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CREDIT RISK MANAGEMENT AND PRACTICES OF ADOPTED COMMUNITIES OF THE UNIVERSITY OF BOHOL

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Credit risk management is the process that microfinance institutions (MFIs) use to manage the risks of borrowers defaulting on their loans. Credit risk practices are the day-to-day actions and procedures that help the MFIs bring these strategies to life. The study assessed credit risk management and practices among creditors and borrowers in the University of Bohol's adopted communities with the aim of offering an enhancement program. It examined the demographic profiles of borrowers and their level of credit risk management. Moreover, it investigated the correlation between these profiles and their credit risk practices. The study utilized a quantitative approach. It used descriptive-normative survey to collect data through a standardized questionnaire. Stratified random sampling was applied to select borrower participants from three adopted communities. A total of 71 borrowers, representing about 20% of the borrowers were randomly chosen. The study revealed that younger and middle-aged individuals, especially women and small business owners, are the main borrowers in microfinance institutions. Additionally, borrowers widely supported credit risk management and practices, with an overall mean of 3.28 and 3.37, respectively. Lastly, the spearman rank correlation test showed that there is no significant correlation between borrowers' demographic profiles

and their level of credit risk management and practices. The lack of significant correlations between demographic profile and borrowers' level of credit risk management and practices indicates that these practices are well understood by borrowers across different borrower groups.

INTRODUCTION

The global economy is facing tough challenges, with economic crises hindering progress toward the Sustainable Development Goals (SDGs). Although the growing economy has led to higher demand for financial resources, it also brings increased risks and vulnerabilities. Thus, stronger financial management is required. Global trade and industries feel the impact of these conditions, with forecasts showing a slowdown in global GDP growth from 2.7% in 2023 to 2.4% in 2024 (United Nations, 2024) This slower recovery is especially difficult for developing countries that are burdened by high debt and limited investments, making it harder to sustain growth.

In the Philippines, economic growth has been affected by numerous financial crises, including the debt crisis of the mid-1980s (Balisacan & Hill, 2003). However, in recent years, the country has seen a remarkable recovery, rising to become one of Asia's top performers. This rebound has brought the Philippines attention from investors, positioning it as a promising emerging economy (Tuaño & Cruz, 2023).

Microfinance institutions play a crucial role in helping individuals who lack access to traditional banking services. These institutions provide small loans and financial assistance. In the communities supported by the University of Bohol, there is a strong need for credit risk management education to improve financial health. Borrowers can avoid excessive debt by learning how to manage credit risk, which is common struggle for those with limited financial knowledge and unstable incomes.

In the communities supported by the University of Bohol, people need to learn how to manage credit risk to enhance their financial health. Good credit risk management allows them to pay back loans without falling into excessive debt. Many people who take out loans to start small businesses face difficulties because they lack financial knowledge and have inconsistent incomes. For financial institutions, effective credit risk management is essential as it guides their lending decisions, impacting both their profitability and stability.

For financial institutions, effective credit risk management is essential for making sound lending decisions that protect their profitability and stability. Financial literacy is instrumental in fostering prudent financial stewardship. It entails a thorough grasp and wise management of financial resources. In adherence to principle of social stewardship, the University of Bohol is committed to fostering learning among the communities it serves. This help includes helping them manage their finances, meet credit obligations, and make informed economic decisions.

This study aims to assess and evaluate the current credit risk management and practices of the adopted communities of the University of Bohol. Based on the result, an enhancement programs will be proposed to address identified challenges. These enhancement program will be tailored to the specific needs of each community. The program will empower members to overcome financial difficulties, capitalize on opportunities, and improve their quality of life.

Related Literature. This study is anchored on several theories that provide a conceptual foundation for understanding credit risk management and practices within adopted communities. **Cost Theory** by Ferris (1981) Ferris (1981) posited that trade credit benefits buyers by providing financing opportunities while simultaneously helping sellers reduce operational costs. This theory emphasizes the double advantage of trade credit. It supports buyers' liquidity needs and minimizes creditors' transaction costs, such as those related to bill collection and processing. This theory is highly relevant to the study as it provides an initial framework for understanding how credit systems operate within economic and social contexts. Ferris's theory emphasizes that trade credit is not merely a financial tool but a mechanism to enhance transactional efficiency. This reduction in transaction costs is particularly significant in communities where access to financial institutions is limited. Trade credit serves as an alternative financing option for buyers, providing liquidity during periods of cash shortages.

