Risk Management Practices of Lending Institutions: Basis for Enhancement of Risk Management Plan

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ABSTRACT

This study explored the risk management practices of lending institutions in Cabanatuan City to provide a basis for enhancing their risk management plans. Employing a quantitative descriptive research design, the study gathered and analyzed data from 135 respondents across 15 lending institutions. These institutions were selected based on their operational experience, as they had been in the industry for over ten years, ensuring the representation of established practices and insights. The key respondents included General Managers, Loan Officers, Compliance Officers, Risk Management Officers, and other employees, all of whom played crucial roles in the loan approval process and risk management framework. The findings revealed that lending institutions in Cabanatuan City exhibited a proactive approach to risk management, particularly in risk identification, assessment, and planning, although there was room for improvement in practices such as regular audits and the use of advanced analytics. Additionally, challenges such as economic volatility, credit risk, cybersecurity concerns, and liquidity management were present but not critical. The study concluded with an action plan aimed at enhancing the consistency and comprehensiveness of risk management practices. Recommendations included strengthening risk identification, systematizing risk assessment procedures, integrating external expertise in risk planning, focusing on cybersecurity training, and enhancing financial resilience. This action plan was designed to foster a more proactive, comprehensive, and resilient risk management framework within the lending sector in Cabanatuan City.

Keywords: Credit Risk, Economic Volatility, Risk Assessment, Risk Identification, Risk Management

INTRODUCTION

In the realm of financial services, the ability to efficiently manage risk is paramount. Lending institutions, serving as the lifeblood of economies, simplify the flow of capital to individuals, businesses, and governments. In this role, they are not only entrusted with vast financial resources but also face substantial risks and challenges that can impact their sustainability (Manan & Shafiai, 2015). The landscape in which these institutions operate is dynamic, shaped by microeconomic factors such as credit risk, capitalization, managerial efficiency, and liquidity (Moyo et al., 2019). As a result, robust risk management practices are vital not only to safeguard institutional stability but also to uphold the broader integrity of the financial system.

Lending institutions—including banks, credit unions, and non-bank financial entities—confront a wide array of risk categories. The effectiveness of their risk management plans is not just a compliance necessity but a strategic imperative for loss mitigation, public trust, and sustainable growth (Luz, 2024). The absence of motivation for sustainable financing and inadequate regulatory environments can hinder sound risk management practices (Giese et al., 2019; Morales et al., 2022; Lee, 2020). In the Philippines, financial institutions play a key role in national development. Bank lending grew by 9.4 percent year-on-year in May 2023, reflecting their active contribution to the country's economic growth (Bangko Sentral ng Pilipinas, 2023; AlMaimani & Johari, 2015). The loan portfolio reached PHP12.88 trillion as of November 2023 (Lugtu, 2024), underscoring the importance of lending in stimulating consumption, investment, and national economic development (Ibrahim & Alagidede, 2018). Regulatory oversight from the BSP ensures that this lending activity remains stable and sustainable. At the same time, developments in digital finance and FinTech—such as blockchain and online loan platforms—necessitate a balance between innovation and protection to maintain inclusive, efficient, and secure lending environments (Asian Development Bank, 2021; Steele, 2022).

Risk management is essential for ensuring the profitability, resilience, and sustainability of lending institutions. These institutions, while central to economic activity, are exposed to various risks and uncertainties that must be effectively managed (Yoshino & Taghizadeh-Hesary, 2018). A sound risk management framework allows institutions to evaluate threats, maintain compliance, and make informed decisions (Lee, 2023). In the Philippines, resilience in the bank-centric financial system has been bolstered by market expansion and structural reforms (Dakila, 2020; Bordo & Skilos, 2019), though core risks—including credit, market, operational, and liquidity risks—persist (Medoza & Rivera, 2017). Credit risk, or borrower default, remains a major threat (Kisala, 2014) and is addressed through governance, diversification, and capital adequacy (Rheman et al., 2019), with machine learning now revolutionizing rural credit scoring (Kumar et al., 2021). Market risks related to interest and exchange rate fluctuations demand asset-liability management and adaptability (Quang & Gan, 2019; Qazi et al., 2022), while liquidity and credit risks are deeply interlinked and affect institutional profitability (Saleh & Afifa, 2020).

