

Title: Rural Financing, Financial Inclusion and Socio-economic Development – A Study of Palarah SKUS under Hooghly DCCB

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ABSTRACT:

The Primary Agricultural Credit Societies (PACS) or Samabay Krishi Unnayan Samitis (SKUS) are the grassroots units of India's co-operative credit structure and play a crucial role in supporting rural households. Despite recent efforts to modernize these institutions, many poor and vulnerable groups in rural West Bengal still face barriers in accessing the services provided. This study examines the effectiveness of the Palarah SKUS under Hooghly District Central Co-operative Bank (DCCB) in reaching the poorest households and assesses whether the services offered align with their livelihood needs. It also explores how PACS can become increasingly digitalized by adopting modern banking technologies and financial inclusion processes, so that it functions as a one-stop banking solution for the rural communities. A descriptive, case based mixed method design is used, drawing on semi-structured interviews with rural households and other secondary sources. The analysis focuses on awareness, accessibility, usage patterns, handling of modern software, and barriers faced by marginalized groups to be part of the banking revolution. The study highlighted gaps in service delivery, variation in participation, and the efforts taken regarding digitalization services. The findings revealed that while the Palarah SKUS maintains high community trust and effectively delivers traditional credit, significant gaps remain in digital service delivery and mobile banking infrastructure.

Keywords: Primary Agricultural Credit Societies (PACS), financial inclusion, co-operative credit structure, digitalization, one-stop banking solution, rural livelihoods.

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INTRODUCTION:

Rural finance plays an essential role in supporting agricultural growth, reducing vulnerability, and improving the overall quality of life of people in Indian villages. Access to timely and affordable credit is especially important for small and marginal farmers, landless labourers and other low-income groups who rely on local financial institutions to meet their daily livelihood needs. Within this framework, the Primary

Agricultural Credit Societies (PACS) or the Samabay Krishi Unnayan Samitis (SKUS) form the foundational tier of the country's co-operative credit system. These grassroots institutions serve as the first point of contact for rural households seeking credit, loans, savings facilities and basic financial supports. Over the past decade, both the Central and State Governments have attempted to strengthen PACS through reforms, capacity-building initiatives and the introduction of modern banking technologies. Efforts such as computerization, digital record-keeping and integration with higher-tier co-operative banks aim to improve transparency, efficiency and outreach. The Central Government under the Ministry of Co-operation are implementing several steps to strengthen the societies across the country by providing adequate funds so that all the amenities available in urban areas can be accessed from any rural area. These initiatives are closely linked to India's broader agenda of financial inclusion, which seeks to ensure that the poorest and most vulnerable groups have equitable access to financial services. Despite these developments, challenges remain in many parts of the country, particularly in rural West Bengal, where different sections of the population continue to experience barriers in accessing PACS services. The Palarah SKUS under the Hooghly District Central Co-operative Bank (DCCB) represents a typical rural context where traditional co-operative structures co-exist with new digital banking initiatives. Examining how households interact with Palarah SKUS, the barriers they face and their experience with modern banking systems can offer meaningful insights into the functioning of PACS within a changing financial landscape.

The Palarah SKUS was established in 1965 with the initiative taken by some prominent people of the area. This co-operative society is financed under the Hooghly District Central Co-operative Bank Ltd., from its very inception. It is limited to six villages – Bighati, Palarah, Gourangapur, Dhobapukur, Dhitara and Maliapara, under Bighati Gram Panchayat. From its very inception till 2008, the society operated only through kerosene oil business. The deposit business was launched on 22nd March, 2008, with the initiative of some other prominent persons of the area. Since then, the society has been progressing through recruitment of new members, provision of agricultural loans, formation of Self-Help Groups (SHGs), group loans and other loans. The main office of the co-operative society is located at Palarah, near the Bhadreswar Railway Station, along with a branch office located at the very core of the villages it covers. Presently, this co-operative society has 2181 members taking loans such as Kisan Credit Card (KCC) loans, making deposits such as savings deposits, recurring deposits, fixed deposits, based on the kind of account they have and other transactions and 140 SHGs comprising of 1522 members of which 3 are men associated SHGs. Apart from various trainings like tailoring, beautician courses, jute and jute crafts trainings, mushroom plantations, fabric painting, etc., awareness programmes are also conducted for the SHG members. The members take loans from the society and engage in various businesses such as clothing, raising cows, goats, poultry, etc.