Jean Piaget's **Cognitive Theories** believed that learning happens through two processes, that is, by assimilation and accommodation. Assimilation is incorporating new experiences into existing knowledge, while accommodation is adjusting our understanding to fit new experiences (Piaget, 1930). The interaction between these two processes leads to short-term learning and long-term growth (Thompson, 2019). This theory provides a framework for understanding how individuals and communities learn, adapt, and grow when managing credit risks. It is particularly relevant for exploring the processes by which community members acquire financial knowledge and adapt to evolving credit practices. Viewing credit practices as a cognitive process, the study investigates how individuals adapt to financial concepts and to changing credit environments.

Another theory is Abraham Maslow's **Hierarchy of Needs Theory** which presents human needs from the most basic to the most advanced. Maslow (1943) asserted that it is imperative that basic needs are met before individuals can concentrate on higher-level needs (*Hierarchy of Needs*, n.d.). This theory gives a compelling framework for the interplay between human motivation and financial practices. The hierarchy of needs offers critical insights into how financial stability serves as a foundation for broader community development and well-being. This financial stability can be achieved through effective credit risk management. Maslow's Hierarchy of Needs Theory provides a holistic perspective on the relationship between financial stability and human development. By lending to underserved individuals, microfinance institutions are means of addressing basic needs, supporting small business owners, and providing essential stability for community growth.

Moreover, focusing on creditors, **Agency Theory** as proposed by Jensen and Meckling (1976), suggests that in the early stages of the company, the owners typically also take on the role of managers. As the company grows, the owners hire managers to operate it. The owners expect these managers to act in their best interests. Understanding the dynamics between owners and agents or managers in any organizational setup, including credit systems in communities, is important, especially in financial institutions. In the context of the study, the theory is particularly relevant for analyzing the delegation of responsibilities. The trust exhibited by borrowers in the capabilities of the MFI-designated agents deployed as representatives is a critical aspect of this study. Agency theory is a foundational structure on which this study is grounded in examining the interplay among MFI policies, agents, and borrowers. It brings attention to the critical role of accountability structures, alignment of incentives, and monitoring frameworks in facilitating sound credit practices.

Legal Bases. This research is grounded in the 2030 Agenda for Sustainable Development Goals (SDGs), which serves as the overarching framework for its legal and conceptual foundation. Sustainable Development Goal 1 (SDG 1), "End poverty in all its forms everywhere," adopted by all United Nations Member States in 2015, is central to promoting inclusive, resilient, and equitable economic development. In reducing poverty, the underserved communities need to have access to financial resources and services. Microfinance institutions, especially in communities, play a pivotal role in this process. MFIs can empower individuals to meet their basic needs and improve their livelihoods. As SDG 1 support the fight against poverty, credit risk management and practices can bring this goal into fruition by minimizing risks of over-indebtedness. SDG 1 provides the legal and moral framework for addressing poverty through inclusive economic practices, which include access to financial resources and services.

Sustainable Development Goal 10 (SDG 10), "Reduce inequality within and among countries," constitutes another important legal underpinning of this study. This goal fosters economic equity by targeting the elimination of inequalities. Furthermore, it advocates for fair access to opportunities, narrowing the disparities that contribute to inequity. SDG 10 is an important legal framework for this study because it underscores the significance of fair financial practices that uplift marginalized communities who are the clients of microfinance institutions.

Another legal foundation for the study is Republic Act No. 9510, also known as the Credit Information System Act (CISA). Legislated in 2008, CISA develops a centralized credit information system. Its aims to promote greater credit access, and advance financial accountability. It corresponds with the emphasis of the study on credit risk management, particularly in adopted communities where accessibility of verified credit data and accountable issuance protocols are crucial. CISA promotes responsible lending by requiring financial institutions to submit both positive and negative credit data. This provision fosters transparency and accountability in credit systems. Having a central repository of borrower credit data, the lenders are able to assess the creditworthiness of borrowers more effectively. This helps establish fair and transparent credit practices. Submission and consolidation of credit data under CISA improve risk management strategies within adopted communities.

Furthermore, Republic Act No. 3765, known as the Truth in Lending Act, is an important legal basis for the study. It aims to safeguard borrowers by ensuring transparency in lending, consequently enabling them to make informed credit choices. Transparency is important especially when it comes to financial matters, including lending and borrowing. RA 3765 direct the creditors to provide clear and accurate information about the terms and conditions of credit transactions, and it includes disclosing interest rates, and other charges. Transparency is critical in building trust between borrowers and creditors. It also ensures that borrowers understand their financial obligations. From the lender's perspective, compliance with RA 3765 enhances credit risk management by fostering mutual accountability. Clarity and transparency in credit terms reduce the risk of disputes, which will in turn build long-term relationships with borrowers.

