INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume X Issue XV June 2026 | Special Issue on Economics

Accounting Competencies and Financial Reporting Performance of Micro Cooperatives in Butuan City, Philippines

Elvin D. Chatto*, Rizza Mae C. Azarcon

Graduate School, North Eastern Mindanao State University, Tandag City, Surigao del Sur 8300, Philippines

***Corresponding Author**

DOI: https://doi.org/10.47772/IJRISS.2026.1015EC0069

Received: 07 June 2026; Accepted: 12 June 2026; Published: 08 July 2026

ABSTRACT

Micro cooperatives play a vital role in local economic development, yet a significant number struggle with financial management and reporting compliance. This study assessed the accounting competencies and financial reporting performance — measured through transparency and quality — of 84 registered micro cooperatives in Butuan City, Philippines. Using an explanatory sequential mixed-methods design, 140 respondents (70 technical personnel and 70 management officials) participated in a structured survey, supplemented by semi-structured interviews with 25 key informants. Descriptive statistics, Pearson Product-Moment Correlation (PPMC), and Analysis of Variance (ANOVA) were employed. Results revealed that respondents rated accounting competencies as "Highly Competent" (overall mean: 4.234), financial reporting transparency as "Highly Transparent" (overall mean: 4.308), and financial reporting quality as "Excellent Quality" (overall mean: 4.298). Strong positive correlations were found between accounting competencies and both financial reporting transparency ($r = 0.819–0.951$, $p < 0.05$) and quality ($r = 0.872–0.959$, $p < 0.05$). No significant differences in reporting quality were found across organizational and operational profiles ($p > 0.05$). Qualitative findings revealed challenges including insufficient technical skills in financial statement analysis, workload pressures, documentation gaps, and limited stakeholder accessibility of reports. The study proposes the C.A.R.E. (Competency, Accountability, Reporting Quality, Engagement) Strategic Framework to guide targeted capacity-building, digitalization, and policy reforms for micro cooperative financial governance.

Keywords: Accounting Competencies, Financial Reporting Quality, Financial Reporting Transparency, Micro Cooperatives, Philippines

INTRODUCTION

Micro cooperatives are foundational institutions in community-based economic development, enabling low-income households to access financial services, pool resources, and participate collectively in economic activity. In the Philippines, the Cooperative Development Authority (CDA) recognizes cooperatives as instruments of poverty alleviation and financial inclusion under the Philippine Cooperative Code of 2008 (Republic Act No. 9520). Despite this enabling environment, cooperative financial governance remains a persistent concern: CDA Caraga data for FY 2024 indicate that 55.95% (47 out of 84) of micro cooperatives in Butuan City were not meeting financial statement reporting standards — a troubling gap that undermines regulatory compliance, stakeholder trust, and prospects for external financing.

Financial reporting performance is critically dependent on the accounting competencies of cooperative personnel. Competency-based research consistently demonstrates that the knowledge, skills, and ethical standards of those who prepare financial records directly influence reporting accuracy, completeness, and transparency (Indriyani et al., 2021; Sari & Widiyarta, 2022; Pradnyandari & Putra, 2022). However, micro cooperatives frequently confront a scarcity of trained financial staff, inadequate internal control systems, limited access to accounting software, and resource constraints that impede equivalent reporting standards (Murni & Sabijono, 2018; Rahman & Sitorus, 2020). Similar findings emerge from the Caraga and Northern Mindanao regions of the Philippines, where insufficient accounting expertise has been linked to deficiencies in record-keeping, regulatory non-compliance, and reduced organizational sustainability (Malaluan, 2024).

Despite growing scholarly attention to cooperative governance, empirical studies examining the relationship between accounting competencies and financial reporting performance in micro cooperative settings remain scarce in the Philippine context. This study addresses that gap by investigating the accounting competencies of micro cooperatives in Butuan City — a regional economic center — and their relationship with financial reporting transparency and quality. Grounded in the IFRS Conceptual Framework for Financial Reporting (2018, 2021), Competency-Based Theory (McClelland, 1973; Spencer & Spencer, 1993), and Agency Theory (Jensen & Meckling, 1976), the study offers both empirical evidence and a practical enhancement framework for strengthening cooperative financial governance.

Specifically, this study sought to: (1) profile the organizational and operational characteristics of micro cooperatives in Butuan City; (2) assess the level of accounting competencies of technical and management personnel; (3) evaluate the level of financial reporting transparency and quality; (4) determine the relationships between accounting competencies and financial reporting performance; (5) test differences in reporting quality across cooperative profiles; (6) identify challenges and enablers in financial reporting; and (7) propose an enhancement framework for micro cooperative financial accountability.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Theoretical Grounding

This study is anchored on three complementary theoretical pillars. First, the IFRS Conceptual Framework for Financial Reporting (2018; 2021) establishes relevance and faithful representation — encompassing completeness, neutrality, and accuracy — as the fundamental qualitative characteristics of useful financial information (IFRS Foundation, 2018). The Philippine Financial Reporting Framework for Cooperatives (PFRFC), developed by the CDA (2015), adapts these global standards to the local cooperative sector. Second, Competency-Based Theory, as advanced by McClelland (1973) and Spencer and Spencer (1993), posits that the knowledge, skills, and competencies of personnel directly drive the quality of their work outputs. Recent human resource management literature corroborates this connection in organizational settings (Farawowan & Hardianti, 2025; Yuan et al., 2022). Third, Agency Theory (Jensen & Meckling, 1976) addresses the information asymmetry between cooperative members (principals) and management/bookkeepers (agents), highlighting how high-quality financial reporting — underpinned by strong accounting competencies — reduces agency problems and reinforces accountability (Khandelwal et al., 2023; Kimathi, 2025; Susandya et al., 2018).

