UIJRT ISSN: 2582-6832
United International Journal for Research & Technology
Volume 06, Issue 06, 2025 | Open Access | ISSN: 2582-6832

Operations of Microfinance Cooperatives in Sorsogon: A Twin Case Study

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***Abstract*—** This study would like to explore the issues faced specifically by microfinance cooperative institutions and the narratives on the operation of microfinance cooperative institutions in Sorsogon that were not included in the previous studies reviewed, which can be a concrete basis for intervention. It determines the status of microfinance cooperative institutions' operations. It determines the issues encountered by the Microfinance Cooperative Institutions along with the operations established. The lessons learned by the MFC Institutions were drawn from the participants' narratives. The study is a descriptive qualitative case that focuses on assessing the status of the case of microfinance cooperatives in the First District of Sorsogon.

The following were found regarding the status of operations of the microfinance cooperatives. As to the number of active accounts, the bigger and more branches, the more active accounts. The bigger MFC offers more varied products and services. As to the number of active accounts, the bigger and more branches, the more active accounts. On financial viability, they ensure good standing by setting performance targets and exceeding them. The issues encountered by the MFCs identified internal structures such as inter-departmental and intra-departmental relationships, processes, and systems as one major issue.

In light of the findings, the study drew the following conclusions: (1) The geographical location has minimal effect on the marketing efforts of MFCs. The participants showed a deep reach with large active accounts. The majority of the beneficiaries are borrowers, but they are strongly urged to make micro-savings; (2) With the number of years of operation, the MFC learned that through experiences, they become more resilient; and (3) They also recognized the need to diversify both their financial and non-financial products and services and that financial literacy is significant to their clients.

***Keywords*—** community empowerment, financial inclusion, microfinance cooperatives, poverty alleviation

I. INTRODUCTION

The World Bank envisions "a world free of poverty," aligning with the United Nations' Sustainable Development Goal of eradicating poverty globally. Studies highlight that extreme poverty is prevalent in rural areas where agriculture is the primary source of livelihood (Olinto et al., 2013). Various microfinance initiatives have been implemented worldwide to address this issue. The cooperatives helped boost the confidence of the locals to do business. It empowered locals from the rural areas and reduced unemployment among them (Kamenov, 2020). Empowering the people indeed has an important role in building the nation. It is certain that with these contributions cooperative's principle made it an ideal model for the microfinance sector. According to Unamma Chima Izu, in Nigeria, short-term microloans, micro-savings, and other financial services have supported handicraft small-scale entrepreneurs, while in India, cooperative models have empowered communities financially (Nasir, 2013). Similarly, cooperatives in England and Finland have played a crucial role in economic empowerment, particularly among women (Ogochukwu & Evans, 2020; Zheng, 2023). In the Philippines, microfinance has been instrumental in financial inclusion since the 1980s, encouraging private sector participation (Quinones Jr. & Seibel, 2000). In Sorsogon, registered microfinance cooperatives provide capital access to marginalized communities.

However, operational challenges persist, affecting sustainability and impact. Government policies supporting microfinance have been both beneficial and limiting, with some institutions struggling to mobilize funds effectively (Quinones Jr. & Seibel, 2000). This study aims to explore the specific issues faced by microfinance cooperative institutions in Sorsogon, a subject not extensively covered in previous research. By analyzing operational challenges, sustainability concerns, and local narratives, this study seeks to provide a concrete basis for intervention. With the increasing presence of financial institutions in Sorsogon, understanding the dynamics of microfinance

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cooperatives is essential to enhancing their role in poverty alleviation and economic empowerment.

II. METHODOLOGY

This study employs a descriptive qualitative case approach to assess the status of microfinance cooperatives in the First District of Sorsogon. It examines their operations, challenges, and lessons learned through in-depth narratives. A semi-structured interview with key informants was conducted to gather insights, complemented by document analysis, including annual reports, memos, and publicly available records. Additionally, unstructured interviews with Cooperative Development Authority personnel provided further context.

To ensure data validity, triangulation was applied, integrating multiple data sources. Thematic analysis was utilized to process and interpret the collected narratives. Interview responses were transcribed, coded, and categorized into emerging themes.

This iterative process of reading, coding, and comparing data helped identify patterns and key findings relevant to the study objectives (Baralt, 2011).

All necessary approvals and consents were obtained before data collection. A non-disclosure agreement was implemented to maintain confidentiality and protect the integrity of the information gathered.

