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**FINANCIAL SUSTAINABILITY OF STATE COOPERATIVE BANKS IN
INDIA: TRENDS, CHALLENGES, AND IMPLICATIONS FOR
ACHIEVING SUSTAINABLE DEVELOPMENT GOALS**

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Abstract

This study examines the financial sustainability of State Cooperative Banks (SCBs) in India with a focus on profitability and Non-Performing Assets (NPAs) from 2015 to 2024. The objectives are to analyse national and regional trends, identify structural challenges, and assess implications for sustainable development. Using secondary data from official sources such as NAFSCOB, NABARD and RBI, the study applies trend analysis, CAGR computation, and regional comparisons to interpret performance. Results reveal that while all-India profits grew at a CAGR of 10.6%, regional disparities remain sharp: Western and Southern regions dominate profitability, whereas North-Eastern banks face chronic fragility. NPAs peaked at 6.7% during 2020–21 but declined to 4.9% in 2024, masking regional vulnerabilities. The findings conclude that sustained profitability requires governance reforms, digitalization, diversification, and regional capacity building. Linking SCBs with SDGs highlights their potential role in poverty reduction, food security, and financial inclusion.

Keywords: Cooperative Banks, Profitability, NPAs, Financial Sustainability, SDGs

1. INTRODUCTION

The State Cooperative Banks (SCBs) form the crucial middle tier of India's short-term cooperative credit structure, bridging the gap between the apex cooperative institutions and the District Central Cooperative Banks (DCCBs). They play a pivotal role in rural financing, agricultural credit, and financial inclusion. However, the sector has perennially grappled with the challenge of Non-Performing Assets (NPAs), which erode profitability, weaken capital adequacy, and threaten financial stability. The decade from 2014-15 to 2023-24 was particularly eventful for the Indian banking sector, encompassing periods of economic growth, the implementation of the Insolvency and Bankruptcy Code (IBC), the crisis in non-banking financial companies (NBFCs), and the unprecedented disruption caused by the COVID-19 pandemic.

The significance of SCBs extends beyond economics: they embody a community-centric model of finance. In the global context of SDGs, SCBs serve as local enablers of sustainable development. However, their financial sustainability is uneven, threatened by NPAs, governance gaps, and regional imbalances. This study provides a condensed assessment of their performance from 2015–2024.

2. LITERATURE REVIEW

The financial sustainability of State Cooperative Banks (SCBs) in India has become a subject of increasing scholarly and policy interest, owing to their dual mandate of serving as financial intermediaries and promoting rural development. The existing body of literature highlights key dimensions of SCB performance, including profitability, asset quality, governance structures, and operational efficiency, while also situating their role within broader developmental and policy frameworks.

At the macro level, the Reserve Bank of India's (RBI) Report on Trend and Progress of Banking in India 2022–23 offers authoritative insights into sectoral dynamics. It documents long-term shifts in profitability, asset quality, and credit expansion, and notes how SCBs were severely affected by the COVID-19 pandemic, with Gross NPAs peaking in 2020–21 before moderating thereafter. Importantly, the report underscores the persistence of heterogeneity within cooperative banking, cautioning that improvements at the national level may obscure regional fragilities (RBI, 2023). This finding reinforces the importance of disaggregated, region-specific analyses such as those undertaken in the present study.

Complementing the RBI's perspective, the National Bank for Agriculture and Rural Development (NABARD) Annual Report 2023–24 takes a cooperative-centric view, focusing on institutional reforms, digital enablement, and recapitalisation needs. NABARD stresses the alignment of SCBs with Sustainable Development Goals (SDGs), particularly in financial inclusion, food security, and poverty alleviation. It highlights the need to evaluate SCBs not only on profitability and NPAs but also in terms of their developmental role in rural credit delivery (NABARD, 2024). This broader framing aligns closely with the objectives of the current research.

