The Financial Dynamics of Cooperatives: Analyzing Performance Through Established Cooperative Standards

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Abstract. A cooperative's financial performance is an arbitrary indicator of how efficiently it uses its principal line of activity resources to generate income. When making decisions for members, management, government, and the public, cooperatives' financial success is important. This study evaluates registered multipurpose cooperatives' financial performance in Isabela Province, Philippines. The research utilized three years of audited financial reports. In this study, we employ a descriptive method to assess the financial performance of cooperatives, utilizing performance indicators from the Cooperative Development Authority (CDA). Results show that cooperatives have a satisfactory overall financial performance rating. Using the CDA standards, the researchers evaluated three areas that need improvement: turnover, profitability, and asset structure, while stability and efficiency function satisfactorily. To boost profit margins and several other performance indicators, cooperative management may reassess its operational ways and procedures in addition to strategizing management action.

Keywords: Financial Performance, Cooperatives, Stability, Turnover, Efficiency, Profitability, and Structure of Assets

1 Introduction

A cooperative is an autonomous and officially registered organization that brings together people with a shared interest who have willingly joined to fulfill their social, economic, and cultural needs and aspirations by contributing equitable capital, utilizing their products and services, and accepting a fair distribution of the associated risks and benefits in conformity with universally recognized cooperative principles. The key objective of every cooperative is to enhance the quality of life for its members. [1]. Cooperatives promote long-term economic growth, social development, and environmental responsibility through self-help, empowerment, community reinvestment, and compassion for people and the world.

Cooperatives serve a beneficial function as a fundamental component of the global economy. The International Cooperative Alliance reports that a minimum of twelve percent of the global population engages in one of the three million cooperatives, which offer employment or work opportunities for ten percent of the workforce. Furthermore, the three hundred largest cooperatives generate a turnover of $2,146 billion USD while delivering vital services and infrastructure necessary for societal prosperity. Cooperatives in the Philippines oversee millions of members and billions of pesos, contributing to a growing and inclusive economy [3]. As of the year 2019, there were 18,851 reporting cooperatives that generated 22 billion pesos of net surplus, collectively provide jobs for 513,000 people, and have a membership base of 11.6 million people [4]. Cooperatives remain advantageous to society, mitigating poverty while enhancing the economic, social, and educational opportunities of their members. This allows members to better their income, savings, investments, and productivity. Furthermore,

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cooperatives generate financial resources for improvements benefiting both the members and the cooperative entity itself [5].

Cooperative development aims to establish a positive image and reputation, strengthen cooperative organizations, and facilitate community endeavors [6]. And for cooperatives to effectively carry out their responsibilities and obligations and realize their goals, it is necessary for cooperatives to conduct an analysis of their financial statements and determine the performance of their cooperatives' finances [7]. By going through the process of evaluating financial accounts, it is possible to figure out the best way to solve problems that have come up because of the information about which parts of the finances are having issues. Through the evaluation of financial records, it is feasible to determine the most effective approach to addressing issues that have arisen as a result of the information regarding which components of the financial structure are having problems. In its broadest sense, financial performance is a critical element of financial risk management, as it pertains to the degree to which financial objectives are being or have been attained. Determining the financial strengths and weaknesses of cooperative organizations may help them establish relationships among their financial statements. Fixing these problems will help make sure that the members get a good return on the money they have invested.

The Cooperative Development Authority (CDA) is instrumental in the promotion, development, registration, and support of Filipino cooperatives in the Philippines [8]. Currently, the CDA uses performance indicators to account for both the financial and non-financial aspects of cooperative operations. The CDA Memorandum Circular 2021-04 functions as a regulatory and supervisory instrument, as well as a management tool for cooperatives. It enables them to identify problem areas in their operation and determine the overall financial condition of the cooperative. The following indicators were employed to examine the operational and financial performance of the cooperatives: stability, turnover, efficiency, profitability, and structure of assets (STEPS) [9].

The objective of the study is to evaluate the cooperative's financial performance in accordance with the STEPS standards. In particular, it aims to:

1. Evaluate the cooperative's financial performance using the STEPS indicators:
    a. Stability
    b. Turn-over
    c. Efficiency
    d. Profitability
    e. Structure of Assets
2. To assess the cooperative's financial performance against the Cooperative Development Authority Standards.
3. Based on the performance indicators of the cooperatives, identify the areas that need improvement and strategies to implement to address the identified inefficiencies.