This study aims to assess whether Palarah SKUS is able to effectively reach the poorest households, whether its services align with the needs of the local community and how far the adoption of modern banking systems has influenced accessibility and participation. It also seeks to identify the challenges faced by rural people in using digital devices and software introduced under recent modernization drives. Understanding these issues is essential for strengthening PACS as inclusive financial institutions and enhancing their contribution to rural livelihoods.

OBJECTIVES OF THE STUDY:

The following are the objectives of this study:

- To examine the accessibility, effectiveness and alignment of the services provided by Palarah SKUS with the livelihood needs of rural households, especially the poorest and most vulnerable groups.
- To assess the role of modern banking and digitalization in shaping awareness, usage and participation of rural people in PACS services and the key challenges they face in this process.

LITERATURE REVIEW:

Sinha (1998) in his book gave a detailed description about the different forms of co-operative banks in India. It explains about the levels of operation of the co-operative banking system which includes institutions providing short-term and medium-term agricultural loans, long-term agricultural loans, and other loans. It also gives a detailed explanation about the role played by the National Bank for Agriculture and Rural Development (NABARD), the funding and financing arena for all co-operative banks in India, the State Co-operative Banks (SCBs) at the state level, the District Central Co-operative Banks (DCCBs) or Central Co-operative Banks (CCBs) at the district level and most importantly the Primary Agricultural Credit Societies (PACS) at the village level. Overall, this study gives a detailed account of all the comprehensive functioning of co-operative banks in India, also describing all loopholes and nooks and corners in greater detail.

Senapati and Bhatia (2018) highlighted on the growth of PACS in India in terms of the number of societies, membership, number of borrowers, deposits and loans advanced and also discussed about the ways in which the PACS conditions could be modified so that they could adequately address to the needs of the people. It was found that the number of societies, membership, number of borrowers, deposits and loans advanced increased significantly, but despite these, there exists a lag in major areas such as infrastructural development, expansion of businesses, rate of interest set at high levels, irregular audits, non-trained staff, leading to poor functioning of PACS. Therefore, improvement of governance, professional management, transparency, human resource capacity and providing need-based services is needed to enhance the effectiveness of PACS.

Das (2020) examined the role of Primary Agricultural Credit Societies (PACS) in providing financial assistance to the poorest people of rural India by analyzing the data on the number of PACS functioning, membership, total loan disbursed, agricultural loan disbursed from the period of 2011-12 to 2018-19, both state-wise as well as UT-wise. The study revealed that although PACS play a crucial role in rural credit delivery, the share of agricultural loans in total loan disbursement remained unsatisfactory at around 50 percent, with wide inter-state variations. Therefore, there is need for taking measures in states with low agricultural loan share and limited village coverage in order to strengthen rural and national economic development.

Dev (2022) examined the role played by co-operative banks in India by focusing on their historical evolution, structural framework, and contribution to rural and urban financial inclusion. The study highlights their significance in providing affordable credit, reducing dependence on moneylenders and supporting agricultural activities and weaker sections of society. It also speaks about the challenges faced – weak governance, lack of professional management, regulatory conflicts and financial scams, therefore, stressing the need for institutional reforms and stronger regulatory omissions so that a strong co-operative governance could be developed.

Sarkar, Ghosh and Bera (2022) examined the growth and performance of Primary Agricultural Credit Societies (PACS) in West Bengal using secondary data and statistical tools like Compound Annual Growth Rate (CAGR) percentage analysis. This study shows a decline in viable societies and memberships along with challenges such as dependence on external funds, overdue loans, weak management and governance issues. Thus, what is important here is to improve governance, enhance transparency, strengthen management capacity, increase participation of members and specifically providing training to executives and Board members to improve the overall functioning of PACS.