Various literature highlights credit risk management as vital factor of operational stability, especially for MFIs that provides credit-based services. According to Ross et al. (2008), efficient credit management utilized defined control options adapted to suit organizational demands. It has been observed that financial institutions often adopt established decision protocols to further facilitate uniformity in credit assessment and risk management. These models facilitate efficient decision-making procedures while ensuring that credit practices conform to industry standards. The MFIs in the three communities in focus of this study have their own established credit risk protocols to ensure smooth operations and minimize risks associated with borrowing and lending.

Muritala and Taiwo (2013) highlight the significance of classifying debts according to the borrowers' capability to execute payments. Three main categories were proposed namely good, doubtful, and terrible debts. This classification facilitates in assessing and managing credit risk effectively, as it enables organizations to distribute resources and design strategies that address each debt category in fitting manner. For the existing MFI to stay in the industry and serve the marginalized sector, it is imperative to assess borrowers thoroughly. Uzoh (2012) highlights that losses stemming from unreliable or problematic debts are shaped by multiple factors. These factors include the borrowers' country, the quality of accounts accepted by the organization, and the specific credit management techniques employed. Their insights highlight the need for organizations to adapt their credit practices to contextual factors. It necessitates an in-depth look at the local communities where MFIs are operating.

Credit risk assessment and scoring are pivotal in determining a customer's creditworthiness, which directly impacts the quality of customers to whom credit is extended. According to Ifurueze (2013), critical insights into a prospective customer's financial behavior is achieved by analyzing credit information which will enable lending firms to make rational judgments when granting loans. MFIs existing in the selected communities must employ robust credit scoring system to ensure that credit risks are identified and managed proactively. This initiative helps reduce the likelihood of defaults and improving the overall quality of the credit portfolio.

Credit risk as defined by The Basel III is the probability that a borrower will fail to meet debt obligations to a creditor. It implicitly suggests the imperative for a sustainable credit risk management to protect the financial stability of institutions. For credit risk assessment to be effective, it is imperative to evaluate the borrower's ability to repay loans. Successful credit risk management can be achieved by comparing the borrowers' risk profile against the creditors' criteria. Financial institutions need to regulate the level of risk they are willing to accept, thereby minimizing potential losses. Credit scoring and risk assessment can empower community-based microfinance institutions to make prudent lending decisions. Credit risk management and practice have been manifested by the MFIs among the local communities. What is left to check for researchers are the borrowers support for the imposed loan risk mitigation and enforcement.

Achumba and Osuagwu (1994) emphasize that granting loan is a strategic approach that can develop lasting costumer connections. It extends market presence and not merely financial transactions between creditors and borrowers. The dual focus of extending credit is highlighted here in assisting swift financial transactions while contributing to long-term business development.

Microfinance institutions (MFIs) play a vital role in providing financial services to underserved populations. The service includes low-income individuals, the unemployed, and those excluded from traditional banking systems. According to Perways and Krishna (2017), the primary objective of MFIs is to alleviate poverty, raise financial awareness, and empower vulnerable groups. In alleviating poverty, most MFI borrowers used their loan principal in financing small business that will in turn sustain their family's needs. This is especially true on the selected communities of this study. By uplifting their economic status through financial support, the vulnerable groups are thereby empowered. Raising financial awareness is also a key determining factor in lifting people above poverty threshold. This is when financial literacy surfaces as a pivotal need along with MFIs existence in local communities.

Financial literacy is defined as the aptitude for grasping and applying financial skills such as budgeting, money management, and investing. This ability is fundamental to effective credit management. Beauregard Daily News (2024) underscores the importance of financial literacy, asserting that it equips individuals with the tools to manage money effectively and lays the foundation for lifelong personal finance education. Financial literacy fosters informed decision-making and enhances financial stability over time. There is a need to advocate for financial literacy among borrowers in the communities.

Credit risk management and financial risk management are two-pronged approach in helping MFIs continue serving the people from marginalized sector. Perways and Krishna (2017) emphasize that financial risk management is not only about protection of assets but also about empowering individuals to make sound financial decisions. Financial risk management is pivotal in ensuring the stability of credit practices.

