

Assessing Financial Growth, Stability, and Sustainability of Employees' Credit Cooperative Societies in Karnataka: A Longitudinal Trend Analysis

Madevaswamy¹, AC Pramila²

¹Research Scholar, Department of Commerce, Maharaja's College, Mysuru, Karnataka, India

²Associate Professor, Department of Commerce, Maharaja's College, University of Mysore, Mysuru, Karnataka, India

Abstract

Employees' Credit Cooperative Societies (ECCSs) play a significant role in promoting financial inclusion and member welfare by providing savings and credit services to salaried employees. Despite their socio-economic importance, empirical evidence on their financial performance, particularly from a longitudinal perspective, remains limited. This study examines the financial growth, stability, and sustainability of selected ECCSs in Karnataka using a five-year longitudinal analysis covering the period from 2019–20 to 2023–24. The study adopts a quantitative research design based on secondary data obtained from audited financial statements of four ECCSs affiliated with the Karnataka State Road Transport Corporation, located in Bagalakote, Bengaluru, Mysuru, and Rayachuru. Financial performance is assessed using an integrated framework comprising growth indicators (total assets, deposits, loans, income, and net surplus), stability measures (current ratio proxy, debt–equity ratio, and deposit dependency ratio), and sustainability indicators (return on assets, return on equity, net worth, and reserve growth rate). The findings reveal that while all societies experienced positive asset and deposit growth, significant inter-institutional differences exist in financial stability and sustainability. Bengaluru and Mysuru exhibit relatively stronger financial resilience, whereas Rayachuru shows volatile capital growth and weaker sustainability. The study concludes that financial growth alone does not guarantee long-term viability and highlights the need for balanced emphasis on capital strengthening, prudent leverage, and effective liquidity management to ensure sustainable development of employee-based cooperative financial institutions.

Keywords: Employees' Credit Cooperative Societies; Financial Performance; Financial Growth; Financial Stability; Financial Sustainability; Longitudinal Analysis; Karnataka

1. Introduction

Employees' Credit Cooperative Societies (ECCSs) constitute a significant yet underexamined segment of the cooperative financial system in India. Founded on principles of mutual assistance, democratic control, and member-oriented financial intermediation, these societies primarily cater to salaried employees by mobilizing savings and extending credit for consumption needs, emergencies, and small-scale investments. In an economy where access to affordable credit remains uneven and household financial

vulnerability persists, cooperative financial institutions continue to play a complementary role to formal banking by addressing localized and member-specific financial needs (Birchall, 2013; ICA, 2020). Karnataka represents one of the most active cooperative ecosystems in the country, with a substantial presence of employee-based cooperatives operating across public sector organizations, educational institutions, and government departments. Despite their socio-economic relevance, systematic empirical assessments of their financial performance remain limited, particularly from a longitudinal analytical perspective.

In an ideal institutional setting, Employees' Credit Cooperative Societies are expected to demonstrate sustained financial growth, operational stability, and long-term sustainability. Financial growth reflects the capacity of these societies to expand their asset base, strengthen member participation, and enhance credit delivery. Stability refers to prudent liquidity management, balanced leverage, and resilience to operational and financial risks. Sustainability, in turn, implies the ability to generate consistent surpluses, maintain adequate capital buffers, and ensure continuity without excessive reliance on external financial support (Cuevas & Fischer, 2006; Birchall & Ketilson, 2009). Together, these dimensions form the core benchmarks of financial health for cooperative financial institutions. However, empirical evidence suggests that many cooperatives fall short of these ideals due to governance weaknesses, limited professional management, weak financial planning, and rising competitive pressures from commercial banks and digital financial platforms (Nair & Tankha, 2015; RBI, 2022).

The problem becomes more pronounced in the context of employees' cooperatives, which often operate in relatively protected environments characterized by captive membership, payroll-linked savings mechanisms, and limited product diversification. While such features may provide short-term financial security, they can also obscure deeper structural inefficiencies such as declining profitability, suboptimal asset utilization, rising operating costs, and inadequate capital adequacy. Moreover, ECCSs are subject to lighter regulatory scrutiny compared to scheduled banks, and their financial reporting practices are often inconsistent, limiting transparency and hindering early identification of financial stress (Sarma & Pais, 2011). The absence of systematic financial performance evaluation mechanisms further exacerbates these issues, allowing inefficiencies to persist without timely corrective interventions.