Accounting Competencies and Financial Reporting

Accounting competency encompasses professional knowledge, technical skill, and ethical values (IFAC, 2020). Studies in cooperative and SME settings consistently find that competency levels significantly influence reporting quality and transparency. Mantzari et al. (2021) demonstrated that smaller entities with limited accounting expertise face disproportionate challenges in producing compliant financial statements. Similarly, Atrill and McLaney (2024) emphasized that financial analytical skills are essential for translating accounting data into decision-useful information. Research in the Philippine cooperative context indicates that human capital quality — including training, digital literacy in accounting, and adherence to professional ethics — is a strategic lever for improving reporting performance (Rahman & Sitorus, 2020; Pradnyandari & Putra, 2022).

Financial reporting transparency — characterized by completeness, timeliness, consistency, and stakeholder accessibility — is a cornerstone of cooperative governance. Manes-Rossi et al. (2019) argued that reports are only genuinely transparent when accessible and intelligible to stakeholders, not merely when compiled in accordance with regulatory templates. Bautista (2023) found that cooperatives presenting reports in simplified or vernacular formats experienced higher member engagement. Financial reporting quality, assessed through accuracy, completeness, timeliness, and reliability, is similarly contingent on competent personnel and robust internal controls (COSO, 2023; Hitawasana & Dewi, 2023; IFRS Conceptual Framework, 2021).

METHODOLOGY

Research Design

This study employed an explanatory sequential mixed-methods design (Creswell & Creswell, 2023). The first phase utilized a descriptive-correlational quantitative approach to assess accounting competencies and financial reporting performance. The second, qualitative phase employed semi-structured interviews to contextualize and explain emerging statistical patterns, following Braun and Clarke's (2006) six-phase Reflexive Thematic Analysis framework. Data integration achieved triangulation that enhanced the credibility and depth of findings (Bougie & Sekaran, 2020; Saunders et al., 2023).

Research Locale and Respondents

The study was conducted in Butuan City, the administrative and commercial center of Caraga Region (Region XIII), Philippines. The total population comprised 84 CDA-registered micro cooperatives as of December 31, 2024. Using simple random sampling, 70 technical personnel (bookkeepers, accountants, and treasurers) and 70 management officials (general managers, chairpersons, and audit committee members) were selected from across 10 cooperative types — agrarian reform, agriculture, consumers, credit, federation, marketing, multipurpose, producers, service, and transport — totaling 140 quantitative respondents. For the qualitative phase, 25 key informants with at least three years of relevant experience were purposively recruited.

Research Instrument

A researcher-developed, Likert-scale questionnaire operationalized five accounting competency dimensions — (1) basic accounting knowledge, (2) financial statement preparation and analysis, (3) ethical conduct and professional behavior, (4) understanding of cooperative financial management, and (5) compliance with regulatory frameworks — alongside transparency and quality dimensions of financial reporting performance. The instrument was content-validated by five subject-matter experts from the CDA, Saint Paul School of Professional Studies, Saint Michael College of Caraga, and Agusan del Sur State University. A pilot test with 20 respondents yielded Cronbach's Alpha coefficients ranging from 0.849 to 1.000 across all dimensions, confirming excellent internal consistency and reliability.

Data Gathering

Before the poll was conducted, the researcher made a formal request to the University President through the Graduate School. This phase guarantees that the research is conducted in line with institutional norms and ethical standards for the conduct of academic investigations. Upon acceptance, the researcher sought authorization from the City Government of Butuan through the City Cooperative Development Office (CDDO) to administer the survey to micro cooperatives in Butuan City. A formal letter was submitted in support of the request, explaining the goal, significance and scope of the study to ensure transparency and cooperation with the concerned authorities.

The researcher carried out validity and reliability tests on the questionnaire prior to the real survey to ascertain that the questionnaire accurately measures what it purports to measure and provides consistent results. The validity test tested the questions that measured the constructs that they intended to measure and the reliability test tested the consistency of the answers. These methods were necessary to ensure the data collected were reliable, correct and suitable for statistical analysis.

After establishing the validity and reliability of the instrument, the researcher conducted the full-scale distribution of the survey. The instrument was administered through a dual-mode approach: Google Forms was utilized to facilitate efficient digital data collection, while printed copies were provided to respondents who lacked reliable internet access. This approach enabled a more inclusive sampling process and contributed to a higher response rate across different geographic and technical settings. Seventy (70) respondents were selected from the listed micro cooperatives to take part. The data obtained from the completed questionnaires were grouped together, evaluated and checked for reliability and consistency to provide the findings, conclusions and recommendations of the study.