III. RESULTS AND DISCUSSION

This part presents the outcome of the study, the thematic analysis, and the interpretation of the data obtained from the interviews performed and the secondary data gathered. The triangulation of data obtained for a deeper understanding of the phenomenon being studied is presented. The issues encountered by microfinance institutions and drawn lessons learned are elaborated

STATUS OF OPERATIONS OF THE MICROFINANCE COOPERATIVES

The status of the Microfinance Cooperatives' operation was investigated through interviews and document review. The following aspects were investigated:

Geographical Location

Location is crucial for business success but is often overlooked (López & Sicilia, 2021). This study defines geographical location as the operational areas of microfinance cooperatives (MFCs) in the 1st district of Albay. Most of the 14 MFCs are city-based, but two participating MFCs have branches in multiple municipalities.

MFC Case #1 operates province-wide, with branches in Sorsogon City, Donsol, Pilar, Castilla, and Magallanes. Its general manager stressed the need for strategic locations to reach clients rather than waiting for them. Their Board of Directors (BOD) Chairperson highlighted the importance of small field offices with trained staff to maintain visibility. MFC #1 assigns Account Officers to promote services and expand client outreach, ensuring marketing is not limited by office location. Currently, they have 18 branches across Albay, Camarines, and Samar.

MFC Case #2 has 10 branches across the region, four of which are in the 1st district of Sorsogon. Initially relying on field-based Account Officers, they expanded physical branches due to competition from rural banks. Their leaders emphasized the need for satellite offices in various municipalities to stay competitive. Both MFCs conduct feasibility studies before opening new branches.

Microfinance cooperatives play a crucial role in providing financial services to underserved communities (Bañez, 2020). ‘

Their presence near economic centers enhances accessibility for small businesses and entrepreneurs (Cabral, 2021). However, challenges such as resource limitations and competition persist (Chaves & Monzón, 2017).

Despite technological advances, accessibility remains key for MFCs in Sorsogon (Tehulu, 2019). Government and NGO support are essential to strengthening these cooperatives and ensuring their continued impact on financial inclusion (Dela Cruz, 2022).

Active Accounts

The study focuses on the largest microfinance cooperatives in the province, offering diverse financial products tailored to beneficiaries' needs. Active accounts, including deposit and loan accounts, are defined based on MFC dormancy policies.

Table I provides a visual reference for active accounts, aiding the narrative on recruitment and maintenance experiences.

***Table 1:** The Active Accounts of the Microfinance Cooperative Case Institutions (1st District of Sorsogon)*

Participant	Active Accounts - Depositors	Active Accounts - Microloan Clients
MFC Case #1	70,486	33,994
MFC Case #2	12,160	10,415

It can be seen in Table I that the number of active accounts in each in terms of the number of active depositors and active microfinance loan case #1 has a greater share. Along with active depositors, case #1 holds a greater market share as compared to case#2 in total, which includes those even outside the 1st district of Sorsogon. The same situation along to the number of micro loan takers for cases #1 and #2.

MFC Case #1 maintains its active deposit and microloan accounts without difficulty, while MFC Case #2 experiences a similar trend on a smaller scale. Both cooperatives demonstrate extensive market reach, with larger cooperatives showing a higher number of active accounts, as validated by their Annual Souvenir Program. Their reach is also influenced by the economic status of beneficiaries, as cooperatives aim to alleviate poverty and enhance financial dignity.

Participants emphasized their commitment to serving both members and non-members, ensuring financial services are accessible. They expand offerings based on community surveys, developing special micro-credit and micro-savings programs tailored to local needs. Marketing strategies, such as the 52-week Challenge savings plan with 3% interest per annum and Batipon (Bata-Ipon) for children's savings, reinforce financial inclusivity and encourage saving habits. Micro-credit and micro-savings drive the cooperatives' financial sustainability, with many beneficiaries availing of microloans while being encouraged to save. Research supports the role of Savings and Credit Co-Operative Societies (SACCOS) in improving rural microfinance by shifting saving behaviors (Begajo, 2018). Though the training scope is limited, it has positively influenced financial literacy among members.

Both cooperatives attribute their active account performance to strategically placed branches in growing economic hubs. Their strategic and operational plans, closely monitored by their Boards of Directors, ensure that key performance indicators (KPIs) are met. MFC Case #2's BOD enforces strict oversight, particularly on deposit accounts and microloans, ensuring financial stability. Microfinance cooperatives in Sorsogon significantly enhance financial inclusion, supporting MSMEs and low-income groups. By fostering savings and credit access, they stimulate economic activity and empower communities. The literature highlights that active accounts contribute to financial resilience and long-term development, reinforcing the role of microfinance in poverty reduction and economic empowerment (Pérez & Villanueva, 2020).

Financial Services and Products

Microfinance Cooperative Institutions in Sorsogon have expanded their financial services to meet local needs and opportunities. Their branches in the 1st district offer diverse financial products, ensuring accessibility and inclusion. Table II presents an inventory of these evolving services, reflecting their strategic community response.