Existing empirical literature on cooperative finance has predominantly focused on agricultural credit societies, urban cooperative banks, and microfinance institutions, with emphasis on financial inclusion, outreach, and credit risk (Basu & Srivastava, 2005; Ghosh, 2018). Several studies have employed financial ratio analysis, CAMEL frameworks, and efficiency models such as Data Envelopment Analysis to assess institutional performance (Das & Ghosh, 2006; Sufian, 2007). While these studies offer valuable methodological insights, they exhibit two major limitations. First, Employees' Credit Cooperative Societies remain marginal in empirical discourse despite their distinct institutional characteristics. Second, most studies adopt cross-sectional or short-term designs, thereby failing to capture temporal dynamics in financial performance and sustainability.

Against this backdrop, the present study addresses a critical knowledge gap by conducting a longitudinal trend analysis of financial growth, stability, and sustainability of selected Employees' Credit Cooperative Societies in Karnataka, specifically those affiliated with the Karnataka State Road Transport Corporation in Bagalkote, Bengaluru, Mysuru, and Rayachuru. Drawing on financial performance theory and cooperative sustainability frameworks (Cuevas & Fischer, 2006; Birchall & Ketilson, 2009), the study offers an integrated empirical assessment of institutional financial health over a five-year period. By focusing on temporal performance trajectories rather than static indicators, this research contributes to the

limited literature on employee-based cooperative finance and provides evidence-based insights for policymakers, cooperative managers, and regulators concerned with strengthening the long-term viability of cooperative financial institutions in emerging economies.

2. Review of Literature

The financial performance of cooperative financial institutions has been widely examined in the context of their dual economic and social mandates, particularly their role in promoting financial inclusion, member welfare, and localized economic development. Unlike commercial banks, cooperative financial institutions operate under principles of mutual ownership and democratic governance, which shape both their operational objectives and performance outcomes (Birchall, 2013). Within this broad institutional category, Employees' Credit Cooperative Societies (ECCSs) represent a distinctive form of cooperative finance, characterized by closed membership, payroll-linked savings, and relatively low exposure to external credit markets. Despite their institutional relevance, ECCSs have received limited scholarly attention, with most empirical studies focusing on agricultural cooperatives, urban cooperative banks, and microfinance institutions.

A significant body of literature has employed financial ratio analysis and regulatory performance frameworks such as CAMEL to assess the soundness and stability of cooperative financial institutions. Das and Ghosh (2006), in their assessment of Indian urban cooperative banks, used the CAMEL model to examine capital adequacy, asset quality, management efficiency, earnings, and liquidity, reporting substantial variation in financial stability across institutions. While their study provides a robust diagnostic framework, its cross-sectional design restricts insights into long-term sustainability. Similarly, Sufian (2007) applied Data Envelopment Analysis to Malaysian cooperative financial institutions and found that scale inefficiency and managerial limitations were key determinants of poor financial performance. Although methodologically rigorous, efficiency-based studies largely emphasize operational optimization and do not explicitly address sustainability trajectories over time.

In the Indian context, Basu and Srivastava (2005) highlighted the developmental role of cooperative financial institutions in advancing financial inclusion but also identified persistent structural challenges, including governance weaknesses, political interference, and inadequate professional management. Ghosh (2018), focusing on primary agricultural credit societies, reported low profitability and increasing financial stress, suggesting systemic fragility within grassroots cooperative finance. While these studies provide important contextual insights, their sectoral focus limits generalizability to employee-based cooperatives, which operate under different financial risk structures and member dynamics.

Recent studies have attempted to integrate financial performance with sustainability considerations. Birchall and Ketilson (2009) conceptualized cooperative sustainability as a function of financial self-sufficiency, governance quality, and member participation, arguing that traditional financial indicators alone are insufficient to capture long-term institutional viability. Pal and Bansal (2020), examining Indian urban cooperatives, found that although many institutions exhibited steady asset growth, profitability and capital adequacy remained weak, indicating a divergence between expansion and financial sustainability. These findings align with Nair and Tankha (2015), who observed that cooperatives often experience growth without corresponding improvements in financial efficiency, thereby creating hidden vulnerabilities.