Empirical scholarship adds further depth by exploring the determinants of profitability and NPAs. Bawa, Goyal, Mitra, and Basu (2019) employ a large econometric dataset of Indian banks, analysing 31 financial ratios across 46 institutions. They find that operating efficiency and capital adequacy mitigate NPAs, while rapid asset growth combined with weak profitability intensifies asset-quality problems. Although their sample emphasises commercial banks, the mechanisms they identify—managerial prudence, resilience in profitability, and efficiency—are directly applicable to SCBs. This supports the argument that effective credit management is indispensable to financial sustainability.

Governance has also been identified as a critical challenge. The Vidhi Centre for Legal Policy (2020) evaluates cooperative banking governance across ten Indian states, revealing deficiencies in board professionalism, weak regulatory enforcement, and uneven state-level oversight. The study argues that without institutional reforms and professionalised governance structures, SCBs will remain vulnerable to systemic weaknesses regardless of financial reforms. This perspective links institutional design with regional disparities in performance, making governance a key axis of cooperative bank sustainability.

Finally, productivity and efficiency studies shed light on operational challenges. Zaman and Khan (2023) apply Malmquist productivity indices and Data Envelopment Analysis (DEA) to show wide inter-state variation in SCB efficiency. Their findings suggest that digital adoption, managerial competence, and economies of scale are critical drivers of improved performance. The study notes that weaker regions, particularly in the North-East, lag significantly behind, highlighting the need for modernization and region-specific capacity building.

Collectively, the literature establishes a multi-dimensional view of SCB performance. Official reports provide the policy and statistical context, while academic studies highlight profitability–NPA linkages, governance deficiencies, and efficiency dynamics. Despite improvements in NPAs and profitability in recent years, regional imbalances and structural weaknesses persist, making reforms in governance, digitisation, and diversification imperative. Moreover, the convergence of findings underscores that SCB sustainability is not merely a banking-sector issue but also central to India's developmental objectives under the SDGs.

3. OBJECTIVES OF THE STUDY

1. To assess profitability and NPA trends in SCBs across India (2015–2024).
2. To evaluate regional disparities in performance.
3. To link SCBs' financial sustainability with SDGs.
4. To suggest strategies for reform and resilience.

4. DATA AND METHODOLOGY

The paper uses secondary data from NABARD's Status of Cooperative Banking in India, RBI statistical reports, and State Registrars of Cooperatives. NAFSCOB data have been mainly used for analytical purposes. Descriptive analysis, CAGR calculations, and region-wise comparisons were conducted for profitability and NPAs.

5. ANALYSIS AND INTERPRETATION

5.1 Profitability of SCBs – All India Level

The profitability of State Cooperative Banks (SCBs) in India has shown an overall upward trend during the period 2015–2024, though marked by considerable year-to-year volatility. Aggregate profits grew from ₹108,200 lakhs in 2015 to ₹268,174 lakhs in 2024, reflecting a compound annual growth rate (CAGR) of approximately 10.6%. This indicates that, despite short-term fluctuations, SCBs have managed to improve their financial base over the decade.

Table 1: All-India Profits of SCBs (2015–2024)

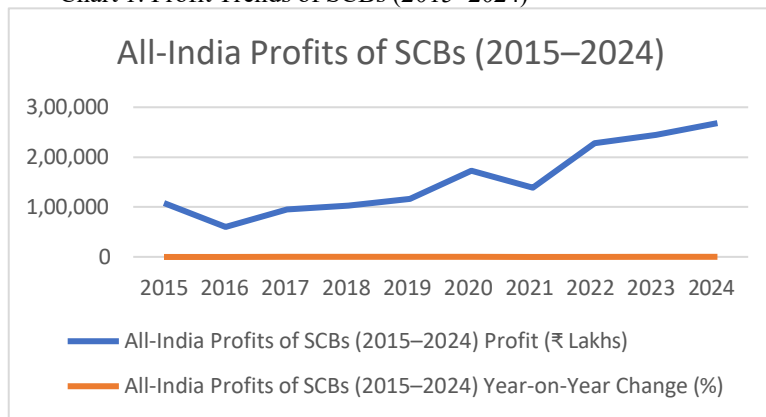
Year	Profit (₹ Lakhs)	Year-on-Year Change (%)
2015	108,200	-
2016	60,050	-44.5
2017	95,240	+58.6
2018	102,970	+8.1
2019	116,550	+13.2
2020	172,420	+47.9
2021	139,000	-19.4
2022	228,000	+64.1
2023	244,870	+7.4
2024	268,174	+9.5

Source: Compiled from NAFSCOB Data

The profit trajectory reveals that SCBs' financial performance is highly sensitive to both internal and external shocks. The sharp decline in 2016 (-44.5%) highlights operational weaknesses and possible provisioning shocks. However, the immediate recovery in 2017 (+58.6%) and subsequent steady gains in 2018–2019 reflect resilience and policy support.