***Table II:** Financial Products and Services Offered by Microfinance Cooperative Institutions*

Participant	Financial Services and Products
MFC Case #1	**Savings**: Regular Savings, Special Savings, Education Savings, Retirement Savings, Time Deposit **Loans**: Regular Loan, Business Loan (ASA & AM19), Commercial Loan, Petty Cash Loan, Automatic Payroll Deduction System, Express Loan, Back-to-Back Loan, ATM Salary Loan, OFW Loan, Commodity Loan, Housing Loan, Gear Loan, Outreach Loans, Pension Loan
MFC Case #2	**Savings**: Regular Savings, 52-Day Challenge, Time Deposit, Balikpon **Loans**: Regular Loan, Microfinance Loans, P3 Loan, Tindahan Loan, ATM Loan

Microfinance cooperatives in Sorsogon offer diverse financial products, with MFC Case #1 providing five savings options and 14 loan facilities, while MFC Case #2 offers four savings products and five loan types. Regular savings, time deposits, and microfinance loans are common offerings. MFC Case #1's longer operational history (60 years vs. 12 years) contributes to its broader services. Effective financial service marketing enhances competitiveness, and MFC Case #2

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must innovate to expand its market reach and engagement.

Management Practices

Managerial practices in microfinance cooperatives ensure operational efficiency, financial inclusion, and sustainability. Effective governance, participatory management, and financial service marketing enhance competitiveness. Internal training, strategic planning, and credit risk management strengthen decision-making. Digital marketing and fintech adoption expand outreach and accessibility. Community-based approaches, financial literacy programs, and CSR initiatives foster engagement. Employee motivation through incentives and involvement boosts performance. These best practices contribute to institutional success by aligning strategies with market needs, ensuring financial resilience, and supporting sustainable growth.

Financial Viability

Financial viability in microfinance refers to an institution's ability to generate sufficient revenue to cover costs and sustain operations long-term. This ensures continued service to underserved populations without relying on external funding. Key factors include revenue generation, cost management, capital structure, profitability, and portfolio quality.

Table III: *The Three-Year Income of the Microfinance Cooperative Case Institutions (1st District of Sorsogon) (Income in Peso)*

Participant	Y1	Y2	Y3
MFC Case #1	98,053,472	130,449,963	188,810,203
MFC Case #2	5,283,697	4,802,122	6,548,740

Table III shows that Microfinance Cooperatives in Sorsogon have demonstrated steady income growth, as shown in Table 3. MFC #1 recorded a 24.38% and 30.91% income growth rate over the past three years, while MFC #2 showed a 10.03% and 26.67% increase. MFC #2 attributes this growth to strong loan collection efforts, increased disbursements, and enhanced buy-and-sell activities in copra products. Both cooperatives affirm their financial stability, acknowledging occasional collection challenges due to delayed salaries and non-compliant beneficiaries.

Financial viability is essential for sustainable microfinance operations. According to Adusei et al. (2023), sustainable finance requires institutions to remain solvent and financially sound. Organizations are deemed financially viable when they consistently generate sufficient revenue to cover debts and obligations. The participants assert that their financial performance surpasses targets, a claim validated by their Annual Souvenir Program reports.

Ensuring long-term profitability and service delivery requires understanding financial performance and sustainability. Key indicators of financial stability include return on assets, savings mobilization, and cost per loan portfolio. A study by Marwa & Aziakpono (2015) found that 51% of SACCO microfinance institutions in Tanzania were financially stable, emphasizing the need for effective financial models. Similarly, Ayele (2015) highlights that controlling operational expenses per loan portfolio is crucial for sustainability. Government support and restructuring operational costs can further enhance financial viability.

Microfinance cooperatives implement strategies to maintain financial sustainability. Longley & Symons (2020) emphasize that financial viability depends on a business's ability to cover debts, operational costs, and sector-based challenges. Cooperatives achieve this by closely monitoring expenses and loan portfolios, conducting capacity-building programs, and aligning activities with their Annual Development and Strategic Plans.

Leadership's impact on financial viability is debated. Davis (2021) notes that financial risks are predictable in cooperatives, requiring strategic management. However, Bosire (2016) found that leadership had little effect on the financial sustainability of SACCOs in Kenya, suggesting that financial viability may depend more on financial strategies than leadership effectiveness.

ISSUES ENCOUNTERED BY MICROFINANCE COOPERATIVE INSTITUTIONS

As mentioned earlier in this paper, microfinance cooperative institutions play a crucial role in providing financial services to underserved communities in the country and in Sorsogon, particularly. But most of the

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time, they face several challenges that hinder their effectiveness and economic viability. Common issues include limited access to capital, which restricts their ability to expand services and support a larger clientele. Additionally, regulatory constraints and fluctuating economic conditions can impact their operational stability. Furthermore, the lack of financial literacy among members can lead to higher default rates and undermine the sustainability of these cooperatives.