Related Studies. Several studies shed light to the challenges and strategies associated with credit risk management across different contexts. Brandão and Breitenbach (2019), in their study titled "What Are the Main Problems in the Management of Rural Cooperatives in Southern Brazil?" identified critical barriers to effectively manage rural cooperatives. These include competitiveness in lending industries with few dominant players, the need for proactive management involvement, and the short-term gain focus of cooperative members. The result of their study points to the hurdles in maintaining a sustainable cooperative model. The findings also emphasize the importance of well-founded management practices to mitigate risks and promotes growth. Because lending and investing business involves people with diverse background it is imperative to tailor policies and organizational models according to the laws, culture, motivations, and values of the target borrowers.

In the same vein, Ekinci and Poyraz (2019), in their research "The Effect of Credit Risk on the Financial Performance of Deposit Banks in Turkey," analyzed the relationship between credit risk management and the profitability of Turkish deposit banks from 2005 to 2017. Their study concluded that profitability is sustained when there is appropriate control and regulation of non-performing loans. It solidifies the critical role of credit monitoring in managing risk and improving financial performance among existing MFIs. Controlling and monitoring loans is expected among MFIs for them to sustain their growth and service to the community.

Similarly, Mbah and Wasum (2019), in their study titled "Microfinance Survival: The Impact of Credit Management on the Sustainability of Microfinance Institutions in Cameroon," identified significant challenges faced by microfinance institutions. These included inadequate recovery procedures, insufficient training for credit officers, manual loan execution processes, slow credit management procedures, consumer bad faith, and inadequate loan follow-up. Their findings highlight the necessity for systematic credit management practices to ensure the sustainability and efficiency of microfinance operations, which are vital in serving the financial needs of underserved communities.

Additionally, Munene (2019), in their study "Effect of Unsecured

Commercial Bank Loans on the Financial Performance of Savings and Credit Co-Operative Societies in Kenya," explored the impact of unsecured loans on the economic performance of savings and credit cooperative societies. They found that loan amounts, interest rates, and loan durations have significant influence on financial performance. This implies the need for cooperative societies to adopt strategies that enhance their competitiveness against commercial banks. This is why MFIs are thorough in determining loan amounts to be granted to borrowers. Creditors evaluate the clients' creditworthiness, repayment history, cash flow, loan purpose, and group guarantee among others.

Alta'ani and Dali (2020) highlight the nuanced relationships between key financial indicators in Islamic and conventional banking systems. They found that Islamic banks manage credit risks better than conventional banks, suggesting that faith-based principles might offer a framework for effective credit risk management. This is again suggesting that there is no one-size-fits-all approach in laying frameworks and models when it comes to lending. Faith-based principle may work for one group of people, but another group may need more robust realistic guidelines. This is backed by the study of Patil and Haripriya (2023) which emphasized the need for a more structured credit risk management approach in public sector banks, pointing to the variability in practices even within similar institutional setups. Indeed, it is fitting to know the culture and values of the prospective group of clients when crafting and eventually implementing policies.

When compared to cooperative financial management, studies such as Atmadja et al. (2021) underscore the significance of effective financial management strategies in fostering cooperative growth. Meanwhile, Siregar et al. (2023) illustrate how capital and credit assistance can influence the financial performance of micro-business groups, further supporting the idea that well-structured credit management systems can boost the overall performance of cooperatives.

In the context of microfinance institutions, Mwangi (2021) emphasizes the substantial link between credit management and asset quality. He is further advocating for improved credit collection practices to mitigate risks. Sustaining profit is imperative for any business entity even for MFIs that commit to alleviate poverty with the services they offer. And when it comes to finances, one can never be too careful. Additionally, Gitau (2021) posits that since credit management directly impacts the revenue growth for cooperatives, training programs who should be proposed for members to enhance their understanding of credit control. These findings align with Sola (2021), who suggests rigorous client evaluation processes is a critical strategy for improving loan performance in Nigerian microfinance banks. It is understandable for MFIs to implement rigid client assessment process. However, it should be balanced with empowering borrowers by training them to enhance their credit control understanding.