A major spike in 2020 (+47.9%) indicates one-off recoveries or strong credit growth just before the COVID-19 crisis. The decline in 2021 (-19.4%) mirrors pandemic-related stress, but the dramatic rebound in 2022 (+64.1%) underscores the role of relief packages, restructuring, and recovery drives. The stabilization in 2023 and 2024, with moderate growth rates of 7–10%, suggests that SCBs are moving towards a more sustainable profitability path.

Chart 1: Profit Trends of SCBs (2015–2024)



Overall, the data shows that while SCBs are capable of generating strong profits, their dependence on episodic recoveries and state-level variations makes the growth path uneven. A consistent focus on governance, diversification, and risk management will be essential to maintain profitability without relying on extraordinary one-off events.

5.2 Region-wise Profitability of SCBs in India

The data on region-wise profits of State Cooperative Banks (SCBs) in India from 2015 to 2024 reveals significant disparities across regions, highlighting both structural strengths and vulnerabilities within the cooperative banking sector.

Table 2: Region-Wise Table of Profits of SCBs in India (2015–2024)

Year	Northern	North-Eastern	Eastern	Central	Western	Southern	All India
2015	13,900	4,650	11,600	14,360	44,710	18,980	1,08,200
2016	10,640	-5,070	5,330	10,470	25,340	13,340	60,050
2017	22,558	5,328	5,584	8,457	27,102	26,211	95,240
2018	16,772	3,598	6,567	16,179	25,789	34,091	1,02,996
2019	17,168	6,298	6,034	8,534	32,891	45,686	1,16,611
2020	22,210	5,955	17,051	19,918	40,115	67,152	1,72,401
2021	1,275	6,023	25,949	15,741	43,006	46,963	1,38,957
2022	30,027	6,087	34,520	11,990	79,770	65,655	2,28,049
2023	36,429	5,016	49,219	23,618	77,416	53,114	2,44,812
2024	31,051	10,148	54,450	23,673	79,862	68,990	2,68,174

Source: Compiled from NAFSCOB Data

1. *National-Level Growth:* At the aggregate level, All-India profits increased from ₹1,08,200 lakhs in 2015 to ₹2,68,174 lakhs in 2024, reflecting a compound annual growth rate (CAGR) of nearly 10.6%. This indicates that, despite volatility during the COVID-19 years, SCBs have managed to expand profitability over the decade, supported by regulatory interventions, recovery in agricultural

credit demand, and increasing diversification of operations.

