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**Poverty Targeting: Money Attitudes and Behaviours  
of Women in the Philippine “Gawad Kalinga”  
(GK – Give Care) communities**

**A thesis presented in partial fulfilment  
of the requirements for the degree of**

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## **ABSTRACT**

The reduction of high poverty incidence in the Philippines is a major governance objective. Poverty targeting is a strategy to identify the factors that will help the poor raise themselves from poverty. The money attitudes and behaviours of the women of the Philippine “Gawad Kalinga” showed aspects of their financial consciousness and awareness that requires, individual control and discipline, community support and policy intervention.

The money attitudes and behaviours of the women in the visited communities were looked into to unveil the impact on poverty. The main research question is whether money attitudes and behaviours are poverty traps. The individual money capabilities were correlated to the workings and failures of the market and the institutions which are interconnected in the poverty problem.

The research method was qualitative in nature. It was based on the interviews of 30 individuals, women residents and volunteers, of the Philippine “Gawad Kalinga” communities. The individual anecdotes disclosed opinions, attitudes, beliefs, sentiments, and emotions on their daily money struggles. The profile of the money attitudes and behaviours of the interviewees was used to determine the weaknesses that will entrap individuals in poverty.

Gawad Kalinga provides a ‘protective security’ that serves as social safety net to the poor beneficiaries preventing the residents from being reduced to abject misery. The community life of the GK residents is a ‘fixed institutional arrangement’ that will serve as their support system in their daily life. Significant money attitude and behaviour issues of the residents were identified. The positive attitudes and behaviours on budgeting, savings, credit information and awareness, financial planning, community participation, and livelihood indicated high potential for poverty alleviation and achievement of well-being.

The positive and constructive money attitudes and behaviours build ‘trust’ that promotes creditworthiness and provide opportunities. The negative money attitudes and behaviours such as multiple borrowings from creditors who charge high interest rates and habitual gambling will entrap individuals in poverty. The latter indicated individual development needs for community support and policy intervention.

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## **CHAPTER 1: INTRODUCTION**

### **1.1 Relevance of the research**

The Philippine government needs to pay attention to processes that would realize the removal of conditions that perpetuate the cycle of poverty (Canares, 2008). The challenge to reduce the incidence of poverty in the Philippines is a major task which gained very minimal success over the years (Balisacan & Hill, 2003; Weiss, 2005). It is one of the deep-rooted problems of the Philippines which requires a multi-dimensional and coordinated solution (Van Wart, 2005). Empirical evidence suggests that many Philippine anti-poverty programs have been poorly targeted and that further research on the challenge to identify the constraints to high-quality growth is required (Weiss, 2005). This research gathered qualitative data on the money attitudes and behaviours of the resident women and volunteers in the “Gawad Kalinga” (GK - Give Care) communities of the Philippines as a factor that can reduce poverty incidence level. The GK community is a specific poverty targeting project in the Philippines initiated by a religious organisation, Couples for Christ and now under the “Gawad Kalinga”, a non-government organisation (Gawad Kalinga, 2009).

### **1.2 The research questions**

The following are the key research questions:

- What are the money attitudes and behaviours of the women in the Philippine GK communities?
- What are the effects of the money attitudes and behaviours of the women on their poverty?
- What is the effect of the the free housing benefit to the families of the Gawad Kalinga residents?
- What is the potential of the GK community as a poverty alleviation project?
- Has GK community life improved the outlook and motivated the residents to be productive and get out of the poverty trap?

### **1.3 Research objectives**

The research is both exploratory and descriptive. Data on the money attitudes and behaviours of the women residents were gathered to become baseline profile of the financial education requirements of a specific marginalized group in the Philippines. For many marginalized groups in Australian society, financial education is a barrier to their making effective decisions regarding the use of financial services, with knock-on effects in terms of personal well-being, income-generating opportunities and social inclusion (The Corporate Citizenship Company, 2006). The research has explored the money attitudes and behaviours of the women and volunteers of the GK communities to establish their money skills and ability. Their ability to make informed judgements regarding the daily use and management of money is argued as a factor in poverty reduction. The research has also looked into the correlation of their money skills to their geographical inclusion and community membership in a poverty alleviation project sponsored by Gawad Kalinga, a faith community converted into a non government organisation.