Further, Karanja and Simiyu (2022) focus on the role of credit policies and decision-making in microfinance banks in Kenya. Their findings support the idea that solid credit risk management practices, supported by information systems, can significantly enhance loan performance. Readily available data is a key factor in monitoring loan performance, validating the effectiveness of the credit risk practice thereby improving the overall lending success metrics. Similarly, Hassan and Mago (2023) advocate for adaptable credit management strategies for small and medium-sized enterprises (SMEs), emphasizing the importance of tracking and collecting overdue credit sales to maintain liquidity. Indeed, technological advancement can play a significant role in effective monitoring and assessing credit when lending companies like MFIs know how to use technology to their advantage.

Beyond banking and MFIs credit risk management is recognized as essential for sustaining self-help groups and savings and credit cooperatives. For instance, Ndichu (2021) highlights the need for structured credit terms and careful borrower assessment to minimize defaults in Kenya's Self-Help Groups. On the other hand, Gichuki (2023) corroborates these findings by stating that loan default prevention and credit appraisal positively impact the financial performance of savings and credit cooperative societies. Creditors always have the control over borrowers, but how they exhibit this control creates difference and determines profitability and sustainability.

Lastly, the link between borrowing protocols and loan repayment efficiency is documented in the study by Maina and Njeru (2023). They found that refinements in credit assessment, monitoring, and recovery systems improve loan recovery performance. Their findings provide a strong case for adopting more rigorous credit risk management frameworks. This underscores the fact that for MFIs to continue to serve their purpose in the community there has to be rigid borrower assessment. Moreover, policies must be fine-tuned to the local values, and monitoring is technologically enabled with transparency and accountability.

Statement of the Problem. This study aims to assess the Credit Risk Management and Practices Among Creditors and Borrowers in Adopted Communities of the University of Bohol as the basis for the proposed enhancement program.

Specifically, it aims to answer the following specific questions:

1. What is the demographic profile of the borrower-participants according to:
    1.1 age;
    1.2 sex;
    1.3 occupation; and
    1.4 length of membership?
2. What is the level of Credit Risk Management and Practices of the following borrowers?
3. Is there a significant degree of correlation between the demographic profile and the credit risk management and practices of the borrowers?

4. What enhancement program can be proposed based on the result of the study?

RESEARCH METHODOLOGY

The study focuses on three barangays in Bohol: Lourdes in Cortes, Songculan in Dauis, and Bayacabac in Maribojoc. These barangays have been chosen as adopted communities by three colleges affiliated with the University of Bohol: Teachers College (TC), College of Arts and Sciences (CAS), and College of Business and Administration (CBA). The research used quantitative method, employing a descriptive-normative survey in gathering data. A standardized questionnaire was utilized, adapted from a previous study titled " Assessment of Credit Risk Management in Micro Finance Institutions: A Case of Adama Town MFIS, Ethiopia (Torban, 2020). The questionnaire is divided into three parts. Part l is used to elicit the respondent's profile, such as age, sex, occupation and length of membership. Part ll utilized a Likert scale to assess the borrowers credit risk management and practices will be answered using a scale below.

Scale	Symbol	Descriptive Value	Meaning	Interpretation
4	SA.	Strongly Agree	The respondent completely agrees with the statement and is fully supportive of the idea,	Fully Supportive
3	A	Agree	The respondent agrees with the statement and is generally supportive, though not to the highest extent	Generally supportive
2	D	Disagree	The respondent disagrees with the statement and is somewhat opposed, indicating moderate resistance.	Somewhat opposed
1	SD.	Strongly Disagree	The respondent strongly disagrees with the statement and is completely opposed, showing the highest level of resistance.	Completely opposed

A letter was addressed to the Vice President for Academics to secure permission to conduct the study. Following this, formal letters were sent subsequently to the mayors, barangay captains, and managers of microfinance institutions to request permission for the borrowers' participation in the study. Stratified random sampling was used to select the borrower-participants from three adopted communities. Out of the 349 borrowers, 71 were randomly chosen as respondents. According to Gay (1976) as cited by Irungu (2016), in descriptive research involving smaller populations, it is recommended to include a minimum of 20% of the population as the sample size to ensure adequate representation. Ethical research practices were observed during the data collection process by sticking to "do-no-harm" principle and participant confidentiality. Results were presented in collective form to protect individual identities. Descriptive statistics were used, including frequencies, percentages, ranks, and weighted means, to analyze and present the demographic profiles of the respondents. These measures also helped describe the respondents' level of credit risk management and practices. Moreover, correlation analysis and the chi-square test were employed to determine the strength and significance of the relationship between the demographic profiles of the respondents and their level of credit risk management and practices as borrowers.