2. *Western and Southern Dominance:* The Western and Southern regions consistently emerge as the major contributors to SCB profitability. Western SCBs (Maharashtra, Gujarat, etc.) grew from ₹44,710 lakhs in 2015 to ₹79,862 lakhs in 2024, showing stability with only marginal volatility. Southern SCBs (Kerala, Karnataka, Tamil Nadu, etc.) demonstrated even sharper growth, rising from ₹18,980 lakhs in 2015 to ₹68,990 lakhs in 2024, almost tripling in value. This dominance can be attributed to better governance practices, higher agricultural-commercial linkages, stronger PACS networks, and adoption of diversified financial and allied activities.
3. *Eastern and Central Regions – Rising Contributors:* A striking trend is the sharp increase in Eastern and Central regions’ profits. The Eastern region rose from ₹11,600 lakhs in 2015 to ₹54,450 lakhs in 2024, showing strong post-2020 acceleration, possibly due to improved credit recovery mechanisms and supportive state-level policies. Similarly, the Central region grew steadily from ₹14,360 lakhs in 2015 to ₹23,673 lakhs in 2024, reflecting moderate but stable profitability. This indicates a gradual strengthening of cooperative banking in these regions, though still below the levels of Western and Southern regions.
4. *Northern Region – Fluctuations and Recovery:* The Northern region exhibits considerable volatility, with profits falling from ₹13,900 lakhs in 2015 to ₹10,640 lakhs in 2016, before rebounding strongly to ₹36,429 lakhs in 2023 and ₹31,051 lakhs in 2024. Such fluctuations reflect uneven credit demand patterns, governance issues, and exposure to sectoral shocks. Nevertheless, the recovery in recent years shows resilience and scope for consolidation.
5. *North-Eastern Region – Chronic Fragility:* The North-Eastern region remains the weakest performer, with profits showing extreme volatility and occasional negative values (e.g., -₹5,070 lakhs in 2016). Despite recent improvements, with profits reaching ₹10,148 lakhs in 2024, the contribution of the region to national profits remains marginal (less than 4%). Structural challenges such as limited scale of operations, geographical constraints, weaker PACS linkages, and governance deficiencies continue to constrain sustainable profitability in this region.
6. *COVID-19 Impact (2020–2021):* The pandemic years had a profound impact, with All-India profits dropping from ₹1,72,401 lakhs in 2020 to ₹1,38,957 lakhs in 2021. Regional patterns varied: while Eastern region SCBs saw a sudden spike in 2021 (₹25,949 lakhs), Northern SCBs collapsed to just ₹1,275 lakhs. These trends underline the asymmetrical resilience of SCBs during crises, with weaker regions more severely affected.
7. *Policy Implications:* The trends reinforce the need for region-specific strategies. Western and Southern regions can serve as models of efficiency and diversification. For Eastern and Central regions, continued strengthening of credit delivery and recovery systems could consolidate recent gains. The North-Eastern region, however, requires structural support in terms of capital infusion, digital infrastructure, managerial capacity building, and tighter governance to overcome persistent fragility.

The regional disparity in SCB profitability mirrors India’s broader cooperative credit ecosystem, where stronger states with well-integrated PACS and diversified activities generate sustained profits, while weaker regions struggle with structural deficiencies. For SCBs to achieve long-term financial sustainability and contribute meaningfully to Sustainable Development Goals (SDGs), targeted interventions addressing regional vulnerabilities are essential. Strengthening governance frameworks, expanding digital banking, and enhancing capacity at the grassroots level remain key levers to reduce disparities and ensure inclusive growth across all regions.

Table 3: Share of Each Region in Total SCB Profits (2015 Vs 2024)

Region	2015 Profit (₹ Lakhs)	2015 Share (%)	2024 Profit (₹ Lakhs)	2024 Share (%)
Northern	13,900	12.8%	31,051	11.6%

North-Eastern	4,650	4.3%	10,148	3.8%
Eastern	11,600	10.7%	54,450	20.3%
Central	14,360	13.3%	23,673	8.8%
Western	44,710	41.3%	79,862	29.8%
Southern	18,980	17.5%	68,990	25.7%
Total	1,08,200	100%	2,68,174	100%

Source: Compiled from NAFSCOB Data

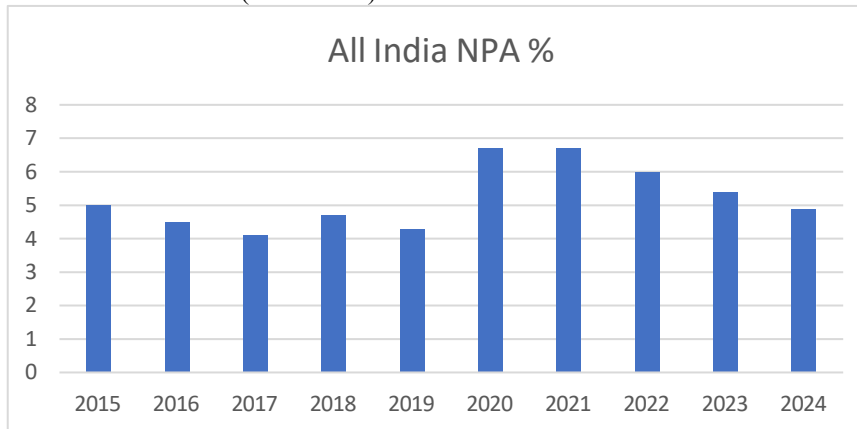
Between 2015 and 2024, the regional distribution of profits among State Cooperative Banks (SCBs) in India shows significant shifts, reflecting both growth opportunities and structural challenges. In 2015, the Western region, led by Maharashtra, dominated with 41.3% of national SCB profits. By 2024, although its absolute profits increased, its share declined to 29.8%, signaling reduced dependence on a single region. The Southern region expanded strongly, increasing its share from 17.5% to 25.7%, driven by Kerala, Tamil Nadu, and Andhra Pradesh, where strong deposit mobilization and diversified services boosted profitability.