### **1.4 The Philippine Gawad Kalinga (GK – Give care) communities**

Bigman and Fofack (2000) p.xi, explained that majority of the developing countries are challenged by rising poverty and declining public resources. The poverty reduction programs need to be defined and specified as to target communities most needy of public assistance. The choice of criteria that can effectively identify eligible recipients is a factor in poverty targeting. The money attitudes and behaviours of women in the Philippine Gawad Kalinga (GK – Give Care) communities are utilized as poverty targeting tools in this research. In the Philippines, the Gawad Kalinga was created in 1995 by the Couples for Christ (CFC) as its arm for social ministries (Gawad Kalinga 2009). In the evangelization program conducted in a depressed community, the CFC service team realized that the social problems of the community were hindrance to the faith conversion of the youth. The youth had no regular meals and their houses were dilapidated. The service team began the project of repairing the houses of the youth participants of the Christian life evangelization program. The initiative became a poverty alleviation program that undertakes to combat the social and

economic issues of poverty in the Philippines. The GK approach to the poverty problem starts with the provision of houses to the poorest of the poor as evaluated and selected by the GK management in each area. The beneficiaries were required to attend values trainings and contribute their labor in the house constructions of a village of 25 families or more.

## **1.5 Outline of the thesis**

### **Philippine Global Challenges**

The money attitudes and behaviours of the Filipinos evolved from the time money was first introduced during the Spanish colonization era in 1521 up to the present. The political struggles of the Filipino people are depicted in the design of the Philippine money. The transition of the country from one colonizer to the next was captured in the uses and meanings of money in the colonial periods. The present poverty problem, as one of the Philippine deep rooted problems, evolved from the problematic historical uses of the Philippine money.

### **Literature Review**

The reviews of theory and empirical data are detailed in Chapter 3. The literature review is divided into four sections: 1) poverty targeting as a poverty reduction strategy; 2) social capital as a poverty alleviation factor; 3) money attitudes and behaviours as poverty targeting tools; and 4) public policy on money.

### **Methodology**

Chapter 4 discusses the research guiding concepts, demographic, design, tools of inquiry, ethical consideration and the limitations of the methods. The exploratory research is inspired by the capability theory of Amartya Sen and influenced by the 2008 ANZ Survey of Adult Financial Literacy in Australia.

### **Results**

The results are presented in three sections a) the framework of the adult financial literacy; b)

the monetary and community issues of the interviewees; and c) the qualitative money management profile of the GK residents and volunteers. The first section discusses the categories which serve as basis of the evaluation of the policy issues on the money attitudes and behaviours of the interviews. The categories were the community issues, budgeting attitudes and behaviours, the saving struggle experiences, credit awareness, quality of financial information and advice, livelihood strategies, health awareness, environment care, participation in community fund and gambling control. The second section presented the details of the issues and concerns of the interviewees regarding their daily money struggles in a community alleviation project setting. The third section provided details of the qualitative money management profile of the interviewees as to how they manage their monetary concerns and potentials as budget planners and savers, people with livelihood initiatives, level of credit awareness, trusted borrowers, environment and health care agents, participants of the community fund, future planners and the gambling tendencies. The public policy on the money issues were also presented and discussed.

## **Discussion**

The chapter on discussion presented the analysis on the objectives of the research and the questions that the study explored in the interviews. The chapter is composed of the analysis on the engagement of Philippine faith community and role of social capital in the poverty alleviation, the money attitudes and behaviours as poverty alleviation tools, the challenges of the Philippine public policy on financial education and the role of public action in financial education

## **Conclusion**

The conclusion is grounded on the reality that there is no “cure-all theory” of development. Instead, there are only pragmatic suggestions for individual cases. It outlines the potential of the “Gawad Kalinga” poverty alleviation project to help in the reduction of poverty incidence in the Philippine. It discussed the money attitudes and behaviours as just one aspect of the Philippine poverty issue. It highlighted poverty targeting as a form of empowerment

approach done by increasing the human capabilities. The empowerment approach requires the collective efforts of all stakeholders to promote the well-being of the poor and alleviate their status from poverty.

