

1. A risk is a possibility of an event or situation that may affect the operations of an organisation, in which in this case, a cooperative. Such risk could either be something small and can be solved immediately but some other risks are not that lenient and it may make or break a cooperative.
2. A timely external risk that I can mention right now are the economic changes. Like right now with the increase of gas prices
3. One internal risk that is important to be resolved is poor management. Poor management can result to improper handling of the coop as this could lead to making errors in decision makings which can affect the coop financially and thus making it detrimental for a coop if continued on,

Part 2

1. **Credit and Loan Delinquency and Unpredictability of the Financial Markets** are the top risks in our cooperative covering both the internal and external risks of the San Dionisio Credit Cooperative.

2. One major external risk faced by the San Dionisio Credit Cooperative is the **unpredictability of financial markets**. This includes changes in interest rates, inflation, government policies, and global economic conditions—all of which are beyond the cooperative's control. These fluctuations can directly affect the co-op's financial performance by increasing borrowing costs or reducing returns from investments. For example, during an economic downturn, the cooperative may experience lower income and greater financial uncertainty. Because of this, the co-op must continuously strengthen its risk management and control systems to minimize the negative effects of these unpredictable market changes. Another external risk is **low loan demand**. Financial uncertainty and economic challenges may cause members to hesitate or avoid borrowing. When fewer members avail of loans, the cooperative earns less from interest income, which is one of its primary revenue sources. This can slow down financial growth and limit the co-op's ability to expand its services. Low loan demand may also indicate a lack of confidence or awareness among members regarding loan benefits, making it important for the cooperative to improve outreach and financial education efforts.

3. One of the top internal risks faced by the San Dionisio Credit Cooperative is **credit risk and loan delinquency**. This is evident in the increase of the Portfolio at Risk (PAR) from 38.55% to 41% in 2025, which exceeded the target reduction. This means that a significant number of borrowers are failing to repay their loans on time. The cooperative had to approve numerous deferments, moratoriums, and due date changes, showing that many members are struggling financially. Supervised credit visits also revealed loan misuse, which worsens delinquency. This risk affects the cooperative's cash flow, reduces income from interest, and threatens overall financial stability.

Another major internal risk is the **financial losses in its business units**, particularly **Escuela de San Dionisio (ESD)** and **Botica de San Dionisio (BDS)**. ESD recorded a large net loss of PHP **5,400,535 in 2025**, while BDS also experienced

continuous losses of **PHP 1,247,504.54 in both 2024 and 2025**. These losses indicate that expenses are higher than revenues, putting financial strain on the cooperative. Additionally, ESD faces enrollment risks, meaning fewer students could further reduce income in the future. These issues weaken the co-op's overall profitability and may affect its ability to sustain operations and support its members in the long term.

4. The San Dionisio Credit Cooperative applies several mitigation strategies to manage both internal and external risks effectively.

For **credit risk and loan delinquency**, the cooperative focuses on reducing its Portfolio at Risk (PAR) by reinforcing stricter credit control measures and improving collection efficiency. This helps ensure that loans are properly monitored and repayments are made on time. In addition, the cooperative promotes **financial education programs** to guide members on responsible borrowing and proper loan utilization, which reduces loan misuse and future delinquency. Strengthening revenue generation also helps offset potential losses from unpaid loans.

To address **financial investment risk**, SDCC adopts a cautious investment approach by carefully selecting credible institutions and maintaining a balance between risk and return. The cooperative supports long-term investments such as partnerships with SDCC Holdings Corporation and affiliated federations. It also practices **diversification**, spreading investments across different areas to minimize losses from market volatility while ensuring sustainable growth.

In dealing with the **unpredictability of financial markets**, the cooperative strengthens its internal operations and revenue sources so it is less dependent on fluctuating external conditions. By improving management, planning, and control systems, and by generating income from its own business units, SDCC reduces its exposure to sudden market changes. Diversifying investments also helps stabilize financial performance despite economic uncertainties.

Lastly, to mitigate **low loan demand**, the cooperative focuses on **membership growth** and expanding its reach through satellite networks to attract more borrowers. It also conducts educational campaigns to inform members about the benefits and proper use of loan services, encouraging more active participation. These strategies help increase loan uptake and sustain the cooperative's lending operations.

5. Cooperatives today face several risks due to global crises and energy emergencies. One major risk is **rising operational costs**, especially from increased fuel and electricity prices. This can make it more expensive to run daily operations, reducing overall profitability. Another risk is **low loan demand and repayment capacity**, as members may prioritize basic needs during crises instead of borrowing or may struggle to repay existing loans. Additionally, **financial instability** caused by inflation and economic uncertainty can reduce investment returns and weaken the cooperative's financial position.

To address these risks, cooperatives can adopt strategies such as **cost control and efficiency measures**, including reducing unnecessary expenses and using energy-saving practices. They can also **diversify income sources** by strengthening other business units or services to reduce reliance on one revenue stream. Providing **financial assistance programs**, flexible loan terms, and financial education can help members manage their finances better during crises. Strengthening risk management systems and maintaining emergency funds are also important to ensure stability.

For example, a cooperative may experience higher electricity costs due to an energy crisis, which affects its operations and income. To respond, the cooperative can implement energy-efficient systems, adjust budgets, and invest in alternative income-generating projects. At the same time, it can offer loan restructuring programs to support affected members. This approach helps the cooperative remain sustainable while continuing to serve its members despite external challenges