Finally, the data was encoded in Excel, and SPSS was used to analyze it, ensuring accurate and efficient processing of statistical information for the study.

RESULTS AND DISCUSSION

The data revealed that younger and middled-aged individuals are more predisposed to engage in borrowing compared to older respondents. This is similar to the study of Folefack and Teguia (2016) titled "Factors Influencing Loan Repayment by Credit Beneficiaries of Microfinance Institutions in the Far North Region, Cameroon" found that most of the borrowers belongs to the age group of 31 to 50. This group have limited income, and have minimal to no opportunities to financial institutions like banks due to collateral requirements and higher interest rates charged by these financial institutions. This may due to the fact that young borrowers are at the prime of the prime of their lives with kids and families to support compared to older borrowers.

Table 1 showed the age profile of borrowers. The data revealed that out of the 71 respondents (borrowers), 31.0% or 22 individuals are included within the age range of 20-40 years, 45.1% or 32 individuals are included within the age range of 41-60 years, and 23.9% or 17 individuals are included within the age range 61 and up.

Table 1. *Age Profile of borrowers (n=71)*

Age		
	Frequency	Percent
20-40	22	31
41-60	32	45.1
61 and up	17	23.9
Total	**71**	**100%**

Table 2 showed the sex profile of borrowers. The data revealed that out of the 71 respondents (borrowers), female borrowers comprise the majority with 91.5% equivalent to 65 individuals while male borrowers is only 8.5% or

6 individuals.

Moreover, the sex profile of the population indicated a gender imbalance with the majority of women among borrowing population.

Table 2. *Sex Profile of Borrowers (n=71)*

Sex		
	Frequency	Percent
Male	6	14%
Female	65	86%
Total	**71**	**100%**

The occupation of the respondents shows that most borrowers are small business owners which means that they are entrepreneur and most of it would rely to microfinance institution because in that company it is easier to secure a loan without any hassle.

Table 3 shows the occupational profile of borrowers, which indicated that the largest group belongs to small business owners with a 46.5%, followed by the housewife with a 28.2% and 14.1% to the office or utility staff. Caretakers and government employee job belongs to 4.2% while tricycle drivers belong to 1.4% which is the lowest group of occupation among the borrowers.

Table 3. *Occupational Profile of Borrowers (n=71)*

Occupational		
	Frequency	Percent
Small Business Owner	34	47.9
Staff (Utility/Office)	10	14.1
Caretaker	3	4.2
Housewife	20	28.2
Government Employee	3	4.2
Tricycle Driver	1	1.4
Total	**71**	**100%**

Table 4 shows the length of membership service for borrowers with a total of 71 respondents. It has (40.8%) of members belongs to 1–3 years which is the highest rank with a total of 29 borrowers. The 7–10 years of membership is the second rank which has 36.6% or (26 borrowers). While the lowest rank of borrowers got (22.5%) which belongs to 4–6 years membership, with 16 members. In terms of cumulative percentages, 40.8% of borrowers have been members for 3 years or less, 63.4% have been members for 6 years or less, and 100% of borrowers have been members for 10 years or less. The trend of the distribution reveals a fairly even spread membership duration spectrum.

Table 4. *Length of Membership Profile of Borrowers (n=71)*

Length of Membership		
	Frequency	Percent
1-3 years	29	40.9
4-6 years	16	22.5
7-10 years	26	36.6
Total	**71**	**100.0**

Table 5 presents the credit risk management of borrowers across three adopted communities. The overall mean of 3.31 indicates that borrowers are fully supportive of client appraisal in microfinance institutions. Ranked first in the borrowers' approval was the item "Client assessment is a viable strategy for credit risk management" indicating a strong consensus on the importance of client assessment in effectively managing credit risks. Second in rank was the item "Imposing credit amount limits is a viable strategy in credit risk management", reflecting borrowers' understanding and acceptance of the rationale behind credit limits. Ranked lowest was the item "Penalty for late payment enhances customers promise to loan settlement", suggesting that while borrowers generally support the use of penalties, they may prefer alternative measures for ensuring loan repayment. This result agreed to the study of Enoch et al (2021) that posits loan appraisal is crucial for minimizing loan losses. Incompetent loan officers increase the risk of lending to unqualified borrowers.

