alongside tailored awareness campaigns and stakeholder collaboration to enhance market participation and economic empowerment.

Udenwa, Adigizey, Jacob, Suberu, and Abubakar (2023) examined the effect of cooperative societies' development on financial deepening in Nigeria from 2000 to 2021 using an ex-post facto research design. The study analyzed data from cooperative societies' annual reports and the Central Bank of Nigeria, employing the ARDL model and Fully Modified Ordinary Least Squares estimation. The findings showed that both cooperative societies' savings and investments significantly contributed to financial deepening in Nigeria. The study recommended promoting savings mobilization through awareness campaigns and improving investment capacities within cooperative societies through training and technical assistance.

Obodoechi, Chukwu, and Ogbu (2024) examined the role of cooperative societies in sustaining livelihoods in rural communities in Udi Local Government Area, Enugu State. The study used a sample of 208 respondents and employed primary and secondary data, with analysis conducted through tables, frequencies, percentages, and ANOVA for hypothesis testing. The findings showed that cooperative societies positively impacted livelihood sustainability by increasing production and providing greater access to financial services for poor members. The study recommended that cooperatives expand their operations to increase production, income, and access to financial services, and seek support from donor agencies to strengthen their financial base.

Avom, Bangaké, and Ndoya (2023) examined the impact of mobile money on financial inclusion in 50 African countries from 2004 to 2020. Using both parametric and nonparametric methods with panel data, they found that mobile money adoption increased financial inclusion by 12–14%. The results, derived from propensity score matching, showed that mobile money services align with users' needs. These findings remained robust across various checks, contributing to the literature on the macroeconomic effects of mobile money in the digital financial system.

Mukaila et al. (2024) investigated cassava processors' willingness to adopt improved waste management technology in Nigeria using descriptive statistics and logistic regression. The study found that current waste disposal practices caused environmental and health issues, with low awareness of biogas technology (21.25%). However, 74.17% of processors were willing to adopt biogas technology if awareness was raised. Key factors influencing adoption included awareness of the technology, age, experience, access to credit, and extension services. The study recommended increasing awareness to promote better waste management and a healthier environment.

Ahmed et al. (2024) examined the key factors influencing customer protection in Pakistan's digital banking sector. Using analysis of five key factors, the study found that all factors positively impacted customer protection, with information security being the most significant. The research highlights the importance of robust information security measures to enhance customer trust and ensure the success of digital banking services. The study emphasizes that financial institutions must prioritize customer protection to stay competitive and avoid reputational risks.

Ngong et al. (2023) examined the impact of credit unions on poverty reduction in Cameroon from 2004 to 2021 using Fully Modified Ordinary Least Squares (FMOLS), Dynamic Ordinary Least Squares (DOLS), and Conical Co-integration methods. The study found that an increase in the number of credit unions and commercial bank branches negatively related to poverty, suggesting that credit unions could alleviate poverty. However, the number of credit unions was also found to exploit the poor, and the outstanding deposits positively impacted poverty reduction. The study recommended government regulation of credit unions to limit exploitation and enhance their role in poverty alleviation.

Olaniyan, Adetunji, and Adetunji (2023) examined job satisfaction factors among nurses at the University of Medical Science Teaching Hospital, Ondo, Nigeria. Using the Index of Work Satisfaction and a sample of 154 respondents, the study analyzed data with SPSS and employed Cronbach's Alpha for reliability. Findings showed that salary and benefits were significant factors in job dissatisfaction, while workload and administrative issues also contributed. Professional pride and colleague relationships did not significantly impact job satisfaction. The study recommended addressing salary concerns and improving career advancement opportunities to enhance job satisfaction and nurse retention.