## **CHAPTER 2: PHILIPPINE GLOBAL CHALLENGES**

The chapter presents the global economic, political and social challenges of the Philippines. The first part is the history of the Philippine money as it evolved from the pre-colonial era to the present. The artistic designs of the Philippine money depicted the economic, social and political struggles of the Filipinos. The second part is the discussion of the Philippine deep rooted problems which includes the poverty issue of the Philippines. The poverty incidence in the Philippines is interconnected to the economic, political and social issues entrenched in the governance structure, cultural practices and individual experiences.

### **2.1 A critical history of the Philippine Money**

#### **The nation and its past**

History is meant to nurture new life and be a celebration of continuity (David, 2002). In this thesis, critical history is utilized to describe the history of the Philippine money. The historical uses of money have its impact on the present day money attitudes and money behaviours of the Filipinos. David (2002) warned that critical history is the most painful of the three kinds of history (monumental, antiquarian and critical) since it demands the ability to repudiate institutions, an entire way of life inherited from the past, a first nature given to us by tradition—in the interest of a new discipline that allows us to free ourselves from that which shackles us.

Philippine money are multi-colored threads woven into the fabric of the social, political, economic, cultural and economic life of the Filipinos (Bangko Sentral ng Pilipinas, 2010). From its early bead-like form to the paper notes and coins circulated today around the 7,107 islands, the Philippine money has been a constant reminder of the country's journey through centuries as a nation of people relating to one another and with other peoples of the world (ibid). The physical design and artwork of the bills and coins utilised in each era of the Philippine history depicted the struggles of the Filipino people. Money in its economic, political, social, religious, and cultural and other purposes translate into money attitudes and behaviours of the people. The money attitudes and behaviours of the Filipinos have arguably

contributed to the weak state, created corrupt politicians, built an elitist society, enriched religious orders and trapped millions of poor people to poverty.

### **Pre-colonial monetary conditions (before 1521)**

Kemmerer (1916) p. 246, mentioned “rice, coarse cloth, metal bells brought from China, silver wire rolled up like a wax taper from which pieces were cut equivalent to the value of the articles purchased, gold and silver by weight, and silver in pieces marked by weight”, as articles used as money in the Philippines in the pre-colonial time. Along with the wide use of barter and the extensive use of articles with the universal demands as money, there was evidence found that silver and gold coins circulated around the Philippine islands as early as the last quarter of the sixteenth century (Kemmerer, 1916, p. 247). Historical gold artefacts found suggested that the pre-colonial Filipinos had gold to trade with the merchants who came with variety of goods.

### **Money in the Spanish colonial era (1521 – 1897)**

Spain colonized the Philippines by using religion to maintain order and capture the obedience and submission of the Filipinos (Abinales & Amoroso, 2005, pp.48 - 49). After the excitement of discovery and the disappointments of the spice trade, the Spanish founded and administered their colony in the Philippines in the interests of religion rather than of commerce or industry (Jenkins, 1954, p. 1). The arrival of the Spanish colonizers in the Philippine islands started the use of money as the medium of exchange of goods (Bangko Sentral ng Pilipinas, 2010). The monetary situation in the Philippines then was chaotic due to the circulation of many types of coins, with differing purity and weights, coming from mints across the Spanish-speaking world (Legarda, 1976, p. 81). The minting of a silver peso was the final attempt of the Spanish government to standardized the currency in the Philippines. The Spanish-Filipino peso were legal tender in the islands until 1904, when the American authorities demonetized them.

Abinales & Amoroso (2005) described the flow of money during the Spanish era as one that favoured the religious friars and their middlemen. The political grandees profited from the

land grants or the storied galleon trade, but the Filipinos continued their ancient economic way of life (Jenkins, 1954, p.1). They were attached more servilely to the land, and subjected to the political domination of the cacique (local political boss), and they were absorbed completely in the fold of the Catholic church (ibid). The earnings of most families living in rural towns “depended on middlemen and markets, and their few cash expenses included church contributions, the tribute, and payments to tax farmers for entertainments such as cockfights” (Abinales & Amoroso, 2005, p. 80). Farmers faced an increasing need for money for birth, marriage, illness, and death (ibid). This led many small farmers who previously grew their own rice into export crop production which made them dependent upon purchased rice to feed their families.