Despite these contributions, three critical gaps persist in the literature. First, ECCSs remain empirically underrepresented, with most studies aggregating heterogeneous cooperative forms without accounting for

institutional specificity. Second, the predominance of cross-sectional research limits understanding of how financial performance evolves over time. Third, existing studies typically focus on isolated performance metrics, failing to adopt an integrated framework that simultaneously captures growth, stability, and sustainability. Consequently, the literature lacks a coherent longitudinal perspective on financial health of employee-based cooperative societies.

Overall, while prior research provides valuable theoretical foundations and methodological tools, it remains fragmented and temporally constrained. The present study responds to these limitations by adopting a longitudinal trend analysis framework to assess financial growth, stability, and sustainability of Employees' Credit Cooperative Societies in Karnataka. By integrating multiple financial dimensions and focusing on temporal performance trajectories, the study extends existing cooperative finance literature and contributes novel empirical evidence on institutional sustainability within employee-based cooperative ecosystems.

3. Methodology

This study adopts a quantitative longitudinal research design to examine the financial growth, stability, and sustainability of selected Employees' Credit Cooperative Societies (ECCSs) in Karnataka over a five-year period from 2019–20 to 2023–24. A longitudinal design is particularly appropriate for the present study, as the core constructs under investigation are inherently dynamic and can only be meaningfully assessed through inter-temporal analysis of financial performance. Longitudinal financial analysis enables the identification of underlying trends and structural changes in institutional performance, thereby providing deeper insights into long-term financial viability compared to cross-sectional approaches (Bryman, 2016; Wooldridge, 2010).

The empirical setting comprises four ECCSs affiliated with the Karnataka State Road Transport Corporation, located in Bagalkote, Bengaluru, Mysuru, and Rayachuru. These societies were selected purposively based on continuity of operations, availability of complete audited financial statements, and consistency in financial reporting during the study period. The study relies exclusively on secondary data obtained from official annual reports, including profit and loss accounts and balance sheets. The use of audited financial statements enhances the reliability and objectivity of the dataset, as such financial information is prepared in accordance with statutory accounting standards and subject to regulatory scrutiny (Ghosh, 2018).

To operationalise the study objectives, the analysis employs a combination of financial ratio analysis, trend analysis, and comparative performance assessment. Financial growth is measured through indicators such as total income, total assets, deposits, loan and advances, and net surplus. Financial stability is assessed using liquidity and leverage measures derived from balance sheet data, including current assets to total assets ratio, debt-equity ratio, and proportion of deposits to total liabilities. Financial sustainability is evaluated using profitability and capital adequacy indicators, particularly return on assets, return on equity, reserve growth, and net worth. These indicators are widely used in institutional financial performance literature and allow meaningful comparison across time and across societies of different sizes (Horrigan, 1968; Pal & Bansal, 2020).

The analytical strategy involves descriptive statistics and trend analysis to examine year-on-year changes in key financial variables and identify performance trajectories. Trend percentages and compound annual growth rates are computed to capture growth patterns and volatility across the study period. In addition, inter-society comparison is undertaken to assess relative performance and identify structural differences

in financial health. This integrated analytical framework enables the study to move beyond nominal financial figures and provides a comprehensive, empirically grounded assessment of the financial growth, stability, and sustainability of Employees’ Credit Cooperative Societies in Karnataka.

4. Results

This section presents the empirical results of the study by analysing the financial performance of the selected Employees’ Credit Cooperative Societies over the five-year period from 2019–20 to 2023–24. The analysis is structured around three key dimensions, namely financial growth, financial stability, and financial sustainability, in order to provide a comprehensive assessment of their long-term financial health.

4.1 Financial Growth Trends

This subsection examines the financial growth performance of the selected Employees’ Credit Cooperative Societies by analysing key indicators such as total assets, deposits, loans and advances, total income, and net surplus over the five-year period. The objective is to assess the extent and consistency of institutional expansion and operational growth across societies.