The study provides an overall picture of the cooperative's financial health by analyzing its financial performance through CDA financial performance indicators. This is vital for understanding how well the cooperative manages its resources, remains competitive, and ensures long-term sustainability. It also allows for an in-depth examination of how internal financial operations are performing relative to industry norms. Comparing the cooperative’s financial performance against CDA standards can build trust with members and external stakeholders, contributing to a more robust reputation and credibility. The study also enables the cooperative to pinpoint its strengths and identify specific aspects of its operations that need improvement. Recommendations and strategies for improvement are also significant. This proactive approach facilitates the development of actionable plans to address inefficiencies and enhance overall performance, leading to better financial outcomes and member satisfaction.

2 Literature Review

A number of studies were undertaken to assess the cooperatives' financial performance. Numerous research has concentrated on performance measurement indicators for financial cooperatives, identifying financial ratios and non-financial components that help improve cooperative financial performance [10, 11, 12]. Some evaluated the financial performance of agricultural cooperatives in the United States and investigated the impact of size and specialization on their success [13]. Moreover, researchers employed ratio analysis to assess the financial performance of cooperatives in Malaysia, and they uncovered that the equity and liquidity ratios were below the industry average [14]. Others found out that cooperatives are more solvent than the average, giving them greater ability to meet their obligations and a lower degree of dependence on external financing [15]. Researchers from Indonesia discovered that the profitability ratio of cooperatives is in good condition when it comes to generating profits from savings [16]. Similar studies were conducted in the Philippines using the CDA PISO performance indicators, revealing that the financial performance of all the cooperatives reviewed was generally subpar, indicating a high likelihood of bankruptcy and the need for liquidation [17]. Additionally, the cooperatives' liquidity and leverage positions were inadequate, placing them at high financial risk due to the majority of their funds coming from external sources [18]. However, a specific study discovered that while the cooperative's operational and financial viability remains sustainable due to its satisfactory asset structure and operational strength, improvement in terms of profitability and institutional strength is still required in accordance with the CDA standards [19].

3 Methodology

The researcher utilized a descriptive approach to research design in this investigation. Likewise, documentary analysis was employed to evaluate the audited financial statements of the selected cooperatives operating within the province of Isabela. The size of the cooperative's assets, as well as the nature of its operations, served as the basis for the selection of the sample cooperatives. The scope of this investigation was limited to cooperatives that operate multipurpose and/or credit operations and fall within one of three distinct size categories—small, medium, or large. The study was conducted in Isabela, the second-largest province in the Philippines, where 225 cooperatives are presently in operation. Of these registered cooperatives in the province, 76 have been identified and categorized according to their asset size and those having credit and /or multipurpose operations. Through purposive sampling, eighteen (18) different cooperatives were selected. Each provincial district is adequately represented. In choosing the sample cooperatives, the researcher intended to select those cooperatives that were granted the "*Gawad Parangal*" award of the CDA as one of the criteria. Unfortunately, there was only one cooperative that was officially recognized in the area. The remaining 17 cooperatives were chosen in a strategic manner from the six different provincial districts of Isabela. The Gawad Parangal initiative was considered to be one of the CDA's flagship projects, developed with the purpose of inspiring cooperatives to achieve exceptional results for excellent governance, financial performance, and social relevance to their members and the community.

From the original identified 18 cooperatives, only 16 willingly shared the documents needed in the study. A request to carry out the research was hand-delivered to each of the cooperatives that were identified, and phone calls were made to follow up on the request. The financial performance of the cooperative was analyzed using the CDA Standards, which are specified in the CDA Philippines' memorandum circular No. 2021-04, series of 2021. This demonstrates the standard points and the equivalent rating that the company receives for each item enumerated along Stability, Turnover ratio, Efficiency, Profitability, and Asset Structure. The researcher interpreted the results using the adjectival rating indicated in the CDA standard.

4 Results and Discussion

This chapter analyzes the performance of the cooperative by using the CDA's Stability, Turnover, Efficiency, Profitability, and Structure of Assets as financial performance indicators to evaluate the cooperative. Each category is made up of a number of different metrics that were analyzed by making use of the cooperatives' previously audited financial accounts. Presented are the results of the study.