Table 4 expresses the different issues identified by the respondent officers of the two MFC Cases along the different areas.

These issues can create a dynamic environment where MFCs must navigate multiple operational, financial, and strategic pressures to fulfill their mission effectively.

Table IV: *Issues Encountered by Microfinance Cooperatives in the 1st District of Sorsogon:*

Category	Issues Encountered
Operation	- Loan Repayment - Loan Default - Loan Collection System - Multiple lending
Access to Capital and Financial Stability	- Limited Capital Access - Complex requirements and regulatory framework
Regulatory Framework and Operational Efficiency	- Complex Regulatory Framework
Client Financial Literacy and Operational Efficiency	- Limited knowledge of financial management - Lack of client discipline
Market Competition and Financial Stability	- Competition with fellow MFCs - Competition with Rural Banks - Competition with alternative financial services
Risk Management and Operational Efficiency	- Lack of robust management practices

Microfinance cooperatives in Sorsogon have exhibited steady income growth over recent years. As shown in Table 3, MFC #1 recorded a 24.38% and 30.91% income growth rate, while MFC #2 experienced a 10.03% and 26.67% increase. According to MFC #2's Annual Souvenir Program, the increase in net surplus (6.5 million pesos) resulted from strong loan collection efforts, increased disbursements, and expanded buy-and-sell activities in copra products. Both cooperatives affirm their financial stability, acknowledging occasional collection challenges due to delayed salaries and non-compliant borrowers.

Issues on Financial Viability and Sustainability

Financial viability in microfinance refers to the institution's ability to generate revenue sufficient to cover operational costs and sustain its services without reliance on external funding. According to Adusei et al. (2023), sustainable finance requires financial institutions to remain solvent. Entrepreneur.com defines financial viability as an organization's ability to consistently generate enough revenue to meet obligations. Participants affirm that their financial performance surpasses targets, a claim validated by their financial reports.

Ensuring long-term profitability and sustainability requires understanding key financial indicators, such as return on assets, savings mobilization, and cost per loan portfolio. Marwa & Aziakpono (2015) found that 51% of SACCO microfinance institutions in Tanzania were financially and operationally stable, reinforcing the importance of effective financial models. Ayele (2015) emphasizes that controlling operational expenses per loan portfolio is crucial for sustainability. Government support in reducing operational costs can further enhance financial viability.

Strategies for Financial Sustainability

Microfinance cooperatives implement strategic measures to maintain financial stability. Longley & Symons (2020) highlight that financial viability depends on the ability to cover debts, operational costs, and sector-based challenges. Key strategies include:

1. Expense and Loan Portfolio Monitoring – Cooperatives ensure close monitoring of expenses and loan performance, with the Credit Department overseeing financial health.
2. Capacity Building – Continuous training programs equip staff with necessary skills to enhance financial management and decision-making.

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3. Strategic Planning – Activities are aligned with the Annual Development Plan and Strategic Plan to meet financial targets.

One participant stated, "We monitor operational expenses and loan portfolios, ensuring that activities align with our strategic plan. This strengthens our confidence in achieving financial goals."

The impact of leadership on financial sustainability is debated. Davis (2021) argues that financial risks in cooperatives can be managed strategically, ensuring long-term viability. However, Bosire (2016) found that leadership had little effect on SACCO financial sustainability in Kenya, suggesting that financial stability relies more on financial strategies than leadership effectiveness.

Issues on Access to Capital and Financial Stability

Access to capital is a critical challenge for microfinance cooperatives, directly influencing their financial stability and operational capacity. Limited access to funding from traditional sources constrains their ability to expand loan portfolios, invest in essential resources, and maintain competitive financial products. Aderemi and Akinyemi (2022) highlight that insufficient capital leads to reduced income, making it difficult for cooperatives to cover operational costs. As a result, some are forced to rely on high-interest loans or short-term funding, which can further strain financial health and sustainability.

MFC Case #1, despite being financially stable, acknowledges that capital constraints arise due to challenges in loan collection. One officer explained, "There are periods in a year when loan collection becomes difficult, and when many beneficiaries struggle to repay, it reduces our available funds for re-lending."

However, they clarified that the issue is not solely about access to capital but also about regulatory requirements and restrictions in securing buffer funding. The cooperative's strong financial position allows it to manage these fluctuations, but the challenge remains a concern.

MFC Case #2, in contrast, faces greater struggles in securing capital, particularly when expanding operations or launching new financial products. Their current net worth limits their ability to obtain additional funding. They noted, "We feel the issue of capital access even more during times when beneficiaries have difficulty repaying loans, causing a surge in collectibles and depleting our rolling capital." This creates a cycle where the cooperative's ability to provide loans is hindered by delayed repayments, affecting overall growth and sustainability.