Table 4.1 - Comparative Financial Growth Indicators of Selected Employees’ Credit Cooperative Societies in Karnataka (2019–20 to 2023–24)

Society	Indicator	2019–20	2020–21	2021–22	2022–23	2023–24
Bagalakote	Total Assets	12,53,26,461	12,68,39,620	13,64,39,332	14,61,37,316	16,19,45,520
	Total Deposits	9,47,15,568	9,63,20,700	10,41,72,204	11,16,25,286	12,29,11,177
	Loans & Advances	6,98,51,968	7,67,24,100	8,06,43,867	8,76,33,427	9,56,87,279
	Total Income	1,49,44,132	1,21,99,288	1,32,50,579	1,50,07,760	1,67,13,210
	Net Surplus	18,03,711	13,36,887	18,76,602	20,54,080	21,59,642
Bengaluru	Total Assets	1,58,97,03,950	1,77,67,35,728	1,96,93,19,968	2,17,26,63,696	2,39,63,96,982
	Total Deposits	1,06,65,04,431	1,19,76,02,056	1,32,33,28,164	1,44,24,02,695	1,58,08,11,894
	Loans & Advances	1,53,06,38,206	1,70,21,91,216	1,87,38,05,710	2,07,45,48,052	2,24,24,79,197
	Total Income	10,37,22,457	12,38,67,787	13,51,70,415	15,18,33,858	16,94,83,815
	Net Surplus	3,10,80,463	3,65,16,255	4,80,32,263	6,13,16,308	3,73,79,314
Mysuru	Total Assets	10,61,20,536	11,36,59,347	12,10,48,893	12,78,03,102	13,40,16,204

	Total Deposits	5,97,50,839	6,33,48,157	6,86,43,804	7,28,20,419	7,58,39,710
	Loans & Advances	8,98,78,063	8,77,44,624	9,11,02,006	9,51,29,426	10,14,73,799
	Total Income	71,26,059	73,39,304	71,82,077	79,61,550	83,59,212
	Net Surplus	23,52,633	28,94,194	21,69,382	24,87,237	15,66,775
Rayachuru	Total Assets	6,52,78,185	6,62,49,435	7,14,28,713	7,49,82,232	7,64,09,930
	Total Deposits	1,65,26,668	1,78,80,268	2,04,80,238	2,26,04,188	2,29,00,283
	Loans & Advances	4,42,95,657	4,09,60,085	4,16,65,729	4,97,93,377	4,70,08,298
	Total Income	76,56,556	60,64,624	67,93,224	95,30,109	93,93,472
	Net Surplus	19,20,340	8,48,386	10,08,001	3,16,632	19,25,204

Note. Data compiled from audited annual financial statements of the respective societies.

Table 4.1 presents the comparative financial growth trends of the four selected Employees' Credit Cooperative Societies in Karnataka over the five-year period from 2019–20 to 2023–24. The results reveal substantial inter-institutional variation in both scale and growth trajectories. The Bengaluru society emerges as the dominant institution in terms of absolute size, with total assets increasing from ₹158.97 crore to ₹239.64 crore and deposits rising from ₹106.65 crore to ₹158.08 crore, indicating strong expansion and sustained member participation. Bagalakote and Mysuru societies exhibit moderate but consistent growth in assets, deposits, and lending activity, reflecting stable institutional development driven primarily by internal resource mobilisation. In contrast, the Rayachuru society remains relatively smaller in scale, with slower asset and deposit growth, suggesting limited financial expansion capacity. Across all societies, loans and advances increased steadily, indicating enhanced credit outreach and effective utilisation of mobilised funds. However, profitability trends reveal notable volatility. While Bengaluru recorded high and rising net surpluses until 2022–23, a decline in 2023–24 suggests possible cost pressures or income moderation. Mysuru and Rayachuru display fluctuating surplus patterns, indicating relatively unstable earnings performance. Overall, the growth analysis suggests that although all four ECCSs experienced asset and deposit expansion, the magnitude and consistency of growth differ significantly, highlighting structural disparities in financial capacity and growth potential among employee-based cooperative societies in Karnataka.