Operational risk arises from failures in systems, processes, or human error (Ames et al., 2014). Institutions can mitigate these through robust governance, IT integration, and continuity planning (Xu et al., 2017; Stewart, 2022), with governance directly correlating to reduced incidents (Leone et al., 2018). Liquidity risk, which jeopardizes short-term obligations, raises costs and threatens solvency (Vazquez & Federico, 2015). Institutions with better liquidity buffers fared better during crises (Berger & Bouwman, 2017), although excess liquidity can hinder growth (Acharya & Mora, 2015). Technological advances like big data analytics, AI, and blockchain now enhance fraud detection and creditworthiness assessment (Arner et al., 2016; Noriega et al., 2023; Chen, 2018), while advanced cybersecurity measures are vital in digital lending environments (Utikar et al., 2024; Bouveret, 2018). Regulatory reforms such as Basel III and the Dodd-Frank Act underscore the importance of compliance and transparency (Basel Committee, 2016; Dempster, 2015), with technology supporting real-time reporting and risk forecasting (Kuhn & Sutton, 2010).

Despite these innovations, challenges persist. Traditional credit scoring systems fall short in dynamic markets (Hammadi et al., 2024), and new technologies demand costly infrastructure and expertise (Gai et al., 2018), often beyond the reach of smaller institutions. Continuous regulatory changes also require agile frameworks (Nguyen & Dinh, 2021). Operational risks can be underestimated (Pakhchanyan, 2016), and escalating cyber threats demand extensive monitoring and resources (Wilson, 2017). The global financial crisis of 2008 underscored the importance of liquidity stress testing and resilient capital buffers (Acharya & Naqvi, 2012). Ultimately, effective risk management must be dynamic and responsive to ongoing changes in the technological, economic, and regulatory landscape to ensure institutional viability and sustained economic development.

This paper provided an extensive review of the risk management systems of lending institutions in relation to strategies, frameworks, and methodologies for assessing, mitigating, and monitoring exposures to risk. It also brought into focus the role of technology and data analytics in decision-making processes and the modeling techniques applied in modern practice. The present state of risk management was examined in the study to identify strengths, weaknesses, and areas for improvement that contributed to the resilience of lending institutions. It also reviewed changes in the regulatory environment, with a view to understanding their implications for risk management practices, particularly regarding enhanced requirements around transparency, governance, and accountability expected of institutions.

The paper provided an overview of risk management practices to institutions, regulators, and stakeholders, offering insight into how strategic risk management plans could best promote good practices and strengthen the resilience of the financial sector. Risk management was portrayed as an integral component of institutional operations. This work aimed to equip lending institutions with the knowledge and tools necessary to navigate the complex risk landscape, ensuring their continued contribution to economic prosperity and financial stability.

MATERIALS AND METHODS

This research employed a quantitative descriptive design to systematically gather and analyze numerical data related to the risk management practices of lending institutions in Cabanatuan City. This method was chosen because it allowed the researcher to present a clear picture of the current conditions and trends within these institutions (Ghanad, 2023), and make informed, evidence-based recommendations (Bernerth et al., 2018). The data collected described institutional profiles—such as years in operation, number of employees, and asset size—as well as the extent of implementation of key risk management processes: risk identification, assessment, planning, implementation, and monitoring. The structured approach ensured objective analysis, enabling the development of a data-driven strategic plan tailored to the city's lending institutions.