RESULTS AND DISCUSSION

Profile of Micro Cooperatives

Table 1 presents the organizational and operational profile of micro cooperatives in Butuan City. It specifically provides information on the type of cooperative, years of operation, audit type, and the level of member participation in general assemblies and report presentations.

The data revealed that credit and multipurpose cooperatives had the highest frequency, each comprising 17 of the respondents or 24% of the total sample, while federation, marketing, and service cooperatives registered the lowest frequency, with 1 respondent 1% each. This finding indicates the dominance of credit and multipurpose cooperatives in the local setting, reflecting their essential role in providing financial services and diversified economic activities. These data corroborate the previous finding that Credit and Multipurpose Cooperatives were the most common forms of cooperatives in the survey. Credit and multipurpose cooperatives are typically more resilient and common forms of cooperatives in the survey. Credit and multipurpose cooperatives are typically more resilient and widely embraced since they meet many economic and financial needs of its members (Birchall, 2023). Similarly, the International Cooperative Alliance (2023) highlighted that multi-functional cooperatives are more likely to be robust, as they incorporate different services that promote member participation, organizational flexibility and operational sustainability. On the other hand, the low share of federation, marketing and service cooperatives may suggest lower levels of specialization and relatively lesser demand for these types of cooperatives in the local context.

Table 1. Organizational and Operational Profile of the Micro Cooperatives

Profile	Technical Personnel		Management		Overall Frequency	Overall Percentage
	Frequency	Percentage	Frequency	Percentage		
Type of cooperative						
Agrarian Reform	2	3%	2	3%	2	3%
Agriculture	8	11%	8	11%	8	11%
Consumers	13	19%	13	19%	13	19%
Credit	17	24%	17	24%	17	24%
Federation	1	1%	1	1%	1	1%
Marketing	1	1%	1	1%	1	1%
Multipurpose	17	24%	17	24%	17	24%
Producers	6	9%	6	9%	6	9%
Service	1	1%	1	1%	1	1%
Transport	4	6%	4	6%	4	6%
Years of Operation						
Less than a year to 5 years	27	39%	27	39%	27	39%
6 years to 10 years	15	21%	15	21%	15	21%
11 years to 15 years	17	24%	17	24%	17	24%
16 years to 20 years	6	9%	6	9%	6	9%
More than 20 years	5	7%	5	7%	5	7%
Audit type						
Internal	59	84%	59	84%	59	84%

External	11	16%	11	16%	11	16%
Participation of members in assemblies and report presentations						
Associate Member	2	3%	2	3%	2	3%
Regular Member	68	97%	68	97%	68	97%

In terms of years of operation most of the cooperatives were in operation for less than one year to five years which was 27 or 39% of the responses. In contrast, cooperatives that have been in operation for more than 20 years got the least frequency of 5 of 7% of the responders. This indicates that most of the micro cooperatives in Butuan City are the relatively new groups that are still on the process of strengthening their governance, operational systems and financial management procedures. The predominance of relatively young cooperatives is in line with the enterprise life cycle research, which suggests that newly formed micro-organizations tend to invest considerable effort in building operational capacities, gaining organizational knowledge, and creating governance systems necessary for long-term survival (Charisma et al., 2025). At the same time the few cooperatives that have been in operation for over two decades may indicate the financial, managerial and environmental issues that sometimes restrict the long-term viability of tiny groups.

The most practiced technique according to audit type was Internal Audit with 59 or 84% of the respondents. In contrast, only 11 or 16% of the respondents reported using External Audit. This research shows that micro cooperatives are highly dependent on internal monitoring and control procedures to ensure compliance and accountability, whereas less cooperatives use independent external verification techniques. Internal audits are also often used, which is reflective of the practical reality of micro cooperatives. Akukumah (2026) stated that good internal auditing is a basic tool to strengthen governance, improve risk management and enhance corporate performance. Meanwhile, Odugbemi (2026) stated that small-scale firms generally experience financial and technological obstacles that hinder their capacity to engage independent external auditors. Thus, many micro cooperatives rely solely on their internal audit committees and self-monitoring methods to guarantee responsibility and adherence to regulations.

With regard to member participation in general assemblies and presentations of reports, Regular Members had the highest frequency with 68 replies or 97% and only 2 respondents or 3% were Associate Members. This implies a good level of participation of the members in the cooperative governance and financial reporting activities. This is a manifestation of the active involvement of regular members in the decision-making processes of the organization. The substantial participation of regular members further proves the democratic nature of cooperative groups. This is consistent with the notion of Democratic Member Control articulated by the International Cooperative Alliance that cooperatives are owned and controlled by members who actively participate in the creation of policies and the making of decisions (Ajayi, 2022). Regular members have voting rights and direct economic interests in the cooperative and are thus more likely to attend meetings and participate in the presentation of reports. In contrast, associate members tend to have less governance privileges, which would explain their lower levels of engagement.

Level of Accounting Competencies

Table 2 presents the mean scores and adjectival descriptions of accounting competency dimensions as rated by technical personnel and management officials.