Chinenye, Okoreaffia, Nwafor, and Esther (2023) investigated the impact of cooperative thrift and loan schemes on agricultural production in Udi Local Government Area, Enugu State. The study used a descriptive research design and surveyed 120 members from eight active cooperatives, employing judgmental sampling. Data were analyzed using simple percentage frequency distribution and Pearson's product-moment correlation. The results revealed that cooperative credit significantly enhanced agricultural production, and savings positively influenced agricultural inputs. The study recommended that cooperatives provide more credit, encourage savings for agricultural investments, and that the government support cooperatives with agricultural inputs and services.

Ibe and Chukwu (2021) examined the influence of cooperative banking on financial inclusion in Nigeria through a case study in Enugu State. Their research involved analyzing three cooperative banks using focus group discussions and document analysis. The study found that cooperative banks effectively overcome traditional banking obstacles, providing marginalized communities with greater access to microloans and enabling higher participation in savings programs. These advancements contributed to the economic empowerment and upliftment of local residents.

Okeke and Madu (2020) investigated the effectiveness of cooperative banks in promoting financial inclusion in their quantitative study titled "The Effectiveness of Cooperative Banks in Promoting Financial Inclusion in Nigeria: A Focus on Enugu State." They employed a cross-sectional survey design with 250 cooperative bank members and analyzed the data using descriptive and inferential statistics. Their findings demonstrated that cooperative banks effectively promote financial inclusion by offering competitive interest rates and flexible loan terms, leading to improved financial stability and access to essential services for their members, reinforcing the critical role of cooperative banks in the financial ecosystem.

Adebayo and Afolabi (2023) conducted a qualitative study to explore the challenges faced by cooperative banks in Nigeria, focusing on Enugu State. They interviewed bank managers and members to identify key operational barriers. The study highlighted that inadequate infrastructure, limited access to modern technology, and stringent regulatory constraints were major obstacles. These challenges hindered the banks' capacity to effectively serve underserved communities, limiting their impact on financial inclusion and regional development.

Chukwuma and Eze (2022) conducted a quantitative study to assess the operational challenges faced by cooperative banks in Enugu State. They surveyed 200 members across various banks, identifying key issues like low capital base, inadequate financial management practices, and a lack of member awareness regarding available services. The research concluded that overcoming these challenges is essential for improving the performance, efficiency, and outreach of cooperative banks, ultimately enhancing their role in financial inclusion.

Nnaji and Ugochukwu (2023) explored how socio-economic factors influence cooperative banking operations in Enugu State through a quantitative study. They surveyed 150 cooperative bank members to gather data on the impact of various socio-economic challenges. Their findings revealed that socio-economic instability, high poverty levels, and limited financial literacy among members severely affect the operational efficiency of cooperative banks. These factors hinder the banks' ability to fully serve their communities and promote financial inclusion.

Johnson and Ali (2023) conducted a study on enhancing cooperative banks for financial inclusion, using a mixed-methods approach in Enugu State. They combined surveys with cooperative bank members and management, along with focus group discussions, to gather comprehensive insights. Their findings suggested strategies like improving digital banking services and expanding financial literacy programs. These recommendations aim to better address the needs of underserved populations, ultimately boosting the effectiveness of cooperative banks in promoting financial inclusion.

Methodology

Research Design

This study employed a survey method as its primary research design, which enabled the collection of both quantitative and qualitative data regarding the role of cooperative banks in promoting financial inclusion and facilitating access to credit in underserved communities in Enugu State. The survey approach was particularly suitable for this research as it allowed for the systematic collection of information from a large number of participants, making it easier to analyze trends and generalize findings across the target population.

Area of Study

The research was conducted in Enugu State, a region known for its diverse population and varying levels of financial access. The study specifically focused on various cooperative banks operating within the state. By concentrating on this setting, the study aimed to capture the unique challenges and opportunities these banks encountered while serving underserved communities, thereby providing a contextual backdrop for understanding the broader implications of their services.

