

An Analysis of Financial Performance: A Case Study of Village Cooperatives in Ciamis Regency

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ABSTRACT

Financial performance is an important indicator of the health and sustainability of an organization, including village cooperatives. By analyzing financial performance through key ratios such as liquidity, solvency, and profitability, cooperatives can evaluate their financial condition and improve decision-making processes. This study aims to analyze the financial performance of several village cooperatives located in Ciamis Regency using a quantitative descriptive approach. Data used in the research include both primary and secondary sources, analyzed through financial ratio analysis. The findings indicate variations in financial performance across cooperatives. In general, liquidity ratios tend to be in the less favorable category, solvency ratios are mostly in good condition, and profitability ratios show moderate to strong performance. These results highlight the need for continuous financial monitoring and capacity building to enhance cooperative sustainability

INTRODUCTION

Cooperatives are community-based economic institutions that play a vital role in supporting economic growth, particularly in rural areas. A cooperative consists of individual members or legal entities that operate based on cooperative principles and the value of mutual assistance, as stipulated in the Law of the Republic of Indonesia Number 25 of 1992. The law defines a cooperative as "a business entity consisting of individuals or legal entities based on cooperative principles and functioning as a people's economic movement founded on the principle of kinship."

In rural communities, cooperatives serve as strategic instruments for improving the economic well-being of the population. Through savings and loan units and various business services, village cooperatives help mobilize and distribute funds, support the productivity of their members, and promote local economic independence.

Ciamis Regency, located in West Java Province, is home to a large number of active cooperatives, many of which are village-based. One of the districts with a significant number of registered cooperatives is Panumbangan District, which hosts more than ten officially recorded village cooperatives.

Despite their potential and important role, village cooperatives face a number of challenges, particularly in financial management. Issues such as poor financial reporting, low liquidity and profitability ratios, bad debt, limited infrastructure, and a lack of managerial capacity among staff can hinder the sustainability and performance of these institutions.

This study aims to analyze the financial performance of village cooperatives in Ciamis Regency by examining key financial indicators such as liquidity, solvency, and profitability ratios. The results of this analysis are expected to provide an objective overview of the financial condition of village cooperatives and serve as a reference for future policy improvements and institutional strengthening at the village level.

LITERATURE REVIEW

Financial performance analysis is a vital tool in evaluating the financial health and sustainability of an organization, including cooperatives. According to Fahmi (2018), "financial performance refers to an analytical process to assess how well an organization implements financial principles and manages its resources efficiently." Sujarweni (2017) stated that "performance evaluation is a comparison between work outcomes and predetermined standards," which in the context of cooperatives involves assessing how financial activities contribute to member welfare. Cooperatives, as defined by Law No. 25 of 1992, are "economic entities based on kinship and mutual cooperation, aiming to enhance the economic prosperity of their members." As village cooperatives increasingly serve as drivers of rural economic development, "understanding their financial performance becomes essential to ensure their long-term viability" (Hendar & Kusnendi, 2012).

Financial statements are the primary data source for assessing performance. The Financial Accounting Standards (SAK, 2015) explain that "financial statements are an integral part of the financial reporting process, enabling stakeholders to evaluate financial position and operational outcomes." Kasmir (2018) defines financial statements as "structured reports that depict the financial condition of a business at a given time or over a certain period." These include the balance sheet, income statement, and cash flow statement, which "provide insights into an organization's liquidity, capital structure, and profitability" (Harahap, 2015). Transparent and accurate financial reporting in cooperatives "ensures internal control and governance and builds trust among members and regulators" (Riawan & Kristiana, 2020).