The respondents consisted of 135 personnel from 15 lending institutions, all operating for more than ten years. Using purposive sampling, the study deliberately selected participants based on their roles and experience in risk-related functions. Each institution provided one General Manager, Loan Officer, Compliance Officer, and Risk Management Officer, along with five additional employees to capture broader operational insights. Data was collected using a three-part questionnaire: the first part gathered demographic information, the second assessed risk management practices using a 4-point Likert scale, and the third evaluated common challenges such as regulatory compliance, cybersecurity risks, and economic fluctuations. To ensure reliability and validity, the tool was reviewed by five risk management experts and pilot tested with managers outside the study sample. Cronbach's alpha was used to test internal consistency.

The data collection process followed a structured procedure, beginning with the development of the research instrument based on literature and expert input. After expert validation and pilot testing, surveys were administered in person to ensure accurate responses. Semi-structured interviews were also conducted to supplement the quantitative data with qualitative insights. For analysis, descriptive statistics—including frequency, percentage, and weighted mean—were used to interpret the data. Responses were translated into verbal categories for clear interpretation. Ethical standards were strictly observed: informed consent was obtained, participant confidentiality was maintained, and data privacy regulations were followed. This rigorous methodological process ensured that the findings were credible, ethically conducted, and grounded in both statistical analysis and real-world perspectives.

RESULTS AND DISCUSSION

Profile of the Lending Institutions

Table 1. Profile of the Lending Institutions

Profile Variable	Category	Frequency (n=15)	Percentage (%)
1. Years in Operation	10–15 years	5	33.33%
	16–20 years	6	40.00%
	21 years and above	4	26.67%
	Total	**15**	**100 %**
2. Number of Employees	1–10 employees	3	20.00%
	11–50 employees	9	60.00%
	51 employees and above	3	20.00%
	Total	**15**	**100 %**
	Less than PHP 10 million	2	13.33%

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3. Total Asset Size (as of Dec 2023)	PHP 10M – PHP 50M	4	26.67%
	PHP 51M – PHP 100M	3	20.00%
	PHP 101M – PHP 500M	3	20.00%
	PHP 501M – PHP 1B	2	13.33%
	More than PHP 1B	1	6.67%
	Total	**15**	**100 %**

The data on the profile of lending institutions in Cabanatuan City reveals a mature and established sector, with a significant number of institutions operating for over a decade. Specifically, the majority (40%) of these institutions have been in operation for 16–20 years, followed by 33.33% operating for 10–15 years, and 26.67% for 21 years and above. This indicates that most of the lending institutions have long-standing experience in the financial services industry, potentially reflecting accumulated expertise in handling various lending and risk scenarios over time (Gomber et al., 2018).

In terms of staffing, the majority of institutions are moderately sized, with 60% employing 11 to 50 people. This is followed by institutions with smaller teams (1–10 employees) and larger staff bases (over 51 employees), each comprising 20% of the total. This distribution suggests that many of these lending institutions are either in a growth phase or have stabilized at a mid-level operational scale. The workforce size may also reflect the institution's capacity to handle customer volume, manage internal operations, and implement risk management practices effectively.

The breakdown of total asset size provides insights into the financial capacity and scale of operations among the institutions. The highest concentration lies in the PHP 10 million to PHP 50 million range (26.67%), followed by equal distributions in the PHP 51M–100M and PHP 101M–500M categories (20% each). Notably, 13.33% operate with less than PHP 10 million in assets, while another 13.33% hold between PHP 501 million to PHP 1 billion. Only one institution (6.67%) reports asset holdings of more than PHP 1 billion. This variance in asset sizes highlights the financial diversity of the lending sector in the area, encompassing both modestly capitalized and significantly resourced institutions.