4.2 Financial Stability Assessment

This subsection evaluates the financial stability of the selected Employees' Credit Cooperative Societies by examining liquidity and leverage indicators. Financial stability is assessed using a current ratio proxy,

debt–equity ratio, and deposit dependency ratio in order to understand the societies’ ability to manage liquidity risk, capital structure, and reliance on member deposits over time.

Table 4.2 - Comparative Financial Stability Indicators of Selected Employees’ Credit Cooperative Societies in Karnataka (2019–20 to 2023–24)

Society	Indicator	2019–20	2020–21	2021–22	2022–23	2023–24
Bagalakote	Current Ratio Proxy	0.04	0.07	0.05	0.04	0.07
	Debt–Equity Ratio	3.65	3.70	3.85	3.88	3.77
	Deposit Dependency Ratio	0.76	0.76	0.76	0.76	0.76
Bengaluru	Current Ratio Proxy	0.01	0.01	0.01	0.00	0.01
	Debt–Equity Ratio	2.20	2.25	2.24	2.15	2.10
	Deposit Dependency Ratio	0.67	0.67	0.67	0.66	0.66
Mysuru	Current Ratio Proxy	0.06	0.11	0.16	0.11	0.13
	Debt–Equity Ratio	1.64	1.59	1.66	1.66	1.61
	Deposit Dependency Ratio	0.56	0.56	0.57	0.57	0.57
Rayachuru	Current Ratio Proxy	0.07	0.05	0.07	0.05	0.08
	Debt–Equity Ratio	1.61	1.71	1.88	2.10	1.84
	Deposit Dependency Ratio	0.25	0.27	0.29	0.30	0.30

Note. Current ratio proxy = Current assets / Total assets. Debt–equity ratio = Total deposits and borrowings / Net worth. Deposit dependency ratio = Total deposits / Total assets.

Table 4.2 presents the comparative financial stability indicators of the four selected Employees’ Credit Cooperative Societies over the study period. The current ratio proxy indicates relatively low liquidity levels across all societies, reflecting the inherently illiquid asset structure typical of cooperative financial institutions. Among the societies, Mysuru exhibits comparatively higher liquidity, with the current ratio proxy increasing from 0.06 in 2019–20 to 0.13 in 2023–24, suggesting improved short-term asset availability. In contrast, the Bengaluru society consistently records the lowest liquidity levels, with a near-zero current ratio proxy throughout the period, indicating heavy concentration of assets in long-term loans and investments.

The debt–equity ratio reveals significant differences in leverage patterns across societies. The Bagalakote society demonstrates the highest leverage, with the ratio remaining above 3.6 throughout the study period, indicating a strong dependence on member deposits relative to internal capital. Conversely, Mysuru and Rayachuru maintain relatively moderate leverage, with debt–equity ratios largely below 2.0, suggesting a more balanced capital structure and lower financial risk exposure. The Bengaluru society occupies an intermediate position, with leverage gradually declining from 2.20 to 2.10, reflecting strengthening internal capital base over time.

The deposit dependency ratio further highlights funding structure differences. Bagalakote exhibits the highest dependency on deposits, with a constant ratio of 0.76, implying that nearly three-fourths of its assets are financed through member deposits. Mysuru shows moderate dependency, while Rayachuru records the lowest deposit dependency, indicating greater reliance on borrowings and internal funds. Overall, the stability analysis suggests that while all societies face liquidity constraints inherent to

cooperative finance, Mysuru demonstrates relatively stronger financial stability, whereas Bagalakote and Bengaluru exhibit higher leverage and deposit dependence, potentially increasing their exposure to liquidity and withdrawal risks.

4.3 Financial Sustainability Assessment

This subsection evaluates the long-term financial sustainability of the selected Employees' Credit Cooperative Societies by analysing profitability efficiency, capital strength, and internal capital accumulation. Sustainability is assessed using return on assets, return on equity, net worth, and reserve growth rate in order to understand the societies' capacity to generate returns and strengthen financial resilience over time.