Chavan and Ramakumar (2021) argue that limited capital access not only affects immediate financial needs but also hinders long-term development. When microfinance cooperatives cannot secure reliable funding, they struggle to invest in technology, staff training, and infrastructure improvements. This can lead to inefficiencies, reduced customer satisfaction, and weakened competitiveness. Moreover, ongoing operational difficulties make it even harder to attract investors or secure external funding, creating a negative feedback loop that threatens financial viability.

To overcome these challenges, cooperatives must explore alternative funding sources, such as partnerships with government agencies, grants, or impact investments. Strengthening financial management strategies, improving loan collection processes, and leveraging technology for more efficient operations can also help ensure long-term financial stability. Without sustainable access to capital, microfinance cooperatives may struggle to serve their communities effectively and achieve lasting financial sustainability.

Issues on Regulatory Framework and Operational Efficiency

Regulatory challenges significantly impact the operational efficiency and financial stability of microfinance cooperatives. Navigating complex legal frameworks often increases operational costs, diverting resources away from service delivery and innovation. Mader (2023) highlights that stringent regulations disproportionately burden smaller cooperatives, restricting their ability to adapt to market demands and limiting their outreach to underserved populations.

MFC Case #1 emphasizes their commitment to compliance, stating, "We are highly compliant, but sometimes we miss deadlines. Fortunately, our legal department helps manage these issues." MFC Case #2 shares similar concerns, adding that government policies and reporting requirements have become increasingly strict and challenging for cooperative operations. They further expressed frustration, stating, "Our time and the

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cooperative's money are consumed just to comply with requirements."

The burden of compliance can detract from a cooperative's core mission of providing financial services. According to Hossain and Rahman (2022), excessive regulatory demands force cooperatives to allocate significant resources to compliance rather than improving customer service and product development. This regulatory strain affects efficiency and can hinder the growth potential of microfinance institutions.

Under Republic Act No. 6939 and Republic Act No. 9520, microfinance cooperatives must submit several reports to obtain a Certificate of Compliance. These include audited financial statements, a list of trained officers, a Social Audit Report (SAR), and a Governance and Management Report (GMR). Additionally, cooperatives must translate their financial statements using the CAPRIS subsystem on the CDA website. While these regulations ensure transparency and accountability, they also impose administrative burdens that can slow down cooperative operations.

The increasing focus on compliance rather than client engagement may create a disconnect between cooperatives and their communities. Instead of investing in service improvements or expansion, cooperatives often struggle to meet regulatory obligations. Addressing these challenges requires streamlining reporting processes and creating more cooperative-friendly policies. Balancing compliance with operational efficiency is essential to ensure that microfinance cooperatives remain financially viable while effectively serving their members.

Issues on Clients' Financial Literacy and Operational Efficiency

Limited financial literacy among clients significantly affects the operational efficiency of microfinance cooperatives. When borrowers lack financial management skills, they may struggle to understand loan terms, repayment schedules, and debt implications, leading to higher default rates. Muriithi and Mugo (2023) highlight that managing defaults increases operational costs, diverting resources from core financial inclusion efforts.

MFCs attempt to address this issue through financial literacy programs. One cooperative shared, "Financial literacy is part of our technical support, especially for MSMEs, but some borrowers still lack discipline." Another noted, "Some beneficiaries misallocate their loans, failing due to a lack of feasibility studies in their business ventures." These cases illustrate how financial illiteracy leads to loan mismanagement, contributing to poor repayment and financial instability.

Research by Osei and Asante (2022) suggests that inadequate financial education hinders the effectiveness of microfinance products. Cooperatives that do not invest in financial literacy initiatives may experience lower engagement, as clients fail to recognize the benefits of available services. This disengagement reduces the uptake of financial products, impacting cooperative income and limiting their role in economic development.

To enhance operational efficiency, microfinance cooperatives must strengthen financial literacy initiatives, ensuring that clients are equipped with the knowledge to manage their finances effectively. Doing so can reduce default rates, improve loan utilization, and ultimately foster sustainable financial growth within communities.

Issues on Market Competition and Financial Stability

Market competition significantly affects the financial stability of microfinance cooperatives (MFCs). To stay competitive, MFCs expand into new areas, but they face challenges not only from fellow cooperatives but also from rural banks, loan sharks, and digital lending platforms that offer fast, collateral-free loans.

One cooperative stated, "With the rise of alternative microlenders, our market is affected, which eventually impacts our financial stability." Another noted that clients are drawn to digital loan apps and aggressive marketing strategies from banks, making it harder to retain borrowers. "Some dormant clients have switched to rural banks due to their active outreach programs," they explained.