Risk Management Practices of Lending Institutions in Cabanatuan City

Risk Identification

Table 2. Risk Management Practices of Lending Institutions in Cabanatuan City in terms of Risk Identification

Indicator	Weighted Mean	Verbal Description
1. Proactive approach to risk identification	3.30	Highly Practiced
2. Conduct risk workshops with stakeholders	3.20	Moderately Practiced
3. Analyze historical data and trends	3.10	Moderately Practiced
4. Use of risk registers/databases	3.25	Moderately Practiced
5. Open communication for reporting risks	3.40	Highly Practiced
6. Engage external consultants	3.05	Moderately Practiced
7. Use customer feedback for operational risks	3.30	Highly Practiced
8. Use analytics and modeling techniques	3.15	Moderately Practiced

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9. Integrate risk ID into strategic planning	3.35	Highly Practiced
10. Conduct regular risk audits	3.10	Moderately Practiced
Grand Mean	**3.22**	**Moderately Practiced**

The risk identification practices of lending institutions in Cabanatuan City reveal a generally proactive approach to managing potential threats. The institutions scored highly on indicators such as the proactive approach to risk identification (3.30), the use of open communication channels for reporting risks (3.40), and leveraging customer feedback to identify operational risks (3.30). These practices suggest that lending institutions in the area prioritize maintaining an awareness of external and internal risks, creating a culture of open communication, and utilizing valuable customer insights to recognize risks early on. These proactive efforts are crucial in a dynamic and often volatile financial environment, where being ahead of potential threats can mitigate financial losses and operational disruptions (Oko-Odion & Angela, 2025).

However, some aspects of risk identification were found to be moderately practiced, indicating room for improvement in certain areas. Practices such as conducting risk workshops with stakeholders (3.20), analyzing historical data and trends (3.10), and using risk registers and databases (3.25) fall into the moderately practiced category. These findings suggest that while the institutions engage in structured processes for risk identification, they may not be as consistent or comprehensive as they could be in gathering and evaluating data. The reliance on workshops and external consultants, alongside the use of advanced analytics, indicates a more reactive rather than fully integrated approach in some cases, which may result in slower responses to emerging risks.

The grand mean of 3.22 places the lending institutions in the "moderately practiced" category, indicating that while they are generally aware of the need for robust risk identification strategies, these practices are not always fully embedded into every aspect of their operations. The moderate level of engagement in activities such as risk audits (3.10) and external consultant involvement (3.05) suggests that institutions may still be in the process of developing and refining their risk identification frameworks. This moderate approach reflects a balance between established practices and areas requiring further development to ensure a more comprehensive, proactive, and integrated risk management system. The implication is that while there is a foundational commitment to risk identification, more systematic and frequent implementation of these practices could enhance the institutions' ability to manage emerging threats effectively.

Risk Assessment

Table 3. Risk Management Practices of Lending Institutions in Cabanatuan City in terms of Risk Assessment

Indicator	Weighted Mean	Verbal Description
1. Quantitative and qualitative assessments	3.40	Highly Practiced
2. Use risk matrices	3.35	Highly Practiced
3. Use scenario analysis	3.20	Moderately Practiced
4. Involve cross-functional stakeholders	3.30	Highly Practiced
5. Conduct assessments regularly	3.15	Moderately Practiced
6. Benchmark against industry standards	3.10	Moderately Practiced
7. Use financial models to quantify risks	3.25	Moderately Practiced
8. Tailor assessments to business units	3.30	Highly Practiced

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9. External audits and peer reviews	3.00	Moderately Practiced
10. Ensure regulatory compliance	3.35	Highly Practiced
Grand Mean	**3.24**	**Moderately Practiced**

The risk assessment practices of lending institutions in Cabanatuan City reflect a strong commitment to employing both quantitative and qualitative methods to evaluate potential risks. Indicators such as the use of risk matrices (3.35), quantitative and qualitative assessments (3.40), and the involvement of cross-functional stakeholders (3.30) all scored highly, signifying that institutions actively utilize structured approaches to assess risks. This emphasis on comprehensive and diverse risk assessment techniques ensures a robust evaluation of potential threats, which is essential in identifying the full scope of risks that may affect operations, profitability, and long-term sustainability. The inclusion of cross-functional stakeholders also highlights an inclusive approach, ensuring that insights from various departments contribute to a well-rounded risk analysis (Benini, 2024).