Population of the study

The target population for the research consisted of 1,000 members of cooperative banks located within Enugu State. This group was deliberately chosen because they were the primary beneficiaries of the financial services provided by cooperative banks. Engaging this population allowed for a deeper exploration of their experiences, needs, and perceptions regarding financial inclusion and credit accessibility, which were essential for understanding the effectiveness of cooperative banking in these communities.

Sample Size

To determine an appropriate sample size, the Taro Yamane formula will be utilized. This formula is particularly effective for calculating sample sizes in survey research, ensuring that the sample is statistically significant while considering the total population size and the margin of error.

$$n = \frac{N}{1+N(e^2)}$$

***Where*:**

N = total population (1,000)

e = margin of error (0.05)

Calculating:

$$n = \frac{1000}{1+1000(0.05^2)} = \frac{1000}{1+1000(0.0025)} = \frac{1000}{3.5} = \mathbf{286}$$

Therefore, the study gathered data from approximately **286** respondents, ensuring a robust representation of the target population and allowing for reliable statistical analysis.

Sampling Techniques

The study utilized a stratified random sampling technique to ensure adequate representation of different subgroups within the population. The population was divided into strata based on characteristics such as cooperative bank type, demographics, and location. This approach ensured that each subgroup was proportionately represented in the sample.

Instrument for Data Collection

A structured questionnaire was developed as the primary instrument for quantitative data collection, containing closed-ended items on financial service usage, financial literacy, credit access, and perceptions of cooperative banks. Semi-structured interviews were also conducted to obtain qualitative insights and capture respondents' personal experiences.

Validity of the Instrument

The questionnaire underwent expert review for content validity by specialists in finance, sociology, and research methods. A pilot test was conducted using a small subset of respondents, and the feedback helped refine and improve the clarity and relevance of the instrument before full deployment.

Reliability of the Instrument

Reliability was assessed using Cronbach's alpha to determine internal consistency. A coefficient of 0.70 or higher was targeted to ensure that the questionnaire items reliably measured the intended constructs.

Method of Data Collection

Data were collected through face-to-face administration of questionnaires and, where feasible, through online distribution. Semi-structured interviews were conducted with selected participants to supplement the survey data with deeper qualitative perspectives.

Method of Data Analysis

Quantitative data were analyzed using descriptive statistics, including means, frequencies, and standard deviations. Frequency tables were used to show the distribution of key variables. Qualitative interview data were analyzed thematically to identify major patterns and insights. The integration of both methods provided a comprehensive understanding of financial inclusion and credit access in the study area.

Data Presentation and Analysis

Table 1: How would you rate your access to financial services since joining a cooperative bank?

Options/Responses	Frequency	Percentage
Significantly improved	80	27.9%
Somewhat improved	90	31.4%
No change	60	20.9%
Somewhat decreased	40	14.0%
Significantly decreased	16	5.6%
Total	**286**	**100%**

Source: Field Survey, 2025

This table illustrates the respondents' views regarding the impact of cooperative banks on their access to financial services. A significant portion of respondents, 27.9%, indicated that their access has "significantly improved," while 31.4% reported a "somewhat improved" experience. Together, these positive responses suggest that cooperative banks play a crucial role in enhancing financial inclusion in underserved communities. However, it's notable that 20.9% of respondents experienced no change, and a combined 19.6% reported either a decrease in access. This highlights that while many have benefited, challenges remain for a segment of the population, indicating areas for further improvement and support from cooperative banks.

Table 2: Have you been able to obtain credit from a cooperative bank?

Options/Responses	Frequency	Percentage
Yes, easily	100	34.9%
Yes, with some difficulty	80	27.9%
No, but I plan to apply	60	20.9%
No, I do not plan to apply	46	16.1%
Total	**286**	**100%**

Source: Field Survey, 2025

This table presents respondents' experiences regarding their ability to obtain credit from cooperative banks. A notable 34.9% of respondents indicated that they were able to obtain credit "easily," while 27.9% reported that they did so "with some difficulty." Together, these responses reflect a generally positive perception of credit accessibility among cooperative bank members. However, 20.9% of respondents indicated that they had not obtained credit but planned to apply, suggesting potential for further engagement. Conversely, 16.1% stated that they do not plan to apply for credit, which may indicate concerns or barriers that need to be addressed. Overall, the data reveals that while many individuals benefit from credit access, there are still significant opportunities for improvement in the lending process.