Table 4.3 - Comparative Financial Sustainability Indicators of Selected Employees' Credit Cooperative Societies in Karnataka (2019–20 to 2023–24)

Society	Indicator	2019–20	2020–21	2021–22	2022–23	2023–24
Bagalakote	ROA	0.01	0.01	0.01	0.01	0.01
	ROE	0.07	0.05	0.07	0.07	0.07
	Net Worth (₹)	2,59,48,461	2,60,16,212	2,70,36,307	2,88,00,506	3,26,21,990
	Reserve Growth Rate (%)	–	0.75	5.34	8.62	15.25
	ROA	0.02	0.02	0.02	0.03	0.02
	ROE	0.06	0.07	0.08	0.09	0.05
Bengaluru	Net Worth (₹)	48,55,41,207	53,27,94,230	59,15,85,594	67,23,35,628	75,35,60,884
	Reserve Growth Rate (%)	–	9.62	11.64	14.49	10.23
	ROA	0.02	0.03	0.02	0.02	0.01
	ROE	0.06	0.07	0.05	0.06	0.03
	Net Worth (₹)	3,63,27,999	3,97,35,633	4,12,51,364	4,39,95,560	4,71,06,630
	Reserve Growth Rate (%)	–	13.42	3.89	7.57	7.74
Mysuru	ROA	0.03	0.01	0.01	0.00	0.03
	ROE	0.08	0.04	0.04	0.01	0.08
	Net Worth (₹)	2,33,23,512	2,27,56,614	2,29,20,453	2,32,36,132	2,53,30,044
	Reserve Growth Rate (%)	–	-4.25	3.10	-4.12	15.31
	ROA	0.03	0.01	0.01	0.00	0.03
	ROE	0.08	0.04	0.04	0.01	0.08
Rayachuru	Net Worth (₹)	2,33,23,512	2,27,56,614	2,29,20,453	2,32,36,132	2,53,30,044
	Reserve Growth Rate (%)	–	-4.25	3.10	-4.12	15.31
	ROA	0.03	0.01	0.01	0.00	0.03
	ROE	0.08	0.04	0.04	0.01	0.08
	Net Worth (₹)	2,33,23,512	2,27,56,614	2,29,20,453	2,32,36,132	2,53,30,044
	Reserve Growth Rate (%)	–	-4.25	3.10	-4.12	15.31

Note. ROA = Net surplus / Total assets. ROE = Net surplus / Net worth. Reserve growth rate represents year-on-year percentage change in reserves.

Table 4.3 presents the comparative financial sustainability indicators of the selected Employees' Credit Cooperative Societies over the five-year period. The results indicate relatively low but stable profitability across all societies, as reflected by return on assets values ranging between 0.01 and 0.03. The Bengaluru and Mysuru societies exhibit marginally higher ROA in certain years, suggesting comparatively better efficiency in generating surplus from asset utilisation. However, the overall low ROA levels indicate that profitability remains modest, which is typical for member-oriented cooperative financial institutions.

Return on equity reveals moderate returns to members' capital across societies. The Bagalakote and Mysuru societies maintain relatively stable ROE values around 0.06 to 0.07, indicating consistent surplus generation relative to internal capital. The Bengaluru society records the highest ROE, peaking at 0.09 in 2022–23, reflecting stronger capital productivity. In contrast, the Rayachuru society demonstrates volatile ROE, declining sharply to 0.01 in 2022–23 before recovering in 2023–24, indicating unstable earnings performance.

Net worth shows a consistent upward trend across all societies, signifying strengthening internal capital bases. Bengaluru exhibits the largest net worth growth, increasing from ₹48.55 crore to ₹75.36 crore, reflecting substantial institutional strength and financial capacity. Mysuru and Bagalakote also record steady net worth expansion, while Rayachuru shows slower and less consistent capital accumulation.

Reserve growth rate further highlights sustainability differences. Bengaluru and Mysuru demonstrate relatively strong and stable reserve growth, indicating effective internal capital generation. In contrast, Rayachuru experiences negative reserve growth in two years, signalling financial vulnerability and limited sustainability. Overall, the sustainability analysis suggests that while all societies maintain positive capital growth, Bengaluru and Mysuru exhibit stronger long-term financial sustainability, whereas Rayachuru displays comparatively weaker and volatile sustainability performance.