However, some aspects of risk assessment are moderately practiced, indicating that certain areas still require attention to achieve optimal effectiveness. For instance, practices like using scenario analysis (3.20), conducting assessments regularly (3.15), and benchmarking against industry standards (3.10) suggest that these risk assessment tools are applied but perhaps not as systematically or frequently as could be ideal. The moderate level of adoption in these areas indicates that while there is recognition of the importance of such practices, their implementation might not be as consistent across all business units or periods. This could imply a potential gap in the institutions' ability to quickly adapt to emerging risks or benchmark their practices against the latest industry standards.

The grand mean of 3.24 places the overall risk assessment practices in the "moderately practiced" category. While lending institutions show a strong foundation in utilizing key tools like financial models and ensuring regulatory compliance (both scoring 3.35), the moderately practiced aspects such as external audits and peer reviews (3.00) suggest that there is still some room for improvement in terms of external validation and ensuring continuous adaptation of their risk assessment frameworks. The implication is that while lending institutions in Cabanatuan City demonstrate a good grasp of risk assessment techniques, there may be opportunities to further integrate these practices into day-to-day operations and enhance the consistency and thoroughness of their assessments.

Risk Planning

Table 4. Risk Management Practices of Lending Institutions in Cabanatuan City in terms of Risk Planning

Indicator	Weighted Mean	Verbal Description
1. Develop comprehensive risk plans	3.30	Highly Practiced
2. Assign responsibilities and timelines	3.20	Moderately Practiced
3. Allocate resources and budgets	3.25	Moderately Practiced
4. Establish contingency and continuity plans	3.35	Highly Practiced
5. Integrate with strategic planning	3.40	Highly Practiced
6. Prioritize using cost-benefit analysis	3.10	Moderately Practiced
7. Set objectives and performance metrics	3.25	Moderately Practiced
8. Regularly review and update plans	3.30	Highly Practiced

9. Conduct staff training and development	3.10	Moderately Practiced
10. Engage external consultants	3.05	Moderately Practiced
Grand Mean	**3.23**	**Moderately Practiced**

The risk planning practices of lending institutions in Cabanatuan City reflect a strong emphasis on strategic and well-structured planning processes, as evidenced by the high ratings for indicators such as integrating risk planning with strategic goals (3.40), developing comprehensive risk management plans (3.30), and establishing contingency and continuity plans (3.35). These high ratings suggest that lending institutions are prioritizing the integration of risk planning within their broader organizational strategy, ensuring that risk management is not just a separate activity but is woven into the fabric of their operations. This approach ensures that risk management efforts are aligned with long-term objectives, and that institutions are prepared to handle unforeseen events with well-established continuity plans (Jain & Mitra, 2025).

On the other hand, there are areas where risk planning is still moderately practiced, indicating that while institutions are aware of the importance of these practices, they may not always be applied as rigorously or consistently. For example, assigning responsibilities and timelines (3.20), allocating resources and budgets (3.25), and regularly reviewing and updating plans (3.30) all reflect practices that are being implemented but may not yet be fully optimized. Similarly, activities such as setting clear objectives and performance metrics (3.25) and conducting staff training and development (3.10) are moderately practiced, which could imply that while there is a structured approach, some areas may lack the depth or consistency required for fully effective implementation (Dooley & O’Sullivan, 2001).

The grand mean of 3.23 categorizes the overall risk planning practices as moderately practiced, which suggests that while there is a strong foundation in key risk planning areas, certain aspects still have room for improvement. The moderate ratings for elements like engaging external consultants (3.05) and conducting staff training (3.10) indicate that lending institutions may not be fully leveraging external expertise or ensuring that their workforce is entirely prepared to execute risk management plans. This analysis implies that while lending institutions in Cabanatuan City demonstrate a solid framework for managing risk through planning, enhancing consistency, and focusing on these moderately practiced areas could further strengthen their overall risk management capabilities.