RESEARCH GAP:

There are very less studies been done on co-operative banking system and most importantly on Primary Agricultural Credit Societies (PACS). Most of the studies conducted rely mainly on secondary data sources and the macro-level analysis, focusing on overall performance, governance and financial indicators. There is a lack of micro-level, field-based research that captures the perspectives and experiences of individuals who actually avail the services of PACS. Further, with the recent emphasis on digitalization of PACS to function as one-stop banking solutions, empirical studies examining customer satisfaction, digital adoption, and lived experiences of members remain inadequate, especially in rural West Bengal. In this context, this study focuses on a single PACS – Palarah Samabay Krishi Unnayan Samiti (SKUS), to examine the perspectives of ordinary members, assess how far the society meets their regular financial needs, and evaluate the extent of its digital preparedness.

CONCEPTUAL OR THEORETICAL FRAMEWORK:

There are two main theories which lay the foundation of this paper – the Financial Inclusion Theory and the Diffusion of Innovation Theory. The Financial Inclusion Theory (Ozili, 2020) focuses on the need of providing adequate financial assistance and equitable access to formal financial services for rural people and other vulnerable populations in actual need. The Diffusion of Innovation Theory (Guo, et.al., 2024) says about how modern technology, ideas and innovation help towards building a population which can adopt to the new forms of living and rearranging oneself which the innovations. These frameworks are relevant in examining the accessibility of the PACS towards delivering to the needs of the rural people, participation of the people and digital adaptation within Palarah SKUS.

METHODOLOGY:

The present study adopts a Descriptive research design using a single case-based mixed-method approach. Primary data were collected from 30 respondents through semi-structured interviews with the help of a questionnaire. Purposive sampling was used to select respondents who were members visiting the PACS to avail its services. The data collected were analysed using simple descriptive techniques using tables to understand access, usage, and satisfaction levels. Secondary data were collected from books, journals, research articles to support and contextualize the findings.

DATA ANALYSIS AND INTERPRETATION:

The data collected has been divided into different sections and presented using graphs, charts, and tables. The sections are as follows:

1. Identification Data
2. Access and Awareness about Palarah PACS

3. Effectiveness of PACS and Alignment of Services with the Needs of the Rural People
4. Use of Modern Banking Systems and Digital Platforms

IDENTIFICATION DATA:

AGE-WISE DISTRIBUTION OF RESPONDENTS:

Table 1:

Respondent's View	Frequency	Percentage %
30-50 years	12	40%
51-70 years	12	40%
71-90 years	6	20%
Total	30	100%

The total number of respondents here is 30, comprising of both male and female. Here, 12 respondents, that is, 40% of the respondents belong to the 30-50 years age group, 12 respondents, that is 40% of the respondents belong to the 51-70 years age group, and 6 respondents that is 20% of the respondents belong to the 71-90 years age group. Thus, among all the respondents, the majority of the respondents come under the 30-50 years and 51-70 years age group, which sums to 80% of the total population. Therefore, it can be said from the age profile of the members that irrespective of the age differences, people are getting good access to the facilities provided by the PACS.

SEX-WISE DISTRIBUTION OF RESPONDENTS:

Table 2:

Respondent's View	Frequency	Percentage %
Male	20	67%
Female	10	33%
Total	30	100%

Out of the total number of 30 respondents, the number of males is 20, that is 67% of the total population, and the number of females is 10, that is 10% of the total population. Therefore, this represents that males represent the greater part of the membership of the PACS than that of the females.

LOCATION AND QUALIFICATION-WISE DISTRIBUTION OF RESPONDENTS:

Table 3:

Location → Qualification ↓	Bigha ti	Palar ah	Gouranga pur	Dhobapu kur	Dhita ra	Maliapa ra	Tot al
Illiterate	1	0	0	0	0	0	1
Primary education (up to Class 5)	4	0	1	3	1	1	10
Secondary education (Class 6 - 10)	9	2	3	0	4	0	18

Higher secondary (Class 11 - 12)	0	0	0	0	0	0	0
Graduate and above	1	0	0	0	0	0	1
Total	15	2	4	3	5	1	30