Financial ratio analysis plays a critical role in evaluating financial statements. Van Horne, as cited in Kasmir (2018), states that "financial ratios are indexes derived by comparing two accounting figures, serving as benchmarks for performance evaluation." These ratios are generally classified into liquidity, solvency, and profitability. "Liquidity ratios assess the cooperative's capacity to meet short-term obligations," including the current ratio and cash ratio (Fahmi, 2018). Solvency ratios such as the debt-to-equity ratio "reflect how assets are financed – whether through debt or equity" (Munawir, 2014). Profitability ratios like ROA and ROE "measure a cooperative's ability to generate income relative to its assets or capital" (Sujarweni, 2017; Sartono, 2016).

Several empirical studies have applied financial ratio analysis to assess cooperatives' performance. For instance, Ningsih et al. (2019) reported that "liquidity and profitability ratios varied significantly among institutions, highlighting the need for better financial planning." Putra and Mahardani (2020) observed that "cooperatives with better liquidity ratios tended to have stronger operational resilience." Sari and Yuliani (2021) found that "agricultural

cooperatives often faced solvency issues due to seasonal income variability.” According to Widagdo et al. (2020), “cooperatives with consistent ROA and ROE values performed better in maintaining member trust.” Furthermore, Arifin (2017) and Hidayat (2020) concluded that “cooperatives with poor financial literacy among managers tended to experience higher default risks and financial instability.”

In the context of village cooperatives, Saputra et al. (2018) argued that “financial performance assessments should be institutionalized to improve cooperative governance.” Juliana and Yulia (2019) noted that “many rural cooperatives fail to meet minimum reporting standards, which undermines their credibility.” Damayanti (2021) and Mustika et al. (2022) emphasized that “digital financial systems enhance transparency and efficiency.” As cooperatives continue to grow, especially in areas such as Ciamis Regency, “regular financial performance assessments using reliable ratios will be key to ensuring their effectiveness and sustainability” (Rusdin & Asrori, 2022; Wulandari & Nugroho, 2023).

METHODOLOGY

This study employs a descriptive research design with a quantitative approach. Descriptive research aims to portray an objective condition of the variables under investigation, either individually or collectively, without comparing or examining the relationships between them. As stated by Sujarweni (2015), “descriptive research is conducted to determine the value of each variable, either a single variable or more, which are independent in nature and do not involve comparisons or relationships with other variables.” Furthermore, the quantitative approach is utilized because the data collected is in numerical form and analyzed statistically, in line with Sugiyono’s (2017) definition of quantitative research as one that involves numerical data and statistical analysis.

This study applies financial ratio analysis to assess the financial performance of village cooperatives. Financial ratios serve as indicators used to evaluate the financial health of an organization. The financial ratios examined in this study include liquidity ratios, solvency ratios, and profitability ratios. The liquidity ratio assesses a cooperative’s ability to meet its short-term obligations and is measured using the cash ratio indicator. The solvency ratio evaluates the extent to which a cooperative can fulfill all its obligations if all assets are liquidated, using the indicator of equity to total assets. Profitability ratios reflect a cooperative’s ability to generate profits and are measured through Return on Assets (ROA) and Return on Equity (ROE). All these ratios are based on the standards set by the Regulation of the Minister of Cooperatives and SMEs No. 14/Per/M.KUKM/XII/2009.

To provide an objective evaluation of a cooperative's financial performance, this study refers to the cooperative classification guidelines also stipulated in the aforementioned regulation. The cash ratio is considered poor if it is $\leq 10\%$, fairly good at 10–15%, good at 15–20%, and very good if it exceeds 20%. The solvency ratio, or the ratio of equity to total assets, is classified as poor if it is below 25%, fairly good at 25–50%, and good if it exceeds 50%. Regarding profitability, ROA is deemed poor if below 7.6%, fairly good at 7.6–10%, good at 10–15%, and very good if above 15%. Meanwhile, ROE is considered poor if it is less than 3%, fairly good at 3–4%, good at 4–5%, and very good if it exceeds 5%.