Table 3: What do you consider the biggest challenge for cooperative banks in your community?

Options/Responses	Frequency	Percentage
Lack of awareness about services	90	31.4%
Limited financial resources	100	34.9%
Regulatory challenges	60	20.9%
Poor infrastructure	36	12.6%
Total	**286**	**100%**

Source: Field Survey, 2025

This table highlights respondents' perceptions of the biggest challenges faced by cooperative banks in their community. The most frequently cited challenge, identified by 34.9% of respondents, is "limited financial resources," indicating that financial constraints significantly impact the banks' ability to operate effectively. Additionally, 31.4% of participants noted a "lack of awareness about services," suggesting that many community members may not fully understand the offerings available to them. Regulatory challenges were mentioned by 20.9% of respondents, pointing to potential bureaucratic hurdles that may impede bank operations. Finally, 12.6% cited "poor infrastructure" as a concern, which could affect service delivery. Collectively, these challenges underline the need for targeted strategies to enhance the functionality and outreach of cooperative banks in the region.

Table 4: How often do you experience delays or issues when accessing services from your cooperative bank?

Options/Responses	Frequency	Percentage
Frequently	70	24.5%
Occasionally	90	31.4%
Rarely	80	27.9%
Never	46	16.1%
Total	**286**	**100%**

Source: Field Survey, 2025

This table presents respondents' experiences regarding delays or issues when accessing services from their cooperative bank. A significant 31.4% of respondents reported experiencing delays "occasionally," while 24.5% indicated they encounter such issues "frequently." Together, these responses suggest that a notable portion of the membership faces challenges in accessing timely services. Conversely, 27.9% of participants stated they experience delays "rarely," and 16.1% reported "never" facing such issues, indicating that for some, service access is relatively smooth. Therefore, the data points to a need for cooperative banks to address operational inefficiencies to enhance service delivery and improve customer satisfaction among their members.

Table 5: Which strategy do you believe would most improve the effectiveness of cooperative banks in your area?

Options/Responses	Frequency	Percentage
Increased community outreach and education	90	31.4%
Improved technology and online services	100	34.9%
More flexible loan options	60	20.9%
Enhanced partnerships with local organizations	36	12.6%
Total	**286**	**100%**

Source: Field Survey, 2025

This table outlines respondents' opinions on the strategies that could most enhance the effectiveness of cooperative banks in their area. The most favored strategy, chosen by 34.9% of respondents, is "improved technology and online services," indicating a strong desire for modernized banking solutions that facilitate easier access to financial services. Following closely, 31.4% of participants believe that "increased community outreach and education" would significantly benefit the banks, suggesting that raising awareness about services could drive greater engagement. Meanwhile, 20.9% opted for "more flexible loan options," reflecting a demand for tailored financial products to meet diverse member needs. Lastly, 12.6% highlighted "enhanced partnerships with local organizations" as a potential avenue for improvement. Overall, these insights emphasize the importance of adapting strategies to meet community needs and the evolving landscape of banking.

Table 6: How important is it for cooperative banks to provide financial literacy programs to their members?

Options/Responses	Frequency	Percentage
Extremely important	120	41.9%
Very important	90	31.4%
Somewhat important	60	20.9%
Not important at all	16	5.6%
Total	**286**	**100%**

Source: Field Survey, 2025

This table presents respondents' views on the importance of financial literacy programs provided by cooperative banks to their members. A substantial majority, 41.9%, indicated that these programs are "extremely important," reflecting a strong consensus on the need for enhanced financial education to empower members in their financial decision-making. Additionally, 31.4% rated the programs as "very important," further underscoring the recognition of financial literacy as a critical component of effective banking services. In contrast, 20.9% of respondents felt that such programs are "somewhat important," while only 5.6% considered them "not important at all." This data highlights the overwhelming support for financial literacy initiatives, suggesting that cooperative banks should prioritize these programs to foster informed members and improve overall financial inclusion in the community.