Pressing needs of money led peasants to borrowing from those with capital through a “*pacto de retroventa*” (agreement of repurchase) system (Abinales & Amoroso, 2005, p. 81) . *Pacto de retroventa* loans were difficult to repay and were usually renewed and increased until the amount owed was far more than the value of the plot of land (ibid). Abinales and Amoroso cited the faster increase in the population than the land opened for new cultivation as the factor that forced many families out of the land they cultivated for generations due to debt or inability to pay rent. The dispossessed became seasonal wage laborers in export crop production, moved to cities, or made their way into hill communities or banditry, a process generating new outsiders.

### **Revolutionary peso period (1898 – 1899)**

The Philippine Republic under General Emilio Aguinaldo issued its own coins and paper currency backed by the country’s natural resources (Bangko Sentral ng Pilipinas, 2010). This was after the Philippine Declaration of Independence on 12 June 1898 to assert Philippine independence. The coins were the first to use the name centavo for the subdivision of the peso (ibid). The revolutionary peso ceased to exist after Aguinaldo was captured by American forces in Palanan, Isabela on 23 March 1901 (Legarda, 1976, p. 82).

### **American monetary system era (1900 – 1941)**

The Treaty of Paris signed 10 December 1898, officially ended the Spanish-American War and transferred the control of Cuba, Puerto Rico and the Philippines from the Spanish colonisers to the American rulers (Yale Law School, 2010). The American government paid US \$ 20 million to the Spanish government for the control of the Philippine islands (ibid). After the United States took control of the Philippines, the United States Congress passed the Philippine Coinage Act on 3 March 1903 (Bangko Sentral ng Pilipinas, 2010). The act established the unit of currency to be a theoretical gold peso which was equivalent to exactly half the value of a U.S. Dollar. Richard Hooley (2005) described a favourable Philippine macroeconomic performance due to the rise in agricultural productivity in the early years of the American period. Rice and corn yields doubled as a result of a government irrigation program undertaken from 1912 to 1925 (Hooley, 2005, p. 467) . Expanded agricultural output raised rural incomes that in turn stimulated growth of industries producing for the domestic market (ibid).

The positive effects of the concentration of fiscal expenditures on education and health was highlighted by Hooley (2005) as a significant achievement of the American administration. In 1940, Philippines had a literacy rate of 84%, a life expectancy of over 60 years and a secondary school enrolment rate of 50% well ahead of other Asian nations, including most in Southeast Asia (Hooley, 2005, p. 471). Hooley analysed that the advances in education and health, which improved the quality of labour had little impact on productivity due to the effect of other policies, e.g. income distribution. He commented that the full potential for productivity improvement was never achieved since there was no program for extension work such as pioneered by the Department of Agriculture in the United States.

Linking the peso to the dollar with a fixed exchange rate provided the Philippines with a stable currency facilitating foreign direct investment but created long term problems (Hooley, 2005, pp. 472 - 478). First, the rate adopted in 1902 appeared high since the Philippine current account remained in surplus only because of improvement in the terms of trade index from 1902 to 1940. Second, after 1930 all of the other Asian currencies in the region underwent substantial currency depreciation, leaving the peso, by 1940, highly

overvalued in terms of Asian currencies. This increased the colony's dependence on U.S. trade at a time when plans were made to make the economy independent of America. Hooley explained that the overvalued peso increasingly constrained GDP growth and provided implicit support for the import substitution strategy, a factor in the long delay of the Philippine shift to an export promotion approach. He cited a number of causes of retardation in macroeconomic growth that surfaced during the latter years of the American period carried over into the independence period that began in 1946. A shortage of infrastructure, inadequate fiscal revenues and stagnant productivity are just a few of the problems with roots in the colonial era.

### **The Japanese war notes (1942 – 1945)**

The outbreak of World War II caused serious disturbances in the Philippine monetary system (Bangko Sentral ng Pilipinas, 2010) . Two kinds of notes circulated in the country during the war, the Japanese war notes and the Philippine guerrilla notes. The Japanese Occupation Forces issued war notes in big denominations while provinces and municipalities issued their own resistance currencies, the guerrilla notes. Most of the guerrilla notes were sanctioned by the Philippine government in-exile and partially redeemed after the war. The Japanese-sponsored Second Philippine Republic under Jose P. Laurel outlawed possession of guerrilla currency and declared monopoly on the issuance of money and anyone found to possess guerrilla notes could be arrested. The Philippine economy felt the effects of hyperinflation because of the fiat nature (having no reserve) of the Japanese war notes.