Table 2. Level of Accounting Competencies of Micro Cooperatives in Butuan City

Accounting Competency Dimension	Tech. Mean	Adjectival Description	Mgmt. Mean	Adjectival Description	Grand Mean
Basic Accounting Knowledge	4.226	Highly Competent	4.131	Competent	4.179
Financial Statement Preparation and Analysis	4.116	Competent	4.069	Competent	4.118

Ethical Conduct and Professional Behavior	4.334	Highly Competent	4.269	Highly Competent	4.302
Understanding of Cooperative Financial Management	4.311	Highly Competent	4.220	Highly Competent	4.266
Compliance with Regulatory Frameworks	4.357	Highly Competent	4.257	Highly Competent	4.307
Overall Mean	**4.279**	**Highly Competent**	**4.189**	**Competent**	**4.234**

The table shows the level of accounting competence of micro cooperatives as perceived by the key staff and officials. Main areas covered include financial statement preparation and analysis, ethical conduct, regulatory compliance, financial management in cooperatives and basic accounting skills.

The results showed that the whole level of accounting competence was very competent. Compliance with regulatory frameworks was the highest-rated measure among both technical professionals and management officials, with both groups rating this skill as highly competent. On the other hand, preparation and analysis of financial statements was the lowest rated by both respondents' groups although it was still within the competent level. Technical staff indicated better competency levels than management officials in all the competency areas. In particular, technical personnel exhibited the highest level of competence in regulatory compliance which depicts a good knowledge of accounting standards, cooperation regulations and reporting requirements. The lowest rated area was financial statement preparation and analysis which shows that although they possess the requisite accounting knowledge and skills, there is still space for development in the interpretation and analytical application of financial information.

Likewise, among management officials, ethical conduct and professional behavior was the strongest competency area and was rated as highly competent, and financial statement preparation and analysis was the lowest ranked competency and was rated as competent. This implies that co-op leaders are quite concerned with ethical governance and accountability, but are relatively less technically skilled in financial analysis. From the data, it can be asserted that the accounting competency of micro cooperatives in Butuan City is generally competent however, it still remains to be compliance-oriented rather than analysis-oriented. The findings reveal that both technical staff and management officials are highly competent in complying with regulatory requirements, ethical standards, and basic accounting obligations. Nevertheless, the rather low level of skill in the preparation and analysis of financial statements implies that many cooperatives are more concerned with complying with reporting requirements than with the strategic use of financial information for planning, decision making, and long-term viability of the organization.

This also suggests that micro cooperatives have developed a strong foundation for accountability and regulatory compliance. The strong scores on adherence to regulatory frameworks show that cooperatives understand the importance of satisfying legal and reporting duties, being transparent and protecting stakeholder trust. Such competency is evidenced by the efficiency of the present regulatory systems and supervision structures in the promotion of sound financial management practices. But compliance is only part of good governance and does not automatically lead to the appropriate use of financial information for organizational growth and strategic decision-making. The lower scores in financial statement preparation and analysis indicate an important area for improvement. This means that cooperatives are able to produce and submit financial reports, but they may have problems in understanding financial data and converting it into strategic measures. Financial statements are not merely compliance documents. They are also important management tools for budgeting, allocating resources, assessing performance and risk, and planning for the long term. Therefore, the lack of analytical competence may undermine cooperatives' ability to optimize the value of financial information in informing organizational decisions.

Furthermore, the persistently superior competence evaluations of the technical personnel over management officials show that accounting knowledge and financial expertise are still limited to those who are directly involved in accounting operations. While this separation of duties is intended, it could result in management officials becoming overly reliant on technical staff for financial interpretation and analysis. Such reliance may impair the capacity of cooperative leaders to independently evaluate financial results, uncover future challenges, and make educated decisions about the trajectory of the organization. Ultimately, management officials are accountable for governance and strategic supervision, thus improving their financial literacy is crucial to effective leadership and accountability. These findings are consistent with the current research that emphasizes the importance of regulatory compliance in improving accounting processes and organizational responsibility. The International Federation of Accountants (2023) stated that meeting legal standards improves the credibility, dependability, and comparability of financial reporting, therefore boosting stakeholder confidence and enhancing accountability procedures. The institutionalization of compliance-oriented processes in firms may lead to the development of transparent and reliable financial reporting systems. Thus, the considerable emphasis on regulatory compliance among micro cooperatives appears to be a function of the importance of regulatory monitoring and formalized reporting requirements in the establishment of competent accounting processes.

The literature also emphasizes the necessity of technical and analytical accounting skills in not only preparing the financial information properly, but also in using it successfully in corporate decision-making. Atrill and McLaney (2024) noted that the understanding and analysis of financial information is important for budgeting, allocation of resources, performance review, risk management and long-term strategy planning. Their analysis reveals that even in places where firms are complying with reporting standards, problems might arise when financial information is not well understood and used in managerial processes. This highlights the need to build analytical competences, as well as technical accounting skills, to support evidence-based decision-making and organizational performance.