Table 5. *Level of Credit Risk Management (n=71)*

Items	Weighted Mean	Descriptive Value	Interpretation	Rank
Level of agreement on client appraisal				
Client assessment is a viable strategy for credit risk management.	3.61	Strongly Agree	Fully Supportive	1
Imposing credit amount limits is a viable strategy in credit risk management	3.48	Strongly Agree	Fully Supportive	2
Credit team's involvement in making decisions regarding credits are essential in reducing credit risk	3.38	Strongly Agree	Fully Supportive	3
Interest rates charged affect performance of loans in the MFI	3.31	Strongly Agree	Fully Supportive	4
Failure to assess customers' ability to repay results in credit defaults	3.24	Agree	Generally Supportive	5
Penalty for late payment enhances customers promise to loan settlement	2.65	Agree	Generally Supportive	6
Composite Mean	**3.28**	**Strongly Agree**	Fully Supportive	

Table 6 revealed that credit risk practices related to client appraisal achieved an overall mean of 3.37, indicating strong borrower support for the microfinance institutions' practices. The highest rating was on the item "Aspects of collateral are considered while assessing clients", indicating that borrowers recognize collateral as a key factor in mitigating credit risk. On the other hand, the second-highest rating on the item "The MMFI has capable personnel for carrying out client assessment" reflects a strong perception among borrowers that the personnel involved in client assessment possess the necessary skills and expertise. Moreover, the bottom-ranked item "Flexible settlement periods increase loan repayment", suggest that borrowers do not strongly perceive flexible repayment terms as a significant factor in improving their commitment to repaying loans. The study of Odonkor (2018) resonates when he found that rural banks with strong credit risk management policies faced fewer challenges. It highlighted those effective policies including loan appraisal, collateral use, and credit history checks, contributed to better credit risk management. This means that as MFIs in the selected communities adhere to their crafted risk mitigation and control, and continually gain support from borrowers, they are more likely to steadily achieve their objectives.

Table 6. *Level of Credit Risk Practices (n=71)*

Items	Weighted Mean	Descriptive Value	Interpretation	Rank
Level of agreement on client appraisal				
Aspects of collateral are considered while assessing clients.	3.56	Strongly Agree	Fully Supportive	1
The MMFI has capable personnel for carrying out client assessment	3.45	Strongly Agree	Fully Supportive	2
Client assessment considers the character of the customers seeking credit facilities.	3.35	Strongly Agree	Fully Supportive	3
The use of beneficiary credit application forms improves checking and credit management as well	3.32	Strongly Agree	Fully Supportive	4
The use of credit instructions on regular basis improves credit risk management.	3.28	Strongly Agree	Fully Supportive	5
Flexible settlement periods increase loan repayment	3.24	Agree	Generally Supportive	6
Composite Mean	**3.37**	**Strongly Agree**	**Fully Supportive**	

Table 7. *Normality Test (Lilliefors Significance Correction)*

	Kolmogorov-Smirnov[a]			Shapiro-Wilk			**Result**
	Statistic	df	Sig.	Statistic	df	Sig.	
Credit Risk Management	.161	71	.000	.921	71	.000	**Skewed**
Credit Risk Practices	.156	71	.000	.931	71	.001	**Skewed**

Table 8 presents the Spearman Rank Correlation coefficients revealing very weak correlation between age and credit risk management and practices. This result suggests that there is virtually no association between borrower's age and their support for credit risk management and practices. Furthermore, the correlation between length of membership and credit risk management and practices shows a very weak and insignificant correlation. This implies that being a member for a longer or shorter period does not influence the borrowers' support for credit risk management and practices as imposed by the creditors. These findings echo those of the study of Memarista et al. (2015) who found that age, sex, and marital status have no significant relationship with financial behavior on credit card usage.

Table 8. *Correlation Between Demographic Profile and the Credit Risk Management and Practices (n=71)*

Variables	**Spearman Rank Correlation Value**	**P-Value**	**Decision**	**Interpretation**
Age and Credit Risk Management	0.025	0.835	Accept the Null Hypothesis	Not Significant
Age and Credit Risk Practices	0.052	0.669	Accept the Null Hypothesis	Not Significant
Length of Membership and Credit Risk Management	0.063	0.604	Accept the Null Hypothesis	Not Significant
Length of Membership and Credit Risk Practices	0.207	0.084	Accept the Null Hypothesis	Not Significant

Variables	**Spearman Rank Correlation Value**	**P-Value**	**Decision**	**Interpretation**
Length of Membership and Credit Risk Management	0.063	0.604	Accept the Null Hypothesis	Not Significant
Length of Membership and Credit Risk Practices	0.207	0.084	Accept the Null Hypothesis	Not Significant

Table 9 shows insignificant relationship between sex and credit risk management and practices. This means that sex does not determine the borrowers' support for credit risk management and practices. It implies further that both male and female support credit risk management and practices in similar ways.