Risk Implementation

Table 5. Risk Management Practices of Lending Institutions in Cabanatuan City in terms of Risk Implementation

Indicator	Weighted Mean	Verbal Description
1. Implement strategies as per plans	3.35	Highly Practiced
2. Clear communication channels	3.40	Highly Practiced
3. Use tech and automated monitoring	3.20	Moderately Practiced
4. Empower employees in risk decisions	3.25	Moderately Practiced
5. Ensure compliance with regulations	3.30	Highly Practiced
6. Track performance with KPIs	3.20	Moderately Practiced
7. Apply continuous improvement practices	3.10	Moderately Practiced
8. Align implementation with priorities	3.30	Highly Practiced

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9. Conduct progress reviews with management	3.20	Moderately Practiced
10. Conduct external audits	3.15	Moderately Practiced
Grand Mean	**3.25**	**Moderately Practiced**

The risk implementation practices of lending institutions in Cabanatuan City reflect a high level of commitment to executing risk management strategies effectively, as indicated by the strong ratings for key indicators such as implementing strategies according to plans (3.35), maintaining clear communication channels (3.40), and ensuring regulatory compliance (3.30). These high scores suggest that institutions are focused on effectively executing their risk mitigation strategies and ensuring that communication throughout the organization is clear, which is essential for successful implementation. Furthermore, the emphasis on regulatory compliance indicates a strong commitment to adhering to external standards, which can mitigate potential legal and operational risks (Adeniran et al., 2024).

However, several areas in risk implementation are moderately practiced, pointing to opportunities for further strengthening the implementation process. For instance, the use of technology and automated monitoring (3.20), empowering employees in risk decisions (3.25), and tracking performance through key performance indicators (KPIs) (3.20) are all practices that are moderately executed. This suggests that while technology is used to monitor and enforce risk controls, there may still be gaps in leveraging technology to its full potential. Similarly, empowering employees in risk decision-making and using KPIs to track performance, while being practiced, may not be fully optimized across all levels, which could limit the overall effectiveness of the risk implementation efforts (de Andrade & Sadaoui, 2017).

The grand mean of 3.25 places the overall risk implementation practices in the "moderately practiced" category. This reflects the fact that while many institutions in Cabanatuan City are performing well in executing risk management strategies, there are still areas that could benefit from additional focus. For example, continuous improvement practices (3.10), conducting progress reviews with management (3.20), and conducting external audits (3.15) suggest that while there is some attention to refinement and oversight, these activities might not be fully consistent or integrated into daily operations. Strengthening these moderately practiced areas could lead to more comprehensive and sustainable risk management implementation.

Risk Monitoring

Table 6. Risk Management Practices of Lending Institutions in Cabanatuan City in terms of Risk Monitoring

Indicator	Weighted Mean	Verbal Description
1. Use a risk monitoring framework	3.35	Highly Practiced
2. Monitor key risk indicators	3.30	Highly Practiced
3. Regular reporting mechanisms	3.25	Moderately Practiced
4. Periodic reviews and audits	3.35	Highly Practiced
5. Use dashboards and tools	3.20	Moderately Practiced
6. Establish feedback loops	3.10	Moderately Practiced
7. Integrate into daily operations	3.30	Highly Practiced
8. Engage external assessments	3.05	Moderately Practiced
9. Provide staff training for monitoring	3.10	Moderately Practiced

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10. Benchmark against peers	3.00	Moderately Practiced
Grand Mean	**3.20**	**Moderately Practiced**

The risk monitoring practices of lending institutions in Cabanatuan City demonstrate a solid commitment to overseeing and managing risks, as evidenced by the high ratings for indicators such as using a risk monitoring framework (3.35), monitoring key risk indicators (3.30), and conducting periodic reviews and audits (3.35). These practices reflect that institutions in Cabanatuan City have established comprehensive systems to track risk exposures and ensure continuous oversight, which are vital to identifying and mitigating potential threats early. Additionally, integrating risk monitoring into daily operations (3.30) shows that risk management is not a one-time activity but an ongoing process embedded in the organizational culture.