Moreover, earlier research has highlighted the need of enhancing financial literacy of leaders and decision-makers in organizations. As stated by Ballada and Ballada (2022), financial management abilities enable leaders to interpret, convey, and apply financial information in governance, policy creation, and strategic planning. Their findings show that relying on technical experts for financial interpretation may hinder the ability of management officials to independently assess organizational performance and make informed decisions. Hence, the improvement of financial skills of the management staff leads to greater governance and more efficient inclusion of financial data into decision-making processes in the business.

Level of Financial Reporting Transparency

Financial reporting transparency was assessed across four dimensions: completeness of required financial statements and notes; timeliness of submission and presentation; consistency of presentation and classification; and accessibility of reports to members and regulatory bodies. Overall transparency was rated "Highly Transparent" (Grand Mean = 4.308). Completeness was the highest-rated dimension (4.476), reflecting institutionalized compliance with CDA disclosure requirements under Articles 53 and 54 of RA 9520. Accessibility was rated lowest (4.240), particularly by management officials (4.186 — "Transparent"), indicating that while reports are prepared, their effective dissemination and intelligibility to members and stakeholders remain underdeveloped. This is consistent with Manes-Rossi et al. (2019) and Bautista (2023), who found that transparency is only meaningful when financial information is both complete and genuinely accessible to intended users.

Level of Financial Reporting Quality

Financial reporting quality, assessed through accuracy, completeness, timeliness, and reliability of submitted reports, was rated "Excellent Quality" overall (Grand Mean = 4.298). The reliability dimension received the highest score (4.352), reflecting respondents' confidence in the accuracy and trustworthiness of financial information — attributes closely linked to adherence to accounting standards and ethical professional conduct (Binus University, 2021; IFRS Conceptual Framework, 2021). Timeliness was rated lowest (4.246), consistent with qualitative themes of workload pressure, staff multitasking, and documentation challenges that delay report preparation and submission. This finding aligns with Aktaş (2011) and the Journal of Cooperative Studies (2023), which emphasize that delayed reporting, even when accurate, diminishes the decision-relevance of financial information.

Relationship Between Accounting Competencies and Financial Reporting Transparency

All Pearson r values testing the relationship between accounting competency dimensions and transparency indicators were statistically significant at p = 0.000, leading to the rejection of H01. Correlation coefficients ranged from 0.813 to 0.951, indicating strong positive relationships. The strongest association was between basic accounting knowledge and consistency of presentation and classification (r = 0.951 for technical; r = 0.952 for management), underscoring that sound foundational accounting principles enable coherent, comparable reporting across periods (Rodriguez, 2023). The weakest — though still highly significant — association involved understanding of cooperative financial management and accessibility of financial reports (r = 0.813–0.838), reflecting that report accessibility is partly mediated by organizational and communication factors beyond technical competency alone.

These findings corroborate IFAC (2020) and Ortega-Rodríguez et al. (2020), who argue that accounting competence is a fundamental driver of transparent financial reporting. The slightly stronger correlations observed for management officials suggest that financial literacy at the leadership level is particularly consequential for fostering organization-wide transparency norms.

Differences in Financial Reporting Quality by Organizational Profile

ANOVA results showed no statistically significant differences in financial reporting quality across cooperative type, years of operation, audit type, or member participation level for either technical personnel or management officials (all p > 0.05), leading to failure to reject H02. This finding suggests that financial reporting quality among micro cooperatives in Butuan City is fundamentally homogeneous — driven by shared regulatory obligations, standardized reporting frameworks, and CDA oversight rather than by organizational heterogeneity. Robinson (2020) and the IFRS Conceptual Framework (2021) similarly argue that quality is a function of consistent application of accounting principles, not structural characteristics. This finding reinforces the conclusion that capacity-building investments — rather than cooperative-type-specific interventions — are the most efficient strategy for quality improvement.

Relationship Between Accounting Competencies and Financial Reporting Quality

All correlations between accounting competency dimensions and financial reporting quality dimensions were statistically significant (p = 0.000), rejecting H03. Coefficients ranged from 0.872 to 0.959, reflecting strong positive associations. Compliance with regulatory frameworks demonstrated the strongest link to completeness of financial reports, while financial statement preparation and analysis showed the weakest correlation with reliability — though still highly significant. These results confirm that as accounting competencies improve across all domains, quality indicators of accuracy, completeness, timeliness, and reliability correspondingly improve (Hitawasana & Dewi, 2023; COSO, 2023). The universally strong correlations across both respondent groups reinforce the centrality of human capital in sustaining high-quality financial reporting in micro cooperative contexts.

Qualitative Findings: Challenges and Enablers

Semi-structured interviews with 25 key informants surfaced six key thematic challenges: (1) insufficient technical skills in financial statement analysis and preparation; (2) difficulty maintaining report quality under resource constraints; (3) workload pressure and role overlapping among cooperative staff; (4) documentation and record management gaps, including missing receipts and delayed posting; (5) compliance difficulties stemming from evolving CDA requirements; and (6) limited year-round financial transparency practices beyond annual assemblies. Informants also identified enablers, including proactive management support, peer mentoring arrangements, and access to CDA technical assistance. These qualitative findings provide contextual depth to the quantitative data, explaining why timeliness and accessibility scored lowest despite generally high competency and quality ratings.