5. Discussion

The present study sought to assess the financial growth, stability, and sustainability of selected Employees' Credit Cooperative Societies in Karnataka using a longitudinal analytical framework. The findings reveal notable inter-institutional differences in financial performance, reflecting structural heterogeneity within employee-based cooperative finance. Consistent with prior studies on cooperative financial institutions, the results indicate that asset and deposit growth are generally positive across societies, suggesting strengthening member participation and institutional expansion over time (Birchall, 2013; Pal & Bansal, 2020). However, the magnitude and consistency of growth vary substantially, with the Bengaluru society exhibiting significantly higher scale and growth compared to its counterparts, thereby highlighting the role of size and operational scope in driving financial performance.

The stability analysis reveals persistent liquidity constraints across all societies, as evidenced by low current ratio proxy values. This finding aligns with existing literature, which suggests that cooperative financial institutions typically operate with illiquid asset structures due to high concentration in long-term lending portfolios (Cuevas & Fischer, 2006; Ghosh, 2018). High debt–equity ratios, particularly in the Bagalakote society, indicate strong dependence on member deposits relative to internal capital, thereby increasing exposure to liquidity and withdrawal risks. Such patterns corroborate earlier observations that cooperatives often prioritise credit expansion over capital strengthening, resulting in fragile financial structures (Nair & Tankha, 2015).

With respect to sustainability, the results demonstrate modest but stable profitability, as reflected in low ROA and moderate ROE values. These findings are consistent with Birchall and Ketilson's (2009)

argument that cooperatives are not profit-maximising institutions but rather aim to balance financial viability with member welfare objectives. Nevertheless, the reserve growth analysis provides important insights into long-term resilience. The Bengaluru and Mysuru societies exhibit relatively strong internal capital accumulation, suggesting greater financial sustainability and shock-absorbing capacity. In contrast, the Rayachuru society displays volatile reserve growth, including negative values in certain years, indicating limited capital buffering and heightened vulnerability.

Overall, the findings underscore a critical tension within employee-based cooperative finance between growth-driven expansion and sustainability-oriented financial management. While asset and lending growth reflect operational success, persistent liquidity constraints and uneven capital accumulation raise concerns regarding long-term stability. These results extend existing cooperative finance literature by demonstrating that financial sustainability cannot be inferred solely from growth indicators and must be evaluated through integrated assessment of liquidity, leverage, and capital formation (Cuevas & Fischer, 2006; Pal & Bansal, 2020). The study thus highlights the need for policy interventions aimed at strengthening capital adequacy, improving financial governance, and promoting prudent balance between growth and sustainability in cooperative financial institutions.

6. Conclusion

This study examined the financial growth, stability, and sustainability of selected Employees' Credit Cooperative Societies in Karnataka through a longitudinal analysis of key financial indicators over the period 2019–20 to 2023–24. The findings indicate that all four societies experienced positive growth in terms of assets, deposits, and lending activity, reflecting expanding institutional scale and increasing member engagement. However, the extent and consistency of growth varied considerably across societies, with the Bengaluru society demonstrating significantly stronger expansion compared to the relatively smaller societies.

The stability analysis revealed persistent liquidity constraints and high dependence on member deposits across most societies, indicating inherent structural vulnerabilities within employee-based cooperative finance. While Mysuru and Rayachuru exhibited relatively balanced capital structures, Bagalakote and Bengaluru displayed higher leverage, suggesting increased exposure to liquidity and withdrawal risks. These patterns highlight the importance of strengthening internal capital and improving asset–liability management practices within cooperative institutions.

In terms of sustainability, profitability remained modest but stable, consistent with the non-profit-oriented nature of cooperatives. Net worth and reserve growth patterns, however, revealed important differences in long-term financial resilience. Bengaluru and Mysuru demonstrated relatively stronger capital accumulation, indicating better sustainability prospects, whereas Rayachuru exhibited volatile reserve growth, suggesting limited financial buffering capacity.

Overall, the study concludes that financial growth alone is insufficient to ensure institutional sustainability in cooperative societies. Long-term viability requires balanced emphasis on capital strengthening, prudent leverage, and effective liquidity management. The findings offer practical insights for cooperative managers and policymakers to design strategies aimed at enhancing financial resilience and ensuring sustainable development of employee-based cooperative financial institutions in Karnataka.

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