The different categories of educational qualification include – Illiterate, Primary education (up to Class 5), Secondary education (Class 6 - 10), Higher secondary (Class 11 - 12), and Graduate and above, and the locations where the respondents reside include Bighati, Palarah, Gourangapur, Dhobapukur, Dhitara and Maliapara, under Bighati Gram Panchayat. Out of a total of 30 respondents spread across the 6 locations under the Bighati Gram Panchayat, 15 respondents (50% of the respondents) are from Bighati, 2 respondents (7% of the respondents) are from Palarah, 4 (13% of the respondents) are from Gourangapur, 3 (10% of the respondents) from Dhobapukur, 5 (17% of the respondents) from Dhitara, and 1 (3% of the respondents) from Maliapara. Therefore, people from Bighati are mostly the members of this PACS and are the most educated ones, having secondary education (class 6 - 10), of all the other locations. It can be said that since people here are mostly educated up to the secondary category and only one respondent is graduate, thus, if proper training is not provided then it will be greatly difficult for the people to use the digital platforms in order to ease their banking related work. Therefore, training should be adequately given in this regard.

OCCUPATION AND INCOME OF THE RESPONDENTS:

Table 4:

Income → Occupation ↓	Below ₹5,000	₹5,000 - ₹10,000	₹10,000 - ₹20,000	Above ₹20,000	Total
Carpenter	0	0	1	0	1
Domestic worker	0	2	1	0	3
Farmer	0	2	6	2	10
Pensioner	0	0	3	2	5
Rickshaw puller	1	0	0	0	1
Serviceman	0	0	0	1	1
Shopkeeper	0	0	1	4	5
Weaver	0	0	2	2	4
Total	1	4	14	11	30

In this study, income has been categorized into four groups – below ₹5,000, ₹5,000 - ₹10,000, ₹10,000 - ₹20,000, and above ₹20,000, and the occupation of the respondents has also been classified on the basis of the responses provided – Carpenter, Domestic worker, Farmer, Pensioner, Rickshaw puller, Serviceman, Shopkeeper and Weaver. The table shows that the highest proportion of respondents belonged to the income category of ₹10,000 - ₹20,000 comprising 14 respondents (47%), followed by above ₹20,000 with 11 respondents (37%). Farmers constituted the largest occupational group with 10 respondents (33%), most of whom belonged to the income category of ₹10,000 - ₹20,000. Shopkeepers and Pensioners accounted for 5 respondents each (17%), while Weavers constituted 4 respondents (13%). Only 1 respondent (3%) each was identified as a Carpenter, Rickshaw puller, and Serviceman, indicating

comparatively lower representation of these occupations in the study area. With regard to landholding, the majority of respondents belonged to the small landholding category of 1-2 acres with 19 respondents (63%), while 11 respondents (37%) possessed marginal landholdings of less than 1 acre, and none of the respondents are landless. Therefore, the findings suggest that the majority of respondents belonged to middle-income range, with farming emerging as the dominant occupation among the respondents.

II. ACCESS AND AWARENESS ABOUT PALARAH PACS:

MEMBERSHIP-WISE DISTRIBUTION OF RESPONDENTS:

Table 5:

Respondent's View	Frequency	Percentage %
< 1 year	0	0%
1 - 3 years	4	13%
>3 years	26	87%
Total	30	100%

Out of the total number of 30 respondents, it is very much evident that all the respondents are active members of the Palarah SKUS. The statistics shows that 26 members, that is 87% of the respondents have been members for more than 3 years. This indicates that the members have grown immense trust on the services provided by this society and would also continue to be a very strong participant of this PACS. The rest 4 members, that is 13% of the respondents have been members for around 1 - 3 years, which indicates that they are the newest members of the PACS. Therefore, this shows how greatly the members are associated with the PACS and rely on to it for meeting their regular requirements.

Based on the data collected on access and awareness about the Palarah PACS, it can be observed that almost all the respondents avail all the services such as credit / loans, savings, crop loans, etc., provided by this society. This is because the loans provided are very regulated and respondents find it very safe and easily accessible for them to keep their savings as well. This is a very big advantage of this society. As members are mainly associated with farming, weaving and other kinds of work, therefore, they visit the PACS very rarely like on a monthly basis or maybe once in few months. Another reason which some of the respondents feel that the procedures involved here are very complicated for them and becomes very difficult to understand which again creates an obstacle for them to visit the PACS. The respondents have also repeatedly said that they have never faced any kind of delays in receiving loan amounts whenever they asked for. But again, one disadvantage which lies on the part of the members is that, many a times they cannot visit PACS as a result of financial constraints and other familial issues, but, they have never complained in any way about any kind of problems they have faced on the part of the services provided by the PACS.