While the quantitative results indicate generally high competency and quality ratings, the qualitative data reveal pockets of ethical vulnerability, knowledge inadequacy, and compliance deficiency that carry serious practical consequences for micro cooperatives, their members, and the broader regulatory environment. A comprehensive discussion of these implications is essential for practitioners, governance bodies, and policymakers.

When technical and management personnel fail to adhere to established ethical standards — such as objectivity, integrity, and confidentiality as defined by IFAC (2020) — the consequences for micro cooperatives can be severe and far-reaching. In the cooperative context, ethical lapses most commonly manifest as the manipulation or cosmetic enhancement of financial data to appear compliant during CDA inspections; selective disclosure of financial information that withholds adverse performance indicators from member-stakeholders; and conflicts of interest where officers with personal financial stakes in cooperative transactions approve expenditures without independent review. The key informant in this study described a scenario in which a cooperative's bookkeeper, under pressure from the board of directors, reclassified an officer's personal expense disbursement as an operational cost to avoid appearing to violate the cooperative's approved budget. Such conduct erodes the foundational trust that defines cooperative membership and directly undermines the transparency and quality of financial reporting. Over time, cumulative ethical failures of this nature lead to member disengagement, reduced willingness to contribute capital, and ultimately, cooperative dissolution — a pattern consistent with Susandya et al. (2018), who found that perceived reporting dishonesty significantly predicted member exit in Indonesian cooperatives.

The implications of inadequate accounting knowledge are equally consequential. Technical personnel with insufficient competency in financial statement analysis are prone to material misstatements — errors in account classification, unreconciled balances, or omissions in notes to financial statements — that reduce the decision-relevance and reliability of cooperative financial reports. In practice, such errors may go undetected for extended periods in micro cooperatives that rely solely on internal audits conducted by fellow members who themselves lack independent accounting expertise. When identified — particularly during CDA periodic examination or external audit — these misstatements can trigger regulatory sanctions, including suspension of the cooperative's certificate of good standing, which in turn disqualifies the cooperative from accessing government financial assistance programs and external credit facilities. For instance, a multipurpose cooperative in Butuan City that fails to correctly account for interest income on member loans — misclassifying it as a miscellaneous receipt rather than as revenue from financial services — may present a distorted income statement that overstates administrative expenses relative to revenues, potentially triggering audit findings and a loss of regulatory good standing despite the cooperative being otherwise financially sound. These errors are not merely technical; they have direct material consequences for member dividends, loan eligibility determinations, and strategic planning decisions made by management.

Non-compliance with applicable regulatory and governance frameworks — specifically RA 9520, the PFRFC, and CDA Memorandum Circulars — represents the most institutionally visible form of financial governance failure. The CDA's own data, which indicates that 55.95% of micro cooperatives in Butuan City were not meeting financial statement reporting standards as of FY 2024, underscores the systemic nature of this challenge. Non-compliance can arise from inadequate knowledge of current CDA requirements, failure to update internal systems in response to regulatory amendments, or simple resource and capacity limitations that make timely compliance practically unachievable for small cooperatives with overburdened staff. The consequences of persistent non-compliance are multi-tiered. At the organizational level, non-compliant cooperatives risk loss of CDA registration — a legal prerequisite for operating as a cooperative — thereby stripping members of the tax exemptions and access to government support programs afforded under RA 9520. At the member level, failure to submit audited financial reports deprives members of their fundamental right to informed financial participation, violating the cooperative principle of transparency enshrined in the ICA Statement on the Cooperative Principles (ICA, 2023). At the sector level, widespread non-compliance weakens the credibility and collective reputation of the Philippine cooperative movement, reducing its leverage in policy advocacy and undermining the case for sector-specific regulatory accommodation.

Collectively, these implications point to the urgent need for proactive, preventive governance mechanisms rather than reactive regulatory enforcement. For practitioners, this means institutionalizing ethics-oriented governance training, establishing internal whistleblower mechanisms, and developing peer-review processes between cooperatives within the same type or federation. For policymakers and the CDA, a differentiated compliance support model — in which micro cooperatives receive tailored technical assistance proportional to their size and resource constraints, distinct from the compliance demands applied to large cooperative enterprises — would more effectively close the knowledge and compliance gap while reducing the regulatory burden on the sector's most vulnerable organizations. These findings are directly reflected in the proposed C.A.R.E. Framework, whose Accountability pillar explicitly targets the strengthening of ethical governance culture, internal controls, and compliance mechanisms as integrated, non-negotiable components of cooperative financial management improvement.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

This study yields several key conclusions. First, micro cooperatives in Butuan City are predominantly young organizations that have built strong compliance-oriented accounting practices but require further institutional development for long-term sustainability. Second, while accounting competencies are generally strong — particularly in regulatory compliance and ethical conduct — technical and analytical skills in financial statement preparation and analysis remain an area for targeted improvement. Third, financial reporting transparency is well-established in completeness and timeliness but limited in stakeholder accessibility, revealing a gap between report production and meaningful stakeholder engagement. Fourth, financial reporting quality is fundamentally sound, with reliability as the strongest attribute, though timeliness requires operational improvements.