Summary of Findings, Conclusion and Recommendations

Summary of Findings

The following summarizes the key findings:

i. The study revealed that a significant portion of respondents experienced improved access to financial services since joining a cooperative bank. Specifically, 59.3% reported that their access had either "significantly" or "somewhat" improved, which underscores the pivotal role that cooperative banks play in enhancing financial inclusion within underserved communities. This positive shift indicates that members are gaining greater opportunities for savings, credit, and other essential financial services, leading to improved economic stability. However, it is noteworthy that 20.9% of respondents experienced no change in access, which highlights areas where further support and targeted interventions are necessary to ensure that all members benefit equally from cooperative banking services. This gap in access could reflect systemic barriers or a lack of engagement that requires attention from the banks.

ii. Respondents identified "limited financial resources" as the most significant challenge confronting cooperative banks, with 34.9% citing this issue as a major obstacle. This limitation can hinder the banks' ability to offer competitive loans, maintain adequate liquidity, and invest in necessary infrastructure. Additionally, 31.4% of participants noted a "lack of awareness about services," suggesting that many community members may not fully understand the range of financial products and services available to them. This gap in knowledge could prevent potential members from utilizing cooperative banks effectively. Other challenges mentioned include regulatory hurdles and inadequate infrastructure, which further complicate the operational landscape for cooperative banks. Collectively, these challenges point to a multifaceted environment that requires strategic solutions to enhance the banks' functionality and outreach.

iii. When asked about potential strategies to enhance the effectiveness of cooperative banks, 34.9% of respondents emphasized the need for "improved technology and online services." This indicates a strong desire for modernized banking solutions that facilitate ease of access and operational efficiency. Close behind, 31.4% advocated for "increased community outreach and education," reflecting the importance of raising awareness about available services and engaging members more actively. Furthermore, the overwhelming support for financial literacy programs—73.3% of respondents deemed them "extremely" or "very important"—underscores the necessity for cooperative banks to prioritize educational initiatives that empower their members. By adopting these strategies, cooperative banks can foster greater member engagement, enhance service delivery, and ultimately contribute to improved financial inclusion across the communities they serve.

Conclusion

This study highlights the vital role of cooperative banks in promoting financial inclusion in underserved communities in Enugu State. The findings indicate that many members experience improved access to financial services, underscoring the positive impact these institutions have on their economic empowerment. However, challenges remain, particularly regarding limited financial resources and a lack of awareness about available services, which can hinder the effectiveness of cooperative banks.

Furthermore, the data suggests that addressing these challenges requires strategic enhancements, such as improving technology and increasing community outreach and education efforts. The strong support for financial literacy programs demonstrates a clear recognition of their importance in equipping members with the knowledge necessary for informed financial decision-making.

In conclusion, cooperative banks have significant potential to further their mission of financial inclusion by implementing the recommended strategies and addressing the identified challenges. By fostering a more informed and engaged membership, these banks can enhance their effectiveness and contribute to the economic development of underserved communities in Enugu State.

Recommendations

Based on the findings of this study, the following recommendations are made:

i. Cooperative banks should strengthen financial literacy initiatives by providing targeted training programs that improve members’ understanding of budgeting, savings, credit management, and available financial products.

ii. Cooperative banks should enhance community outreach and awareness campaigns through structured engagements, partnerships with local organizations, and the use of multiple communication channels to improve knowledge of available services.

iii. Cooperative banks should invest in improved digital and technological infrastructure, including user-friendly online and mobile banking platforms, to increase service accessibility and operational efficiency.

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