The Eastern region emerged as the most dynamic, with its share nearly doubling from 10.7% to 20.3%, supported by states like Odisha and West Bengal. In contrast, the Central and Northern regions experienced relative declines, falling to 8.8% and 11.6% respectively, due to governance lapses, high NPAs, and weaker recovery systems. The North-Eastern region, despite modest growth in absolute terms, remains marginal, slipping from 4.3% to 3.8%, constrained by structural weaknesses and limited market size.

5.3 Non-Performing Assets (NPAs) of SCBs (2015-2024)

Non-Performing Assets (NPAs) represent one of the most critical challenges for State Cooperative Banks (SCBs) in India. Although the all-India average shows a marginal decline—from 5.0% in 2015 to 4.9% in 2024—the trend has not been linear. NPAs peaked at 6.7% in 2020–21, reflecting the severe stress caused by the COVID-19 pandemic, which disrupted loan repayment capacity in agriculture and allied sectors.

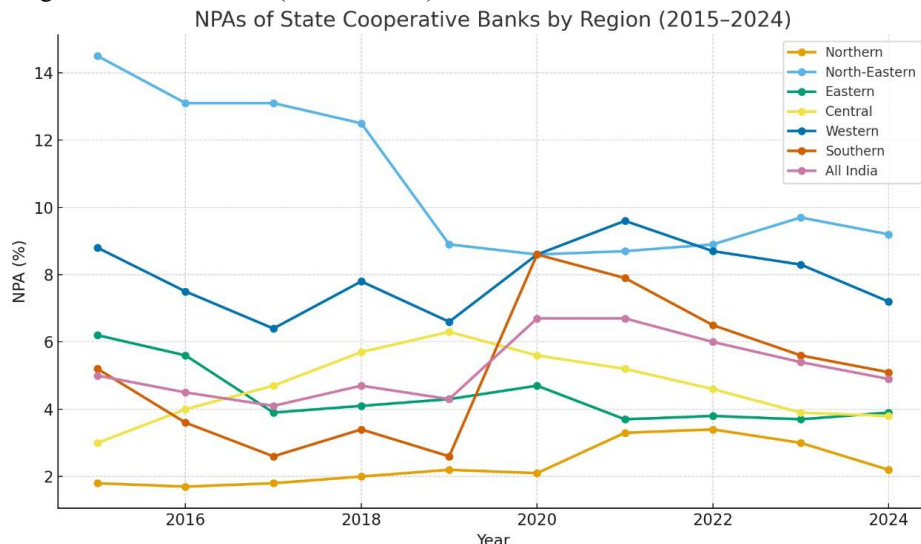
Chart 2: All India NPAs of SCBs (2015–2024)



The NPA (Non-Performing Assets) trajectory of State Cooperative Banks (SCBs) in India during 2015–2024 highlights both resilience and vulnerability in their financial performance. In 2015, SCBs reported NPAs at 5.0%, which declined steadily to 4.1% by 2017, indicating effective credit management and recovery mechanisms in the initial years of the study period. However, by 2018, NPAs rose slightly to 4.7%, suggesting early signs of stress in asset quality.