This competitive environment forces MFCs to continuously revisit their loan programs and policies to remain relevant. According to Abiola and Ajala (2023), failing to innovate can lead to a loss of clientele, reduced revenue, and financial instability. Ranjan and Sharma (2022) also warned that excessive competition might lead to unsustainable pricing strategies, ultimately weakening cooperatives.

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To sustain financial health, MFCs must strike a balance between offering competitive services and maintaining long-term viability, ensuring they adapt to market changes while safeguarding their financial resources.

Issues on Risk Management and Operational Efficiency

Effective risk management is crucial for the operational efficiency and financial stability of microfinance cooperatives (MFCs). Both MFC cases in this study recognize the importance of risk management but admit that risks in microfinance are often unpredictable. One cooperative stated, "We practice risk management, but sometimes our mitigation actions do not fit the actual risk we face." Another added, "Often, risks seem insignificant at first but later cause major operational inefficiencies."

A notable example shared by an MFC was when several clients opened the same type of business after seeing a promising market. The cooperative approved multiple loans for similar ventures, leading to market saturation and price undercutting. As profits declined, borrowers struggled to repay their loans, revealing the cooperative's failure to anticipate risks associated with market overconcentration.

Many cooperatives face challenges in identifying and mitigating risks, including credit risk, market volatility, and operational inefficiencies. Alhassan and Bawumia (2023) emphasize that weak risk assessment frameworks can lead to poor lending decisions and higher default rates, threatening financial health. Similarly, Jain and Gupta (2022) highlight that without robust risk management, cooperatives may struggle to adapt, stagnating instead of expanding.

Strengthening risk management is essential for long-term sustainability. This study aims to help MFCs better understand and mitigate risks specific to their operations and the municipalities they serve, ensuring resilience in an evolving financial landscape.

LESSONS LEARNED BY MICROFINANCE COOPERATIVE INSTITUTIONS

Despite experience, MFCs often repeat past mistakes due to weak knowledge management. This study highlights key lessons to improve efficiency, productivity, and sustainability, summarized in Table 5.

Table V: *Lessons Learned by Case Microfinance Cooperatives in the 1st District of Sorsogon:*

Dimensions	Lessons Learned	Action to Take
Management Practices	- Need an Effective Management Structure	- To craft one
	- CSR initiatives have to be integrated into their culture, structure, and operations	- Implement Properly
	- Employees are given voice	- Consultation, incentives
	- Digital Tech is crucial in staying competitive	- Utilize digital platforms
	- Physical and Virtual Presence & Reputation	- Conduct Market study
	- Diversify products & services	- Understand market needs
Access to Capital	- Adherence to regulation/Image	- Get recognized
	- Improve financial literacy of clients	- Conduct Fin. Lit. training/Counseling
Regulatory Compliance	- Proactive approach to enhance operation	- Engage with regulatory framework
Market Competition	- New entrants easily enter the market	- Flexibility and innovation
Risk Management	- Contextualized and effective risk ID and Management is essential	- Streamlining operation
Delinquent Accounts	- Need to improve loan approval system and procedures	- Improve BI and collection calendar

Lessons on Management Practices

The study identified key lessons from challenges faced by MFCs, highlighting strategies to enhance efficiency, productivity, and sustainability. Insights were drawn from participants' narratives on their cooperative's status and operational issues. Both MFC Cases emphasized the need for an effective governance structure that clearly defines inter- and intra-

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departmental relationships, ensuring transparency and accountability. While their current structure mirrors a corporate setup, findings suggest the need for a management model tailored to the unique demands of a microfinance cooperative operating within a local community. Revisiting their structure and incorporating corporate social responsibility will help align their operations with the specific needs of borrowers and the locality. A participatory management approach is essential, involving members in decision-making to foster a sense of ownership. In marketing, MFCs must move beyond traditional practices and embrace social media and digital technologies to promote their services.

Lessons on Operational Practices

Microfinance cooperatives must adopt a community-based approach to service delivery, directly engaging with both members and non-members to identify financial needs. This allows for the development of tailored loan and savings products, promoting financial inclusion. A key lesson learned is the importance of risk recognition and management. Beyond loan repayment risks, MFCs must address internal and external operational risks. As cooperatives grow, establishing a dedicated risk management department is essential for mitigating financial instability.

To improve loan repayment, MFCs should offer flexible payment options and secured loans. Some cooperatives conduct personal visits to delinquent borrowers to negotiate repayment, while legal action remains a last resort.

Financial literacy and digital tools are crucial in assisting borrowers. Strengthening education programs and integrating technology will enhance repayment capacity, ensuring both financial stability for the cooperative and economic empowerment for borrowers.