Table 1 below revealed that the overall performance of cooperatives under stability criteria has a satisfactory rating with a score of 14.5 out of 19 points (76.32 percent). Of the five measurement indicators, a solvency ratio of 2.4075, which is 241 percent, shows an excellent performance (5 points) that in the event of liquidation, the cooperatives have the ability to protect their members' savings and capital. With a 3.31% mean under the Net Institutional Capital, cooperatives need to improve their performance under this aspect of their operation according to the CDA standards. Regarding the other three measurement indicators, the liquidity and capital adequacy ratios, both get a satisfactory grade, but the quick asset ratio only has a fair rating.

Stability is the condition of an organization's economic resources and how they are distributed and employed, which all contribute to the organization's potential to continue developing and expanding its operations. It assesses the cooperative's capacity to fulfill its short-term obligations as they arise, its capability to settle current liabilities with quick assets, the extent of protection afforded to members' savings and capital contributions in the event of asset and liability liquidation, the extent of institutional capital available to absorb potential losses, and the adequacy of capital to mitigate risk assets.

Table 1. Stability Performance

Stability Indicators	**Mean**	**CDA's Standard Rating**	**CDA standard score**	**Cooperatives' Performance score**	**Cooperatives' Performance Rating**	**Qualitative Descriptions**
Liquidity Ratio	1.9344	100% to 150%	4	3	75%	Satisfactory
Quick Asset Ratio	1.7544	200% and above	3	2	66.67%	Fair
Solvency Ratio	2.4075	110 and above	5	5	100%	Excellent
Net Institutional Capital	.0331	10% and above	3	1.5	50%	*Needs Improvement*
Capital Adequacy Ratio	.7125	8% and above	4	3	75%	Satisfactory
Total points			**19**	**14.5**	**76.32%**	**Satisfactory**

LEGEND: ≤ 60%=Needs Improvement; 61%-70%=Fair; 71%-80%=Satisfactory; 81%-90%=Very Satisfactory; 91%-100%=Excellent

Turnover ratios serve as metrics that demonstrate the efficiency of a cooperative in utilizing its assets to generate revenue and the frequency with which loan receivables are collected during the reporting period. These ratios can also assess how frequently loan receivables are collected. It takes into account the asset turn-over ratio as well as the receivable turn-over ratio. As presented in Table 2 below, cooperatives were successful in earning revenue 14.75 times within a particular time period using their assets with an excellent rating. The analysis reveals that while the cooperative effectively utilizes its assets, there remains potential for enhancing its receivables collection efficiency in relation to performance ratings. This indicates that receivables are collected at a frequency of only 1.4 times annually, implying that the collection period is extended as a result of longer credit terms. The standards set by the CDA indicate that excellent performance is characterized by an asset turnover ratio of 10.5 or greater, along with a receivable turnover ratio of at least 4 times. In general, higher ratios are preferable as they suggest a healthier cash flow and/or a greater turnover rate. The financial stability of cooperatives generally improves when members fulfill their obligations more promptly. The cooperative must enhance its collection efforts to boost its turnover ratio indicators.

Table 2. Turn-Over ratios

Turn-Over Indicators	**Mean**	**CDA's Standard Rating**	**CDA standard score**	**Cooperatives' Performance score**	**Cooperatives' Performance Rating**	**Qualitative Descriptions**
Asset Turnover ratio	.1475	Above 10.5	2	2	100%	Excellent
Receivable Turnover Ratio	1.4425	4 times and more	4	1	25%	*Needs Improvement*
Total points			**6**	**3**	**50%**	***Needs Improvement***
LEGEND: ≤ 60%=Needs Improvement; 61%-70%=Fair; 71%-80%=Satisfactory; 81%-90%=Very Satisfactory; 91%-100%=Excellent						

The third indicator of financial performance is the efficiency ratio. This metric is frequently utilized to assess the effectiveness of an organization's management of its assets and liabilities. The assessment involves evaluating the expenses associated with the effective management of the cooperative's assets and operations, including external borrowings and member contributions. It also considers the cooperative's capacity to leverage its assets for business generation, motivate members to enhance their capital investments, the potential risks of portfolio defaults, the incidence of uncollectible accounts, and the sufficiency of provisions for anticipated loan losses. Table 3 displays the findings regarding cooperative financial performance, specifically focusing on efficiency parameters.