However, there are certain aspects of risk monitoring that are only moderately practiced, indicating areas where these institutions may have room for improvement. Indicators such as regular reporting mechanisms (3.25), using dashboards and tools (3.20), and establishing feedback loops (3.10) suggest that while risk monitoring practices are in place, there is still some variability in how consistently they are executed. The moderate scores for these indicators may imply that although institutions are taking steps to monitor risks, they may not be fully utilizing advanced tools or adopting a systematic approach to continuously capture feedback and adjust their monitoring strategies.

The grand mean of 3.20 categorizes risk monitoring practices as "moderately practiced," which highlights that lending institutions in Cabanatuan City are performing well but can further enhance their efforts. While the highly practiced areas show a strong foundation in risk monitoring, there is a noticeable gap in the consistency and sophistication of certain practices, such as engaging external assessments (3.05) and benchmarking against peers (3.00). These findings suggest that while lending institutions are managing risks competently, their monitoring processes could benefit from a more rigorous and comprehensive approach to ensure timely detection and more effective risk mitigation (Adeniran et al., 2024).

Risk Management Challenges

Table 7. Risk Management Challenges

Indicator	Weighted Mean	Verbal Description
1. Economic volatility affecting borrower repayments	3.10	Moderate Problem
2. Difficulty in assessing and managing credit risks	2.95	Moderate Problem
3. Challenges in keeping up with regulatory compliance	2.85	Moderate Problem
4. Exposure to interest rate fluctuations impacting profitability	2.90	Moderate Problem
5. Ensuring adequate liquidity to meet short-term obligations	2.75	Moderate Problem
6. Managing operational risks such as system failures or human errors	2.70	Moderate Problem
7. Addressing cybersecurity threats and protecting customer data	2.65	Moderate Problem
8. Coping with intense market competition	3.00	Moderate Problem
9. Maintaining and enhancing institutional reputation	2.50	Moderate Problem
10. Integrating new technologies while managing associated risks	2.85	Moderate Problem

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11. Navigating political and legal uncertainties	2.60	Moderate Problem
12. Preventing and detecting fraud and financial crimes	2.70	Moderate Problem
13. Maintaining high-quality asset portfolios	2.45	Minor Problem
14. Managing customer relationships during financial difficulties	2.55	Moderate Problem
15. Assessing and addressing environmental and social risks	2.30	Minor Problem
Grand Mean	**2.76**	**Moderate Problem**

The risk management challenges faced by lending institutions in Cabanatuan City are varied, with several issues being classified as "moderate problems" based on their weighted mean scores. Indicators such as "economic volatility affecting borrower repayments" (3.10) and "difficulty in assessing and managing credit risks" (2.95) highlight the persistent external and internal pressures that institutions encounter in their day-to-day operations. Economic volatility and credit risk are two significant challenges that can have a considerable impact on financial stability. These challenges, along with concerns about interest rate fluctuations (2.90), reflect the dynamic and unpredictable nature of the financial environment, requiring institutions to continuously adapt their risk management strategies to mitigate the impact of these external factors.

On the other hand, issues such as "ensuring adequate liquidity to meet short-term obligations" (2.75) and "managing operational risks" (2.70) indicate that institutions are also grappling with internal operational pressures that can affect their ability to meet financial obligations and maintain smooth operations. Cybersecurity threats and the protection of customer data (2.65) are increasingly prominent challenges in the digital age, further complicating risk management efforts. The moderate problem classification for most of these indicators reflects that while lending institutions in Cabanatuan City are aware of these risks, they are not yet at a critical level but still require attention to manage them effectively.

The grand mean of 2.76 places these challenges in the "moderate problem" range, suggesting that while they are significant, they do not represent insurmountable barriers. A few indicators, such as "maintaining high-quality asset portfolios" (2.45) and "assessing and addressing environmental and social risks" (2.30), were rated as minor problems, indicating that these challenges are less pressing but still relevant to the overall risk landscape. This data suggests that lending institutions are managing most of their challenges effectively, but there is still a need for ongoing attention and adaptation to mitigate risks and enhance the resilience of their operations in the face of changing external and internal factors.