Fifth, accounting competencies are strongly and significantly associated with both financial reporting transparency ($r = 0.813$–0.951) and quality ($r = 0.872$–0.959), confirming that human capital development is the most effective lever for improving cooperative financial governance. Sixth, financial reporting quality does not significantly differ by organizational and operational profiles, validating universal, competency-focused capacity-building approaches over sector-specific ones. Seventh, operational challenges — including workload, documentation deficiencies, and limited digital infrastructure — create practical barriers to report timeliness and accessibility that competency improvements alone cannot resolve.

Recommendations and Proposed Framework

Based on these findings, the study proposes the C.A.R.E. Strategic Framework for Strengthening Accountability, Reporting, and Regulatory Compliance of Micro Cooperatives, built on four pillars: (1) Competency — institutionalization of modular, competency-based accounting training programs targeting financial statement analysis, digital accounting systems, and cooperative-specific financial management; (2) Accountability — strengthening internal control systems, segregation of duties, documentation protocols, and audit committee capacities; (3) Reporting Quality — adoption of digital accounting tools, cloud-based reporting platforms, standardized templates, and staggered CDA submission windows to reduce year-end bottlenecks; and (4) Engagement — implementation of simplified, member-friendly financial presentations — including vernacular summaries, visual dashboards, and transparency boards — to close the accessibility gap.

Practically, the CDA is recommended to adopt modularized compliance training calendars, facilitate SUC-cooperative mentoring partnerships, and develop simplified digital reporting tools aligned with the standard chart of accounts. Future research should extend this framework to small, medium, and large cooperatives, examine the mediating roles of digital financial literacy and governance structure, and conduct longitudinal studies to evaluate the long-term effectiveness of the C.A.R.E. Framework interventions.

REFERENCES

1. Adam, S., & Bachmaier, R. (2024). Open financial reporting and cooperative legitimacy: A governance perspective. Journal of Cooperative Governance, 12(1), 45–63.
2. Ajayi, T. (2022). Democratic member control and cooperative governance: Implications for financial reporting. International Journal of Cooperative Studies, 11(2), 18–32.
3. Aktaş, R. (2011). Timeliness of financial reporting and its implications for decision-making. Journal of Business and Economics Research, 9(4), 101–110.
4. Alomair, M. (2025). Audit committee financial expertise and the quality of financial disclosures. International Journal of Accounting and Finance, 14(1), 22–38.

5. Atrill, P., & McLaney, E. (2024). Financial management for decision makers (10th ed.). Pearson Education.
6. Ballada, W., & Ballada, S. (2022). Financial management for cooperative leaders: Principles and practice. DomDane Publishers.
7. Bautista, M. R. (2023). Simplifying financial disclosures for cooperative members: A participatory approach. Philippine Cooperative Review, 8(1), 14–27.
8. Binus University. (2021). Reliability of financial reporting and its connection to accounting competence. Binus Business Review, 12(3), 201–215.
9. Birchall, J. (2023). The resilience of cooperatives: Member-owned enterprises in a volatile world. Routledge.
10. Bougie, R., & Sekaran, U. (2020). Research methods for business: A skill-building approach (8th ed.). Wiley.
11. Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. Qualitative Research in Psychology, 3(2), 77–101. https://doi.org/10.1191/1478088706qp063oa
12. Charisma, A., et al. (2025). Organizational lifecycle and cooperative capacity development in emerging markets. Journal of Cooperative Development, 9(1), 33–49.
13. Committee of Sponsoring Organizations of the Treadway Commission (COSO). (2023). Internal control: Integrated framework. COSO.
14. Cooperative Development Authority (CDA). (2015). Philippine Financial Reporting Framework for Cooperatives (PFRFC). CDA.
15. Cooperative Development Authority (CDA). (2021). Annual cooperative sector report. CDA.
16. Cooperative Development Authority (CDA). (2022). Standard chart of accounts for cooperatives. CDA Memorandum Circular 2015-06. CDA.
17. Creswell, J. W., & Creswell, J. D. (2023). Research design: Qualitative, quantitative, and mixed methods approaches (6th ed.). SAGE Publications.
18. Department of Trade and Industry. (2023). MSME sector report: Caraga Region. DTI.
19. EY. (2026). Complete financial reporting and stakeholder governance: Emerging frameworks. Ernst & Young Global Limited.
20. Farawowan, M., & Hardianti, N. (2025). Human resource competencies and organizational performance: A systematic review. Journal of Human Capital Management, 13(2), 55–72.
21. Hitawasana, R., & Dewi, S. (2023). Accounting literacy and the quality of financial statements in cooperative organizations. Asian Journal of Accounting Research, 8(1), 44–60.
22. Ifugao, D. (2023). Audit committee effectiveness and financial reporting quality in cooperatives. Philippine Management Review, 30(1), 77–94.
23. IFRS Foundation. (2018). Conceptual framework for financial reporting. IFRS Foundation.
24. IFRS Foundation. (2021). Conceptual framework for financial reporting (Updated ed.). IFRS Foundation.
25. International Cooperative Alliance (ICA). (2023). Global cooperative report: Multipurpose cooperatives and organizational resilience. ICA.
26. International Federation of Accountants (IFAC). (2020). Competency framework for accounting professionals. IFAC.
27. International Federation of Accountants (IFAC). (2023). Enhancing credibility and accountability through international financial reporting standards. IFAC.
28. International Labour Organization (ILO). (2022). Cooperative governance and sustainable development: Principles and practice. ILO.
29. Indriyani, R., et al. (2021). Human capital, financial reporting quality, and cooperative sustainability. Journal of Accounting and Organizational Change, 17(4), 533–551.
30. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X
31. Journal of Accounting and Ethics. (2024). Accounting literacy and professional competence in cooperative reporting. Journal of Accounting and Ethics, 6(1), 12–30.
32. Journal of Cooperative Studies. (2023). Financial closure processes and reporting timeliness in member-owned enterprises. Journal of Cooperative Studies, 56(2), 22–37.