Community engagement is another vital lesson. Strengthening entrepreneurship training, financial literacy workshops, and outreach programs will serve as marketing tools while educating members on financial management, ultimately improving loan repayment. Finally, monitoring and evaluation must be continuous, using technology-driven data collection and analysis. Real-time insights will improve decision-making, enhance operational efficiency, and ensure the cooperative remains responsive to members' evolving needs, securing long-term sustainability.

Lessons on Good Governance and CSR

Good governance enables microfinance cooperatives (MFCs) to manage internal affairs effectively while fostering community relationships, sustainability, and social accountability. A key lesson learned is the integration of Corporate Social Responsibility (CSR) into organizational culture and operations.

Properly implemented, CSR can serve as a strategic tool for attracting new members to the microfinance movement. According to participants, CSR initiatives enhance the cooperative's reputation, strengthen community ties, and promote engagement among members. By prioritizing governance and social responsibility, MFCs can build trust, ensure long-term sustainability, and positively impact the communities they serve.

Lessons on Employee Motivations

On Employee Motivations, the MFC Cases realized that it is very important to engage their employees. The lesson learned is that employees are given a voice in most of the MFCs activities and decisions like in the functional area of planning and programs and project implementation. Management of the cooperative is practicing cordial consultations aside from regular employee meetings. Along with employee motivation, incentivizing employee performance and accomplishments by hitting or overrunning the targets is also an effective employee motivation strategy. New ideas from them must be recognized and incentivized when necessary.

Another very important employee motivation is helping them enhance their capability, confidence, and performance through training and even supporting their aspiration to acquire education and let them achieve professional development.

Lastly, employees want to be appreciated as found in the narratives of the respondents. It is important to let them feel that they are valued as part of the organization. They want strong leadership in the organization that helps them increase their ability to make decisions and participate in decision-making that leads to higher performance and productivity.

Lessons on Technology Adoption

Microfinance cooperatives must embrace social media, online apps, and digital platforms to stay competitive.

UIJRT ISSN: 2582-6832

Many have begun using digital tools for loan applications, disbursements, and repayments, improving efficiency and accessibility. The Bangko Sentral ng Pilipinas (BSP) supports digital financial inclusion, enabling faster, transparent transactions. Mobile banking enhances convenience, encouraging active accounts and new business. Embracing technology strengthens MFCs' service delivery, ensuring they meet the evolving needs of members in an increasingly digital world.

Lessons on Branch Location

Microfinance cooperatives must strategically position branches to bring services closer to clients, ensuring accessibility during urgent financial needs. However, success depends not only on physical location but also on strong marketing efforts, online apps, and mobile banking. A well-trained staff with an active outreach strategy can make an institution's presence felt, even with a small office. Understanding local borrowing and repayment culture is crucial for sustaining collections and staying competitive in a growing market.

Lessons on Market Performance in Microloans and Savings

Branch performance varies due to differences in loan repayment and saving culture. A collection calendar helps both clients and account officers track obligations effectively. However, payment collection remains the biggest challenge despite various strategies. Proper client selection and credit investigation are crucial to minimizing risks. When all else fails, provisioning becomes the last recourse for maintaining financial stability and ensuring the cooperative's long-term sustainability.

Lessons on Regulatory Challenges and Operational Efficiency

Microfinance cooperatives face regulatory challenges that increase operational costs and divert resources from service delivery. Compliance burdens, particularly for smaller cooperatives, limit innovation and competitiveness (Mader, 2023). While some cooperatives, like MFC Case #1, maintain compliance, missed deadlines still occur, requiring legal intervention.

A key lesson is the need for proactive engagement with regulatory bodies. Initially, many struggled with evolving government regulations, affecting their credibility and operations. Establishing dialogue with regulators helps cooperatives navigate compliance efficiently, negotiate reasonable requirements, and maintain operational stability (Banaag et al., 2023). Efficient regulatory management fosters trust among stakeholders, enabling smoother operations and growth (Cruz & Salinas, 2023).

Ultimately, balancing compliance with operational efficiency is crucial for sustainable growth. Microfinance cooperatives in Sorsogon can thrive by integrating regulatory adaptability into their frameworks, ensuring both financial stability and community impact.

IV. SUMMARY, FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Summary

Microfinance cooperatives (MFCs) in Sorsogon play a vital role in financial inclusion, ensuring underserved communities access essential financial services. Strategic branch placement and digital adoption have expanded their reach, while savings and loan products cater to diverse needs. Competitive marketing strategies and corporate social responsibility (CSR) initiatives enhance engagement and sustainability. Strong governance, participatory management, and employee motivation drive efficiency and growth. Despite these efforts, MFCs face challenges, including limited access to capital, strict regulatory requirements, and economic fluctuations.

Financial literacy gaps among clients lead to loan mismanagement and high default rates, affecting financial stability. Competition from digital lenders and rural banks further pressures cooperatives.