The situation escalated sharply in 2020 and 2021, when NPAs peaked at 6.7%. This spike coincided with the COVID-19 pandemic and associated economic disruptions, including delayed loan repayments, stress in the agricultural sector, and liquidity challenges in rural economies. The persistently high level in these two years reflects structural fragility in cooperative lending, especially in regions heavily dependent on agriculture and informal credit flows. Post-2021, SCBs demonstrated gradual improvement in asset quality. NPAs declined to 6.0% in 2022, 5.4% in 2023, and further to 4.9% in 2024, suggesting that recovery strategies, restructuring support, and revival of rural economic activity had a positive impact. Importantly, by 2024, NPA levels nearly returned to their pre-pandemic range, though still marginally higher than the lowest point of 2017 (4.1%).

Chart 3: Regional NPAs of SCBs (2015 vs 2024)



The trajectory of NPAs underscores the dual narrative of India’s cooperative banking sector: gradual national-level improvement alongside persistent regional vulnerabilities.

National Perspective: The decline from 6.7% in 2021 to 4.9% in 2024 demonstrates that recovery mechanisms, restructuring support, and improved monitoring systems have begun to yield results. This also reflects the role of NABARD and RBI in strengthening supervisory frameworks.

Regional Variation: Northern and Eastern regions stand out for their low NPA levels (2–4%). This resilience is largely due to strong cooperative structures, better crop insurance penetration, and cautious credit practices. Western region remains vulnerable, with NPAs consistently above 7%. Maharashtra dominates this region’s credit operations, where political interference, farm loan waivers, and weak governance continue to distort repayment culture.

Southern region maintains stable NPAs around 5%, reflecting both the stress from agricultural shocks (such as Kerala floods) and the benefits of digitalization and diversification in later years. North-Eastern region shows chronic fragility, with NPAs above 9% even in 2024. Small scale, institutional weaknesses, and climate-related risks make sustainable lending difficult here. In sum, while India’s SCBs are moving towards lower NPA levels overall, regional asymmetry remains a key challenge. For long-term sustainability, targeted interventions are needed for Western and North-Eastern SCBs, while successful models from Northern and Eastern states could be replicated elsewhere.

Table 4: Regional Overview of NPAs and Profits in SCBs (2024)

Region	NPA % (2024)	Profit (₹ Lakhs, 2024)	Share of National Profit (%)	Key Features
Northern	2.2			
North-Eastern	9.0			
Eastern	3.9			
Central	3.8			
Western	7.2			
Southern	5.0			
All India	4.9			

Northern	2.2	31,051	11.6%	Low NPAs, moderate profits, agriculture-led stability
Southern	5.1	68,990	25.7%	Strong profit growth, volatility due to floods & PACS issues
Eastern	3.9	54,450	20.3%	Emerging hub, led by Odisha & West Bengal
Central	3.8	23,673	8.8%	Stable NPAs, limited profitability due to governance gaps
Western	7.2	79,862	29.8%	High profits dominated by Maharashtra, but high NPAs
North-Eastern	9.2	10,148	3.8%	Weakest performer, structural fragility persists
All-India	4.9	268,174	100%	Overall improving trend, regional disparities remain

Northern Region: The Northern region, dominated by Punjab and Haryana, benefits from prosperous agriculture and robust cooperative structures. NPAs remain the lowest nationally (2–3%), reflecting effective crop insurance coverage and repayment culture. However, profitability is only moderate (11.6% of national share), as SCBs in this region remain heavily tied to seasonal agriculture rather than diversified income sources.

Southern Region: Southern SCBs have emerged as strong profit contributors (25.7%), with Kerala, Tamil Nadu, and Andhra Pradesh driving growth. However, performance is uneven. Kerala’s cooperative system was strained by floods and PACS-level weaknesses, creating profit volatility. At the same time, reforms such as computerization and diversification into non-farm sectors have stabilized growth, making the South one of the strongest performers overall.

Eastern Region: The Eastern region stands out as an emerging profitability hub, with its share rising from 10.7% in 2015 to 20.3% in 2024. Odisha and West Bengal have particularly improved through better resource mobilization, credit monitoring, and asset quality management. NPAs declined significantly (to 3.9%), showing that cautious lending strategies combined with efficiency measures can transform regional cooperative banking systems.