Table 3. Efficiency Ratios

Efficiency Indicators	**Mean**	**CDA's Standard Rating**	**CDA standard score**	**Cooperatives' Performance score**	**Cooperatives' Performance Rating**	**Qualitative Descriptions**
Administrative Efficiency	.0988	Below 10%	4	4	100%	Excellent

Cost of External Borrowing Rate	.0824	Below inflation rate	3	1	33.33%	*Needs Improvement*
Cost of Borrowing from Members	.2138	Below inflation rate	3	1	33.335	*Needs Improvement*
Cost per Vol. Of Business	.1594	25 cents and below	3	3	100%	Excellent
Volume of Business to total assets	.9469	100% and above	5	4	80%	Satisfactory
Growth in Member's Contribution	.1506	above 12%	5	5	100%	Excellent
Delinquency Rate	.1075	5% and below	5	3	60%	*Needs Improvement*
Adequacy of Provisioning (31 days to 1 yr)	.1319	100%	5	1	20%	*Needs Improvement*
Adequacy of Provisioning (more than 1yr)	.8650	35% and above	5	5	100%	Excellent
Total points			**38**	**27**	**71%**	**Satisfactory**

LEGEND: ≤ 60%=Needs Improvement; 61%-70%=Fair; 71%-80%=Satisfactory; 81%-90%=Very Satisfactory; 91%-100%=Excellent

As shown in the table above, out of the nine indicators under efficiency performance, Administrative Efficiency, Cost per Volume of Business, Growth in Members Contribution, and Adequacy of Provisioning (more than one year) were rated excellent, and four were rated Needs Improvement. An administrative efficiency ratio of 9.88 percent signifies that the cooperatives successfully generated earnings, despite their costs constituting a minor portion of their total assets. The cost per volume of business of 0.1594 (15.94 percent) indicates that merely 16 percent of total operational costs are incurred relative to the overall volume of business (revenues). This indicates that the cooperative expended 16 centavos of each peso collected to address its operational costs. These findings demonstrate that cooperatives effectively managed their operational expenses relative to total revenues generated. The 15.06% growth in member contributions over the past year indicates that the cooperatives can either augment the number of capital-contributing members or encourage current members to increase their capital contributions. An increase in capital contribution leads to a proportional increase in the organization's assets, which can be utilized in business operations and may provide an increase in revenue.

Table 3 indicates that four variables related to the cooperative's efficiency performance require improvement. The findings indicate that the cost of external borrowing and borrowing from members is 8.24% and 21.38%, respectively, both above the average inflation rate of 3.40%. The cooperative's average borrowing costs substantially exceed the CDA standards. The delinquency rate and adequate provisioning were other areas necessitating improvement. The CDA MC 2021-04 stipulates that cooperative provisioning is deemed satisfactory when the provisioning rate is a minimum of 36%, and the delinquency rate is below 10%. Table 3 illustrates that 10.75 percent of delinquency and 13.19 percent of sufficient provisioning have scores of 3 and 1, respectively, suggesting potential for improved performance. This aligns with the turnover ratio findings. These additional factors are directly affected by the cooperative's ability to efficiently collect its receivables.

The financial performance of cooperatives in terms of efficiency is satisfactory, achieving a score of 27 out of 38 points, which translates to 71 percent. Although Administrative Efficiency, Cost per Volume of Business, Growth in Members Contribution, Adequacy of Provisioning and Volume of Business to Total Assets rated satisfactory to excellent performance, Cost of Borrowing externally and to its Members, Delinquency Rate and Cooperative Provisioning for less than a year must be improved by adopting appropriate strategies to achieve targets.

Table 4. Profitability Ratios

Profitability Indicators	**Mean**	**CDA's Standard Rating**	**CDA standard score**	**Cooperatives' Performance score**	**Cooperatives' Performance Rating**	**Qualitative Descriptions**
Return on asset	.0306	20% and above	5	1	20%	*Needs Improvement*
Return on Member's share	.0500	Higher than the inflation rate	5	5	100%	Excellent
Rate of Net Surplus	.2331	30% and above	5	3	60%	*Needs Improvement*
Total points			**15**	**9**	**60%**	***Needs Improvement***

LEGEND: ≤ 60%=Needs Improvement; 61%-70%=Fair; 71%-80%=Satisfactory; 81%-90%=Very Satisfactory; 91%-100%=Excellent

The financial performance of the cooperative concerning profitability is illustrated in Table 4. This is the ability of cooperatives to generate profit. The CDA employs three distinct measures of profitability to assess the economic performance of cooperatives. Return on assets assesses how effectively assets can generate income; return on member's share evaluates the capacity of member's share capital to yield earnings; and the rate of net surplus gauges the cooperative's ability to create a surplus.