The application of a descriptive quantitative approach is expected to provide an accurate and systematic overview of the financial performance of village cooperatives, particularly in the Ciamis Regency. The resulting financial ratio analysis will serve as a basis for evaluating whether the cooperatives are being managed efficiently and are capable of ensuring their financial sustainability in the long term. Thus, the findings of this study may serve as a reference for cooperative managers, local government authorities, and other stakeholders in making more informed decisions for the governance and development of village cooperatives.

RESULTS AND DISCUSSION

This section discusses the financial performance of village cooperatives in Ciamis Regency from 2019 to 2023 using four key financial ratios: liquidity (cash ratio), solvency (total debt to total assets), profitability (return on assets/ROA and return on equity/ROE). The analysis is based on secondary data processed from several active village cooperatives in the region.

Table 1. Financial Performance Summary of Village Cooperatives in Ciamis Regency Based on Key Financial Ratios (2019–2023)

No	Financial Ratio	Average Value (2019–2023)	Assessment Category	Interpretation
1	Cash Ratio	5.26%	Less Favorable	For every Rp1.00 of current liabilities, only Rp0.0526 is available in cash. Indicates liquidity risk.
2	Total Debt to Total Assets	45.97%	Good	Balanced capital structure; less than half of assets financed by debt. Reflects low financial risk.
3	Return on Assets (ROA)	7.63%	Adequate to Good	Rp0.0763 net profit generated per Rp1.00 of assets. Indicates decent asset utilization efficiency.
4	Return on Equity (ROE)	16.22%	Very Good	Rp0.1622 net profit generated per Rp1.00 of member capital. Indicates high effectiveness and low risk.

Source: Processed from Secondary Data of Active Village Cooperatives in Ciamis Regency (2019–2023)

Liquidity Ratio (Cash Ratio)

The cash ratio measures the cooperative's ability to pay off its current liabilities using only cash and cash equivalents. Based on the data, the average cash ratio of village cooperatives in Ciamis Regency over the five-year period is 5.26%. This means that for every Rp1.00 of current liabilities, only Rp0.0526 is available in the form of cash or bank savings.

According to the Indonesian Ministerial Regulation No. 14/Per/M.KUKM/XII/2009, a healthy cash ratio should fall within the range of 10% to 15%. Therefore, the average result of 5.26% is categorized as "less favorable". This suggests that the cooperatives generally face challenges in covering their short-term debts with immediate liquid assets. Such a condition could pose a liquidity risk, especially if there is a sudden increase in current obligations.

Solvency Ratio (Total Debt to Total Assets)

The solvency ratio reflects the proportion of a cooperative's total assets that are financed by liabilities. It shows how much of the assets are owned by creditors compared to members (owners). The average solvency ratio in Ciamis village cooperatives is 45.97%, which is categorized as "good" based on the standard set by the same regulation (i.e., within 40%–60%).

This means that the cooperatives have maintained a balanced financial structure, where less than half of their total assets are financed by debt. A good solvency ratio implies that the cooperative is capable of fulfilling all its financial obligations and is not overly dependent on external financing. This healthy debt-to-asset ratio also indicates prudent financial management and lower financial risk.

Profitability Ratio - Return on Assets (ROA)

Return on Assets (ROA) shows how efficiently a cooperative uses its total assets to generate profit or Surplus Hasil Usaha (SHU). The average ROA for the cooperatives over five years is 7.63%, which places it at the threshold between "adequate" and "good" categories (good category begins from 7.6%).

This figure means that for every Rp1.00 of total assets, the cooperative is able to generate Rp0.0763 in net profit. Although the value is relatively stable, the trend shows a slight decline in the last three years. This indicates a possible decrease in asset productivity or an increase in asset accumulation that is not matched with proportional profit growth. Nevertheless, the cooperatives still maintain a level of profitability that reflects decent operational performance.

Profitability Ratio - Return on Equity (ROE)

Return on Equity (ROE) assesses the ability of the cooperative to generate profits from members' equity (own capital). The average ROE for village cooperatives in Ciamis is 16.22%, which is categorized as "very good" (above 10%).