Central Region: Despite stable NPAs (3.8%), the Central region lags in profitability, contributing just 8.8% of national profits. This reflects governance and operational inefficiencies in Madhya Pradesh and Chhattisgarh SCBs. The challenge here is not asset quality but the limited ability to scale income and expand into diversified lending.

Western Region: The Western region remains the largest profit contributor (29.8%), dominated by Maharashtra’s massive cooperative banking system. However, its persistently high NPAs (7.2%) highlight the gap between scale and quality. Political interference, loan waivers, and governance weaknesses erode repayment discipline, leaving the region profitable in absolute terms but fragile in long-term sustainability.

North-Eastern Region: The North-East is the weakest performer, with NPAs as high as 9–20% in earlier years and still 9.2% in 2024—the highest nationally. Profits remain marginal (3.8% of the national total), reflecting structural fragility, small scale of operations, and exposure to climatic and institutional risks. Without substantial policy support, this region risks long-term exclusion from the cooperative banking growth story.

The regional analysis shows a dual structure: high-profit but high-risk regions (Western, Southern) alongside stable but moderate performers (Northern, Eastern, Central), and one chronically weak region (North-East). The concentration of profits in Western, Southern, and Eastern regions (76% combined) raises systemic vulnerability, while the lagging performance of weaker regions calls for targeted reforms and sustainable diversification strategies.

5.4. Challenges to Financial Sustainability

Persistent high NPAs in Western and North-Eastern regions: Despite national-level improvements, these two regions continue to report disproportionately high NPAs. In the West, Maharashtra's dominance in cooperative banking inflates regional figures, where political interference and weak recovery systems exacerbate defaults. In the North-East, small-scale operations, poor repayment culture, and natural calamities such as floods and landslides have kept NPAs stubbornly high. Such chronic asset quality issues undermine long-term sustainability.

Governance lapses and political interference in credit decisions: Many SCBs suffer from weak governance frameworks. Political influence often leads to loan waivers, relaxed appraisal standards, and poor enforcement of recovery mechanisms. These practices erode repayment discipline, distort financial performance, and perpetuate cycles of inefficiency, particularly in states where cooperative banks are closely tied to local politics.

Over-reliance on agriculture, exposing SCBs to climate shocks: A large share of SCB lending is directed towards agriculture and allied activities. This sector is inherently vulnerable to monsoon failures, droughts, floods, and commodity price fluctuations. When agricultural borrowers default due to such shocks, SCBs face a sudden rise in NPAs, jeopardizing financial stability. Limited diversification into non-farm sectors compounds this vulnerability.

Regional imbalances with concentration of profits in three regions: The Western, Southern, and Eastern regions collectively account for nearly three-fourths of SCB profits, while the Northern, Central, and North-Eastern regions contribute marginally. This skewed distribution creates systemic risks: if one major region falters, the overall financial performance of SCBs nationwide could be destabilized. Such imbalances also highlight inequities in access to cooperative financial resources across regions.

Uneven adoption of digital technologies and MIS: While some SCBs have embraced computerization, digital banking, and management information systems (MIS), others remain technologically backward. The absence of robust digital infrastructure limits efficiency in loan monitoring, recovery, and reporting. Weaker states and smaller SCBs lag in technology adoption, which widens the performance gap and prevents cooperative banks from fully modernizing in line with commercial banks.

5.5. Linking SCBs to Sustainable Development Goals (SDGs)

SDG 1 (No Poverty): SCBs play a direct role in reducing poverty by extending affordable credit to small and marginal farmers, rural artisans, and weaker sections of society. Through their extensive network of PACS and DCCBs, they ensure that credit reaches households often excluded by commercial banks. However, their ability to sustain this outreach depends on financial health—persistent NPAs or operational inefficiencies weaken their capacity to extend fresh credit and limit their contribution to poverty alleviation.

SDG 2 (Zero Hunger): By financing crop loans, irrigation facilities, fertilizer purchases, and allied activities, SCBs contribute significantly to agricultural production and food security. In states like Odisha, Punjab, and Andhra Pradesh, SCBs are critical sources of seasonal credit for farmers. Yet, high NPAs, particularly in agriculture-heavy regions, reduce the flow of funds back into farming cycles. Without robust asset quality, the ability of SCBs to continuously support agricultural productivity—and by extension, national food security—remains compromised.