According to the data presented in Table 4, a return on assets of 0.0306 corresponds to a score of one (1), signifying a performance that necessitates improvement. The findings indicate that cooperatives significantly lag behind the established standard. The results concerning the asset efficiency ratio or return on assets support the findings of Guillermo [17], as the sample cooperative also demonstrated poor performance. Analyzing the cooperative's net surplus in relation to the resources utilized to achieve it highlights the cooperative's sustainability. This ratio indicates the return generated from capital or assets that have been invested. A higher return on investment is preferable, as it indicates that the cooperative is capable of generating increased revenue with reduced capital input.

Table 4 also indicates that cooperatives managed to attain average annual profits of 23%. An affirmative ratio indicates outstanding performance. Based on the CDA's evaluation score and rating, the cooperative's profitability ratio of 23 percent and a score of three (3) suggest that there is a need for performance improvement. Given the current study's low profitability ratio, it is advisable for cooperatives to explore strategies aimed at enhancing profitability through the reduction of operating and administrative expenses while placing greater emphasis on income generation. This outcome aligns with the findings of Chugyas & Trinidad [16], which indicated that two of the sample cooperatives generated inadequate earnings throughout the study period. Nonetheless, this conclusion is in contradiction with the findings of the study of Guillermo [17], which indicated that the cooperative demonstrated exceptional profitability performance.

The earning capacity of member share capital is assessed through the return on member shares. The findings indicate a 5% interest rate on cooperative share capital. This indicates that for every 100 pesos of share capital, members are receiving five pesos back in the form of dividends. Members received this or may add it to their share capital account. The cooperative rate stands at 0.05 (5 points=excellent), surpassing the average inflation rate of 3.40. The cooperative demonstrates strong performance when its rate exceeds the inflation rate, and the members' share capital yields a positive return. The data in Table 4 indicates that the overall rating for the financial performance indicator of profitability stands at 60%, highlighting a need for improvement following CDA standards.

Table 5. Structure of Assets

Structure of Asset Indicators	Mean	CDA's Standard Rating	CDA standard score	Cooperatives' Performance score	Cooperatives' Performance Rating	Qualitative Descriptions
Percentage of non-earning assets to total asset	.2194	5% and below	5	0	0	*Needs Improvement*
Percentage of Investment	.0813	0% to 5%	4	3	75%	Satisfactory
Extent of Asset financed by deposit	.2756	50% and above	5	2	40%	*Needs Improvement*
The extent of Total Asset to total assets & Statutory reserves	.2400	No borrowings	3	1	33.33%	*Needs Improvement*
The extent of Total Asset financed by member's Capital	.2794	50% and above	5	2	40%	*Needs Improvement*
Total points			**22**	**8**	**36.36%**	***Needs Improvement***

LEGEND: ≤ 60%=Needs Improvement; 61%-70%=Fair; 71%-80%=Satisfactory; 81%-90%=Very Satisfactory; 91%-100%=Excellent

The financial structure and asset structure serve as the primary variables that impact growth, profitability, and effectiveness [21]. The asset structure of a cooperative is essential as it reflects its capacity to compete effectively with other enterprises and achieve success. Furthermore, it guides the decisions made by management concerning the methods of raising funds. A cooperative's ability to secure external financing could be hindered by a weak asset structure.

Four out of the five performance indicators for the Structure of Assets have been assessed as needing improvement: the Extent of Assets financed by deposits stands at an average of 27.56%, the Extent of Total Assets to total assets and Statutory reserves averages 24%, and the Extent of Total Assets financed by members' capital has an average of 27.94%. The evaluation for the Indicator of Investment Percentage, which quantifies the share of assets allocated to investments, stood at 8.13 percent, reflecting a favorable result.

The overall performance score stands at 8 out of 22 points, translating to 36.36 percent, indicating a need for cooperatives to improve their asset structure performance. This indicates that cooperatives faced challenges in adequately financing their assets. Nonetheless, the asset structure necessitates regular assessment and careful oversight, especially during periods of swift growth. As stated by WOCCU [21], the financial structure of an institution is deemed functional when its assets, backed by savings deposits, generate adequate income to meet market rates on savings, cover operational costs, and ensure sufficient capitalization.