III. EFFECTIVENESS OF PACS AND ALIGNMENT OF SERVICES WITH THE NEEDS OF THE RURAL PEOPLE:

RESPONDENTS VIEW ON FREQUENCY OF MEETINGS OR AWARENESS ACTIVITIES CONDUCTED BY THE PACS:

Table 6:

Respondent's View	Frequency	Percentage %
Very frequently	0	0%
Frequently	0	0%
Sometimes	21	70%
Rarely	9	30%
Never	0	0%
Total	30	100%

According to the responses given by the respondents, they have said that this society conducts meetings and awareness problems in the villages it covers. Out of the 30 respondents, 21 respondents, that is 70 % of the respondents have said that sometimes the awareness activities are carried out, whereas, 9 respondents, that is 30% of the respondents said that on a rare basis such awareness activities are conducted.

Most of the respondents have said that the services provided by the PACS reach very effectively to the poorer households of the villages who are actually in dire need of the services. It is not only the poorer sections who are safeguarded by the PACS services, but also the other sections are taken proper care of and no kind of discrimination is made in any regard based on any category, class or group one belongs to, everyone is considered and taken care of equally on an equal standpoint. But the respondents have suggested several points by which the services received could be in much better form. They have asked for developing online banking system so that transaction could be made through ATM and UPI services, increase loan amounts and repayment time periods, provide loans for other avenues such as fertilizers, machineries, transportations, etc. Overall, they say that the PACS is serving very effectively to their needs.

IV. USE OF MODERN BANKING SYSTEMS AND DIGITAL PLATFORMS:

This is the main area where this PACS lags the most. Modern banking system has not been introduced as such – only very minimal services such as NEFT, RTGS, direct debit facilities, etc., are available which the members can avail only by visiting the PACS. Mobile banking services are yet to start as work is being carried out on creating an app for the customers. After such creation gets done, adequate training will be provided to the members and regular workshops will also be conducted so that a sound system could be established for the members of the villages and accessing becomes at very ease.

MAJOR FINDINGS AND SUGGESTIONS:

The following are the major findings of this study:

- The study finds that Palarah SKUS plays an important role in providing basic financial services to rural households, particularly those belonging to lower and middle-income groups having small or marginal landholdings.
- Most respondents are literate and have attained primary or secondary education, which enables them to engage with traditional PACS services, but also at the same time constrains their independent use of digital banking facilities. Training is of utmost need here.
- A majority of members have been associated with the PACS for several years, indicating sustained trust and reliance on the institution for credit, savings and allied services.

- The most commonly used services include agricultural loans, savings deposits and SHG-related credit, while the use of advanced or digital services remains very limited.
- Digitalization initiatives have not yet translated into full digital inclusion, as many members face difficulties due to limited digital literacy and dependence on staff assistance.

The following are the major suggestions of this study:

- The first and major suggestion is to start mobile banking as soon as possible so that further research could be conducted on the same.
- Regular capacity-building and digital literacy training programmes may be conducted for members to improve confidence and ease in using digital banking services.
- The loan amounts, repayment time periods, loans for other avenues such as for fertilizers, pesticides, etc. should also be promoted.
- Periodic feedback mechanisms, such as informal meetings or simple feedback forms, can help the PACS understand member concerns and improve service delivery.
- Future studies may expand the sample size or adopt comparative approaches to examine variations across different PACS and regions.

CONCLUSION:

PACS is such a banking system which has truly helped people living in the rural areas to have a better livelihood and satisfy their needs. The PACS have grown up in order to look deep into the problems faced by rural people and also to provide a platform for them where they can accumulate their savings in return of very nominal interest rates. The PACS are flourishing very greatly and poor people are really very satisfied by the services they receive. At present, the Central Government has taken up this initiative to digitalize all the PACS in India and therefore work is being carried out at a very rapid pace so that the poorer sections of our population could also reap the socio-economic benefits of digital integration. The Palarah SKUS is also a very good co-operative society and works very effectively for the people of its vicinity areas. The digitalization process would enable a more smoother banking service altogether and would also attract more members to be part of this PACS, helping to boom in an even better way where there would be no more problems to be looked at.

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