SDG 8 (Decent Work and Economic Growth): Financially strong SCBs support rural entrepreneurship, small-scale industries, and self-help groups by providing credit and banking services. They also generate local employment through their own operations and allied activities. Profitability translates into an expanded capacity to fund income-generating projects, thus creating jobs and fostering economic growth. Conversely, when profitability declines, SCBs are forced to curtail credit, which directly affects rural economic dynamism.

SDG 10 (Reduced Inequality): Cooperative banking is inherently inclusive, designed to extend financial services to marginalized and rural communities. SCBs help reduce inequality by enabling access to credit for low-income groups,

women, and disadvantaged farmers who would otherwise be excluded from formal finance. However, regional disparities in SCB performance—where Western, Southern, and Eastern regions dominate profitability—undermine the equalizing impact of cooperatives nationwide. Strengthening weaker regions is therefore essential to maximize the role of SCBs in reducing inequalities.

6. RECOMMENDATIONS AND SUGGESTIONS

The analysis of profitability and NPA trends of State Cooperative Banks (SCBs) during 2015–2024 underscores the need for a comprehensive reform agenda to ensure their long-term financial sustainability and alignment with the Sustainable Development Goals (SDGs). Strengthening governance remains the foremost priority. Boards of SCBs should be professionalized with qualified financial experts, and mechanisms for greater accountability and transparency must be instituted. This would help curb political interference, improve decision-making, and enhance strategic vision.

Equally critical is robust NPA management. SCBs must adopt early-warning systems, strengthen credit appraisal processes, and implement proactive recovery measures. The pandemic-induced surge in NPAs clearly highlighted the vulnerability of cooperative banks to external shocks. Establishing efficient recovery cells, incentivizing timely repayments, and leveraging technology for borrower tracking would reduce the recurrence of such stress.

Diversification of business operations is another pressing need. While SCBs remain rooted in agricultural lending, they should gradually expand into non-farm rural credit, renewable energy financing, rural enterprises, and allied activities. Such diversification not only broadens income streams but also shields banks from the cyclical risks of agriculture. In this regard, building synergies with Primary Agricultural Credit Societies (PACS) could enhance outreach and product innovation.

Digital transformation should be accelerated to enhance efficiency, transparency, and customer experience. Complete computerization of SCBs and PACS, adoption of core banking solutions, and integration with digital payment systems would improve operational monitoring and reduce leakages. Digitalization would also support more accurate risk assessment, improve financial inclusion, and align with the government’s vision of a modern cooperative banking sector.

Addressing regional disparities is equally vital. The North-Eastern and certain Central region SCBs continue to lag in profitability and stability. Targeted capacity building, technical support, and in some cases recapitalisation are required to bring these weaker units at par with their Western and Southern counterparts. Customized strategies—such as training programs, regional credit support schemes, and partnerships with development agencies—could bridge this gap.

Finally, SCBs should integrate sustainability into their financial operations. Designing green finance products, supporting climate-resilient agriculture, and funding renewable energy projects can simultaneously improve financial performance and contribute to national SDG commitments. By linking profitability and stability with goals such as poverty reduction, food security, and financial inclusion, SCBs can position themselves as critical institutions for inclusive and sustainable development.

7. CONCLUSION

SCBs represent a unique blend of finance and social responsibility. Between 2015–2024, they recorded notable profit growth and NPA reductions, but regional disparities remain stark. For SCBs to fully realise their potential as agents of sustainable development, reforms must focus on governance, technology, and diversification. Aligning cooperative banking practices with SDG priorities can transform SCBs into engines of inclusive and sustainable rural transformation.

8. STATEMENTS & DECLARATIONS:

Use of AI Statement

The authors declare that they have not used generative artificial intelligence, specifically ChatGPT in the writing of this manuscript and/or in the creation of images, graphics, tables, or their corresponding captions

Conflict of Interest and Declarations:

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