Table 9. *Relationship Between Sex and the Credit Risk Management and Practices (n=71)*

		SEX		Total
		Male	Female	
Level of Credit Risk Management	Agree	3	37	40
	Strongly Agree	3	28	31
Total		6	65	71
Chi-Square Tests				
		Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square		.107[a]	1	.744
Likelihood Ratio		.106	1	.744
Linear-by-Linear Association		.106	1	.745
N of Valid Cases		71		
p=0.744 Result: Insignificant Decision: Accept Ho				

		SEX		Total
		Male	Female	
Level of Credit Risk Practices	Strongly Disagree	0	2	2
	Disagree	0	6	6
	Agree	2	23	25
	Strongly Agree	4	34	38
Total		6	65	71
Chi-Square Tests				
		Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square		.957[a]	3	.812
Likelihood Ratio		1.617	3	.656
Linear-by-Linear Association		.831	1	.362
N of Valid Cases		71		
p=0.812 Result: Insignificant Decision: Accept Ho				

Table 10 depicts that there is no significant relationship between the borrower's occupation and their support for credit risk management and practices. It shows that borrowers from different occupations show similar support to the imposed credit risk management and practices. It further implies that occupation is not a key factor in determining support from borrowers in the practice and management of credit risk.

Table 10. *Relationship Between Occupation and the Credit Risk Management and Practices (n=71)*

		Occupation						Total
		Small Business Owner	Staff (Utility/ Office)	Care taker	House wife	Gov't Employee	Tricycle Driver	
Level of Credit Risk Management	Agree	18	5	2	11	3	1	40
	Strongly Agree	16	5	1	9	0	0	31
Total		34	10	3	11	3	1	71

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.567	5	0.613
Likelihood Ratio	5.059	5	0.409
Linear-by-Linear Association	1.142	1	0.285
N of Valid Cases	71		

p=0.613
Result: Insignificant
Decision: Accept Ho

		Occupation						Total
		Small Business Owner	Staff (Utility/ Office)	Care taker	House wife	Gov't Employee	Tricycle Driver	
Level of Credit Risk Practices	Strongly Disagree	1	0	0	1	0	0	2
	Disagree	3	1	0	1	1	0	6
	Agree	9	4	2	7	2	0	24
	Strongly Agree	21	5	1	11	0	1	39
Total		34	10	3	20	3	1	71

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.195	15	0.867
Likelihood Ratio	10.604	15	0.780
Linear-by-Linear Association	0.542	1	0.462
N of Valid Cases	71		
p=0.867 Result: Insignificant Decision: Accept Ho			

CONCLUSIONS

The study's findings highlighted patterns in the demographic and membership profiles of borrowers. Younger and middle-aged individuals dominate the borrowing population, with a noteworthy gender imbalance favoring women. Small business owners represent the majority of borrowers, suggesting that microfinance institutions are critical for entrepreneurial support due to their accessible loan processes. Membership duration trends reveal that most borrowers are relatively new, with 1–3 years of membership being the most common. These insights highlight the importance of tailoring financial services to the needs of diverse borrower demographics.

Moreover, the study revealed strong borrower support for credit risk management strategies in microfinance institutions, particularly client appraisal and credit limits. The role of collateral in mitigating credit risks is widely acknowledged among borrowers. They also value the skill of personnel conducting assessments. However, respondents did not view flexible payment as crucial to loan settlement. The results highlighted a strong borrower awareness of credit risk practices.

Lastly, upon correlating the demographic profile of the borrowers with their credit risk management and practices, the findings reveal insignificant relationships between borrowers' demographic profile and their support for credit risk management and practices. This suggests that borrower perceptions and support for these practices are consistent across varying demographic profiles. The lack of significant associations underscores that MFIs credit risk strategies are generally understood and accepted.

RECOMMENDATIONS

MFIs should:

1. Craft loan services that target the needs of younger and middle-aged borrowers, as well as women entrepreneurs.
2. Establish borrower reward systems that will incentivize the duration of membership.
3. Invest in training programs for agents and collecting officers.

University of Bohol should:

1. Integrate lessons and activities on entrepreneurship, and financial management into the existing curriculum.
2. Offer financial literacy enhancement programs that enlist the help of students.

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