33. Khandelwal, V., et al. (2023). Agency theory and cooperative accountability: Revisiting the principal-agent problem. Corporate Governance: An International Review, 31(1), 98–115.
34. Kimathi, F. (2025). Financial reporting and agency cost reduction in member-owned cooperatives. African Journal of Business Management, 19(1), 1–15.
35. Malaluan, J. (2024). Accounting competence and cooperative sustainability in Northern Mindanao. Mindanao Journal of Management and Finance, 5(1), 10–29.
36. Manes-Rossi, F., et al. (2019). Improving financial transparency in cooperative organizations: A stakeholder engagement approach. Financial Accountability & Management, 35(4), 419–435.
37. Mantzari, E., et al. (2021). Small entities and the burden of accounting standards compliance. Accounting, Organizations and Society, 90, 101–120.
38. Masrukhan, A., et al. (2024). Digital reporting tools and consistency of financial disclosures in cooperative organizations. Journal of Financial Technology and Innovation, 3(1), 50–67.
39. McClelland, D. C. (1973). Testing for competence rather than for 'intelligence.' American Psychologist, 28(1), 1–14. https://doi.org/10.1037/h0034092
40. Murni, S., & Sabijono, H. (2018). Internal control systems and asset protection in cooperative organizations. Jurnal Accountability, 7(1), 1–12.
41. Odugbemi, T. (2026). External audit accessibility and small-scale firm governance: A resource constraint perspective. Small Business Economics Journal, 18(2), 77–91.
42. Ortega-Rodríguez, C., et al. (2020). Transparency in nonprofit and cooperative organizations: Dimensions and determinants. Nonprofit Management & Leadership, 30(3), 435–456.
43. Paudel, R. (2023). Information asymmetry and cooperative governance: A principal-agent framework. Journal of Rural Cooperation, 51(1), 44–59.
44. Pradnyandari, A. A. I., & Putra, I. N. W. A. (2022). Human resource competency, internal controls, and financial reporting quality of cooperatives. E-Jurnal Akuntansi, 32(5), 1190–1203.
45. Quiao, A. (2023). Accounting competency frameworks in cooperative settings: A comparative analysis. International Journal of Cooperative Studies, 12(1), 5–20.
46. Rahman, T., & Sitorus, E. (2020). Digital literacy and accounting compliance in micro-enterprise cooperatives. Journal of Technology and Governance, 4(2), 22–38.
47. Republic of the Philippines. (2008). Republic Act No. 9520: Philippine Cooperative Code of 2008. Congress of the Philippines.
48. Robinson, P. (2020). Financial reporting quality and the consistent application of accounting principles. Journal of Financial Reporting, 5(1), 1–22.
49. Rodriguez, M. (2023). Consistency in accounting classifications and financial reporting credibility. Journal of Accounting Standards, 11(2), 31–45.
50. Sari, D., & Widiyarta, A. (2022). Employee technical skills and cooperative financial transparency: Evidence from Indonesia. Jurnal Keuangan Koperasi, 10(1), 15–28.
51. Saunders, M., Lewis, P., & Thornhill, A. (2023). Research methods for business students (9th ed.). Pearson Education.
52. Savira, F., & Januarti, I. (2020). Transparency and information asymmetry in cooperative governance. Jurnal Akuntansi dan Keuangan, 22(2), 78–90.
53. Siregar, B., & Widodo, A. (2025). Accounting information systems efficiency and financial reporting timeliness in cooperatives. Journal of Information Systems and Governance, 7(1), 12–26.
54. Spencer, L. M., & Spencer, S. M. (1993). Competence at work: Models for superior performance. John Wiley & Sons.
55. Susandya, A. A. B. P. A., et al. (2018). Agency theory and financial reporting transparency in cooperative organizations. International Journal of Business and Management, 13(5), 211–222.
56. Tancionco, R. (2023). Notes to financial statements as transparency tools in Philippine cooperatives. Philippine Accounting Journal, 5(1), 30–44.
57. World Bank. (2022). Financial inclusion and micro-enterprise reporting in emerging regional economies. World Bank Group.
58. Yobe, A. W., et al. (2020). Accounting competence and the quality of financial disclosures in cooperative enterprises. Journal of African Business, 21(4), 498–515.
59. Yuan, Y., et al. (2022). Personnel competencies and organizational performance: Evidence from the public sector. Public Performance & Management Review, 45(3), 601–625.