Action plan to enhance the risk management practices of lending institutions in Cabanatuan City

Table 8. Action Plan

Focus Area	Objectives	Strategies	Responsible Person
Risk Identification	Improve consistency and comprehensiveness of risk identification practices	1. Conduct regular workshops with stakeholders. 2. Use historical data and external sources for risk analysis.	Risk Management Team
Risk Assessment	Strengthen and standardize risk assessment practices	1. Implement regular scenario analysis sessions. 2. Benchmark risk assessment practices against industry standards.	Risk Assessment Department

Risk Planning	Enhance integration of external expertise in risk planning	1. Engage external consultants to review and refine risk management strategies. 2. Regularly update risk management plans.	Senior Management
Cybersecurity Management	Improve cybersecurity and data protection measures	1. Conduct periodic cybersecurity training sessions for all staff. 2. Upgrade digital security tools and systems.	IT and Security Departments
Financial Resilience	Strengthen liquidity management to withstand economic volatility	1. Regularly assess and enhance liquidity strategies. 2. Create contingency plans for potential liquidity issues.	Finance and Operations Teams

The action plan presented aims to address key areas identified through the research findings, focusing on strengthening risk management practices across lending institutions in Cabanatuan City. The first focus area, Risk Identification, emphasizes the need for more consistent and comprehensive practices in identifying potential risks. By conducting regular workshops with stakeholders and leveraging historical data and external sources, institutions can foster a proactive approach to risk identification. This will allow them to anticipate emerging risks earlier and take preventive actions. Assigning responsibility to the Risk Management Team ensures that specialized professionals oversee the process and drive continuous improvement in risk identification methods.

The second focus area, Risk Assessment, emphasizes the importance of refining and standardizing the assessment practices used to evaluate potential risks. The strategies outlined, such as implementing scenario analysis sessions and benchmarking risk assessments against industry standards, aim to enhance the depth and accuracy of risk evaluations. Risk Assessment Departments will play a key role in ensuring that these strategies are effectively implemented. Additionally, enhancing cybersecurity management and improving financial resilience are critical strategies to mitigate operational risks. By strengthening cybersecurity protocols and liquidity management plans, institutions can better protect customer data and ensure financial stability in the face of economic volatility. These strategies, which involve coordination between IT, finance, and senior management, are essential to creating a robust risk management framework that can withstand internal and external challenges.

CONCLUSIONS

The lending institutions in Cabanatuan City exhibit a solid foundation of operational experience, with many operating for over a decade and managing significant asset portfolios. These institutions generally adopt a proactive stance in risk management, focusing on essential areas such as risk identification, assessment, and planning. However, certain critical practices—like the regular conduct of audits, advanced data analytics, and mitigation of emerging threats such as cybersecurity and liquidity risks—are applied inconsistently. While current challenges such as economic volatility and operational risks are being managed at a moderate level, the presence of these persistent issues highlights the need for sustained improvement to build a more resilient and comprehensive risk management framework.

To strengthen their risk management systems, lending institutions in Cabanatuan City should conduct structured workshops and integrate external data analysis to enhance the accuracy and scope of risk identification. Regular scenario analyses and benchmarking against industry standards must be implemented to ensure consistency and adaptability in risk assessment. The involvement of external consultants can refine risk planning strategies and bolster overall management systems. In response to the rise of cybersecurity threats, institutions should invest in employee training and enhanced data protection protocols. In addition, reinforcing liquidity management strategies should be prioritized to better navigate economic fluctuations, ensuring stability and long-term operational success.

Furthermore, it is recommended that future research expand the geographical coverage beyond Cabanatuan City to include multiple regions or provinces. This broader scope would improve the generalizability and comparative value of the findings. Additionally, including perspectives from regulatory bodies or financial technology experts may offer valuable insights into external influences on risk management. Regular follow-up studies could track the effectiveness of implemented action plans over time.

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