Additionally, risk management remains a challenge, as unforeseen factors impact operations. To ensure long-term sustainability, MFCs must strengthen financial literacy programs, explore alternative funding sources, and improve risk management strategies. Streamlining compliance processes and leveraging technology will enhance efficiency.

By addressing these challenges and integrating key lessons in governance, financial planning, and community engagement, MFCs can maintain financial stability, expand services, and continue empowering local communities. With proactive measures, MFCs in Sorsogon can navigate market challenges and sustain their role in economic development.

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UIJRT ISSN: 2582-6832
United International Journal for Research & Technology
Volume 06, Issue 06, 2025 | Open Access | ISSN: 2582-6832

Findings

The study yielded the following results:

1. The MFCs have crossed municipal borders to be accessible and increase their client reach. The location also affects their marketing initiatives. MFC case #1 holds a greater market share as compared to MFC case #2. MFC case #1 has a 4% growth rate in its active deposit accounts and an 18% growth rate in its active loan accounts. The MFC participants have wide financial services and products that enhance their competitiveness and ability to attract and maintain their active accounts. Internal management (participative) enhances the operational efficiency of the MFCs. They are utilizing both traditional and digital strategies in marketing. They practice intensive monitoring and evaluation of active accounts. Both participants guarantee the practice of good governance. Both of the MFC participants surpassed their financial targets.
2. Issues identified along operations are loan repayment, loan default, loan collection system, and multiple lending. There are issues with limited capital access and the complex requirement and regulatory framework by the government. Clients have limited knowledge of financial management, and there is a lack of client discipline. There is competition with fellow MFCs, rural banks, and other alternative financial services. There is a lack of robust management practices, especially in managing risks.
3. An effective management structure is needed. CSR initiatives must be integrated into the company's culture, structure, and operations. Digital technology is crucial for staying competitive. Significance of physical and Virtual Presence and reputation. Diversify financial products and services. MFC must adhere to regulations. It should help its clients acquire financial literacy. A proactive approach must be employed to enhance the operation. New entrants easily enter the market.

Conclusions

Based on the findings, the following conclusions were drawn:

1. The geographical location has minimal effect on the marketing efforts of MFCs. The participants showed a deep reach with large active accounts. The majority of the beneficiaries are borrowers, but they are strongly urged to make micro-savings. Coop 1 seems to have the greatest line of financial products and services. It has diverse loan offerings, the OFW credit program is the newest. The bigger and longer-running MFCs have the widest line of financial services and product offerings. The adoption of best practices affects the performance of the employees. recognized that the MFC's financial performance exceeded its target level, demonstrating excellent financial viability.
2. With the number of years of operation, the MFC learned that through experiences, they become more resilient. As part of being resilient, one of the MFC participants learned to emphasize the importance of screening the beneficiaries, especially the borrowers. The participants learned the significance of establishing external partnerships and acknowledged the need to strengthen their risk management practices.
3. The participants articulated different lessons learned from their experiences along the microfinance cooperative journey. One of the microfinance cooperative institution participants gives more weight to the importance of careful screening of its beneficiaries, especially the borrowers. While the other participant shared their acknowledgment of the value of establishing external partnerships. The two participants claimed to be resilient, given that both are the biggest and had been in the sector for the longest time. The MFCs acknowledge the importance of Digital Technology to stay in the competition. They also recognized the need to diversify both their financial and non-financial products and services. Another lesson drawn by the MFCs is the significance of financial literacy among their clients.

Recommendations

The study revealed the different issues and challenges faced by cooperative microfinance. On this basis, the study suggests that the cooperatives consider the following recommendations in their institutional policies.

1. Find a strategic location to increase their reach and broaden the accessibility of their financial products and services. Establish more branches to stay competitive.
2. Address the issues of loan default. A proper loan collection scheme must be employed to prevent loan defaults by the debtors. A flexible payment can be taken as a measure for the issue of loan repayments. Counseling by a financial adviser must be performed to help the beneficiaries with multiple lending and with heavy loan consumptions. MFC should consistently provide their beneficiaries with

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training on financial literacy. The cooperatives should establish their impact by increasing their social, economic, and environmental initiatives. MFC must prepare and submit to authorities a sustainable development plan to ensure a meaningful impact on the community. The crafting of a Risk Management Plan must be considered. Training on risk management must be facilitated or organized by the regulatory agency to ensure efficient implementation.

3. MFC should consider the utilization of digital technology in their operations and marketing efforts and offer more financial and non-financial products and services.

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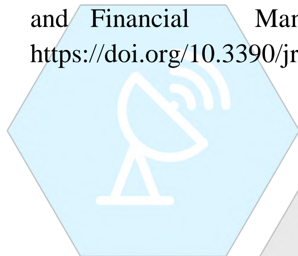

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