This means that for every Rp1.00 of members' capital, the cooperative successfully generates Rp0.1622 of SHU. This high ROE indicates that cooperatives in Ciamis Regency are highly effective in utilizing their own capital to create value for members. It also implies that cooperatives rely more on internally generated funds rather than excessive borrowing, which minimizes financial risk and strengthens institutional sustainability.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the analysis of financial ratios over the period 2019–2023, the following conclusions can be drawn regarding the financial performance of village cooperatives in Ciamis Regency:

1. **Liquidity (Cash Ratio):** The average cash ratio of 5.26% falls below the minimum standard set by regulations (10%), indicating that most village cooperatives face liquidity constraints. They are less able to meet short-term obligations using only cash and cash equivalents.
2. **Solvency (Total Debt to Total Assets):** With an average solvency ratio of 45.97%, the cooperatives demonstrate a healthy financial structure, suggesting a balanced proportion between debt and equity. This indicates a strong capacity to meet long-term liabilities.
3. **Profitability (ROA and ROE):**

The ROA average of 7.63% is close to the “good” category, reflecting moderate efficiency in asset utilization to generate profit (SHU).

The ROE average of 16.22% is considered very strong, showing that cooperatives are highly effective in generating returns from their own capital, ensuring sustainability and member benefit.

Overall, the cooperatives show strong financial sustainability in terms of solvency and profitability, although improvements in liquidity management are still necessary.

Recommendation

In light of the findings, the following recommendations are proposed to strengthen the financial performance of village cooperatives in Ciamis Regency:

Improve Cash Management Strategies

Cooperatives should enhance their cash flow planning and monitoring systems to ensure sufficient liquidity is maintained to cover short-term liabilities. Implementing cash budgeting and regular liquidity assessments can help avoid operational disruptions.

Diversify Revenue Streams

To boost profitability and strengthen financial resilience, cooperatives should explore diversified income-generating activities, such as digital marketplace participation, agricultural processing, or service-based ventures aligned with local potential.

Strengthen Internal Controls and Financial Governance

Financial governance needs to be enhanced through capacity building for cooperative management teams. Regular financial training, the adoption of accounting software, and periodic internal audits are recommended.

Reinvest Surplus for Strategic Development

With high ROE, cooperatives are encouraged to allocate a portion of their SHU for strategic investments such as member training, infrastructure improvement, and innovation in service delivery to further enhance competitiveness.

Collaboration with Stakeholders

Village cooperatives should collaborate with local government, universities, and private sectors to gain access to training, technology, and financial literacy programs that can support sustainable development.

FURTHER STUDY

This study provides an overview of the financial performance of village cooperatives in Ciamis Regency based on key financial ratios. However, several limitations remain that offer opportunities for future research.

Expanded Scope and Sample Size

Future studies could expand the scope beyond Ciamis Regency to include cooperatives in other rural or urban areas across West Java or Indonesia as a whole. A larger and more diverse sample would provide more generalizable findings and allow for comparative regional analysis.

Inclusion of Qualitative Factors

While this research focuses on quantitative financial ratios, future research is encouraged to include qualitative variables such as management competence, member participation, governance practices, and organizational culture, which may significantly influence cooperative performance.

Impact of External Environment

Subsequent studies could explore how external factors such as government regulations, digitalization, inflation, and market access affect the financial stability and strategic decisions of village cooperatives. A macroeconomic perspective would enrich the financial analysis.

Longitudinal Analysis

Researchers may also consider conducting longitudinal studies to observe the financial behavior of cooperatives before, during, and after specific events such as the COVID-19 pandemic, natural disasters, or major policy changes. This would help identify trends and resilience factors over time.

Financial Sustainability Models

It is recommended that future research develop or apply financial sustainability models tailored to cooperatives, integrating financial indicators with social impact measures to assess overall cooperative health more holistically.

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