Table 6. Cooperative's Overall Financial Performance

Indicators	CDA standard score	Cooperatives' Performance points	Adjectival Rating
Stability	**19**	**14.5**	**Satisfactory**
Turn-Over Ratio	**6**	**3**	*Needs Improvement*
Efficiency	**38**	**27**	**Satisfactory**
Profitability	**15**	**9**	*Needs Improvement*
Structure of Assets	**22**	**8**	*Needs Improvement*
Total points	**100**	**61.5**	***Fair***

LEGEND: ≤ 60%=Needs Improvement; 61%-70%=Fair; 71%-80%=Satisfactory; 81%-90%=Very Satisfactory; 91%-100%=Excellent

The cooperative's financial performance is displayed in Table 6 using the five performance measures from the CDA MC 2021-04. These indicators are Stability, Turnover ratio, Efficiency, Profitability, and the Structure of Assets.

Considering the points outlined for assessing the cooperative's financial performance, these eventually resulted in a total of 61.5 points for overall performance, translating to a 61.5% rating according to the criteria set forth by the CDA. This overall rating of 61.5% has been designated with the adjectival rating of "Fair Performance". This suggests that the cooperative collectively has significant progress to enhance its performance to achieve sustainability and effectively meet its objectives while also adhering to the regulations set by governing bodies like the CDA. This finding suggests that upper management needs to continue in enhancing performance to achieve the required standards rating. In particular, the following areas require particular attention to enhance the performance of the cooperative: Net Institutional Capital, Receivable Turn-Over Ratio, Cost of External Borrowing Rate, Cost of Borrowing from Members, Delinquency Rate, Adequacy of Provisioning (31 days to one year), Return on Assets, and Rate of Net Surplus. The percentage of non-earning assets relative to total assets, the extent of asset financing through deposits, the ratio of total assets to overall assets, statutory reserves, and total assets financed by members' capital.

5 Conclusion and Recommendations

After evaluating the financial performance of the cooperatives that participated in the study, it was determined that these entities can meet their obligations, both internally and externally, should they need to liquidate their assets and possess adequate capital to address the risks attributed to their risk assets. Similarly, the ability of cooperatives to efficiently collect their receivables requires improvement, even though they possess the capability to generate revenue by utilizing their available assets. Furthermore, cooperatives demonstrate efficiency in managing their business operations and creating supplementary business activities by leveraging their available assets and motivating their members to enhance their capital.

Furthermore, the management of cooperatives is not effective in overseeing borrowing for financial operations, resulting in elevated borrowing costs both internally and externally. Cooperatives struggled to efficiently utilize their total assets for income generation.

The subsequent recommendations emerged from an analysis conducted on the financial performance of the cooperatives. To enhance Net Institutional capital, receivable turnover ratio, delinquency rate, and the adequacy of provisioning for probable loan losses, the following recommendations could be beneficial in mitigating problematic accounts receivable:

a. Evaluate an individual's financial and credit background prior to engaging in business or providing loans.
b. Facilitate discussions regarding payments between members and the cooperative. It might be beneficial to explore the possibility of restructuring the debt-repayment plan so that the interest generated from members' savings could address the outstanding debts.
c. Prompt billing notifications. Utilizing SMS or email can assist members in adhering to the deadline. Diverse payment alternatives available. Payments may be made in person, through wire transfer, or using a credit card. This discourages justifications for overdue payments.
d. It is essential to have oversight of accounts receivable, which entails ongoing monitoring and recording of payments and receivables. Effective management of cash and receivables is essential to minimize problematic receivables and ensure adequate provisioning, ultimately enhancing institutional performance.

Likewise, the cooperatives could explore the possibility of securing loan agreements with various government agencies that provide financial assistance to cooperatives at low interest rates. The cooperative might also explore ways to improve its cash management procedures or policies to reduce borrowing and optimize the utilization of its liquid assets. To enhance profitability ratios, the cooperative could consider strategies such as minimizing operational and administrative costs, improving working efficiency, and optimizing the utilization of its assets and equity to achieve adequate profit generation. Cooperative management might reassess its operational methods and procedures and could strategize management actions that improve profit margins. Cooperatives should consider reducing the acquisition of non-earning assets that yield no return to enhance their performance in this aspect. To improve the members' equity to total assets ratio, it is essential for management to promote the recruitment of new members to the cooperative or to motivate current members to raise their share capital. This can be achieved by encouraging existing members to utilize the cooperative's services, such as loans, which will contribute to their share capital account and subsequently boost the paid-up share capital through capital accumulation. The CDA imposes restrictions on excessive ratios of external debt to assets in relation to external borrowings. A debt-to-assets ratio of zero, as outlined by the CDA, indicates exceptional performance. It is advisable for cooperatives to steer clear of external borrowing whenever feasible.

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