### **Liberation and independence (1946 to present)**

The post-war liberation of the Philippines from American rule on 4 July 1946 was also the inauguration of President Manuel Roxas. In his inaugural address, President Roxas described the ugly social and economic aftermath of the war -- hunger, poverty, sickness, infrastructure damage and loss of lives (Jenkins, 1954, p.3). Jenkins (1954) acknowledged that the Americans could not escape the responsibility in contributing to the shambles of the Philippines. The Americans had inadequate defences and their liberation policy cost the

blood and devastated the properties of the Filipinos (ibid, p.4). The least that the Americans could do was give compensation of \$ 620 million embodied in the Philippine Rehabilitation Act approved 27 September 1946 (Jenkins, 1954; The ChanRobles Group, 2010).

Shirley Jenkins in her book "American Economic Policy Toward the Philippines" (1954, p. 4), a contribution to the series of studies on the relations of the United States with various Asian countries since World War II, described how the Filipinos utilized the war reparation money:

The American relief money . . . brought life and hope and a measure of joy to millions of individuals. It can be argued that the funds were frittered away on luxury goods, or consumer items, rather than intelligently invested in capital goods. . . . True, it brought opportunities for sharpers, gamblers, and big-time operators, political or otherwise, but the picture was not one of unrelieved waste and corruption. Nor should those in the Philippines who blame the United States now for not having been more severe in its restrictions forget the splurge they enjoyed on the come-easy American dollars. They needed relief, they got it, and they spent it, and then they demanded that their government look after the larger aspects of their social or community welfare.

Further, Jenkins (1954, p.5), analysed the consequences of the management of the war reparation money:

Prices were high, profits were pleasing, and jobs were good -- temporarily. The national cash position was strong, the banks were in an excellent position, abacá and copra made up for the losses in sugar, and the trends in building construction and gross sales seemed constantly upward. The rehabilitation program . . . contributed to the basic improvement of the economy of the entire Philippines. . . . The imbalance of international payments, the crisis in the national budget, the fundamental maladjustments in agriculture, and the lag in industrialization forced the Philippines to turn her eyes inward. Filipinos could justifiably complain about their inequitable historical economic heritage, but they

could not escape their own responsibilities. They were obliged to make decisions, in some cases harmonious with American interests, in some cases (like the re-examination of the Bell Trade Act) counter to expressed American policies. We in the United States may sometimes object to those decisions, but we must respect the right and the reason of those who made them.

A nation in command of its destiny is the message reflected in the evolution of Philippine money under the Philippine Republic (Bangko Sentral ng Pilipinas, 2010). The country used as currency old treasury certificates overprinted with the word "Victory" to celebrate the independence from the United States after the end of World War II (ibid). In 3 January 1949, Republic Act No. 265 created the Central Bank of the Philippines (now the Bangko Sentral ng Pilipinas) vested with all powers in the printing and mintage of Philippine currency (ibid).

The first currencies issued by Central Bank of the Philippines were English series (Bangko Sentral ng Pilipinas, 2010). In 1967, the language used on all coins and banknotes was changed to "Tagalog" ( a dominant Philippine dialect) (ibid). The "Ang Bagong Lipunan "(ABL – The New Society) series notes of the martial law years under the dictatorship of Ferdinand Marcos, were circulated starting 1978 (ibid). The term of the deposed dictator from 1965 to 1986 was the darkest period in the Philippine financial and political history (Abinales and Amoroso 2005, pp. 193 - 226). In 1983, the Philippine foreign debt ballooned to \$ 25 billion and was one of the ten most indebted countries in the developing world (ibid, p. 213).

A new design series of banknotes issued in 1985 replaced the ABL series in time for the transition to a new president of the country in 1986, the return to democracy under the term of President Corazon Aquino (Bangko Sentral ng Pilipinas, 2010). From 1992 to 2009, three more presidents came into power after the transition back to democracy. However, the cyclical development stagnating political, economic and social influences and factors have persisted (Abinales & Amoroso, 2005; Balisacan & Hill, 2003; Bello Docena et. al., 2005). In 2010 the country has elected a new president, President Benigno Simeon Aquino. Bangko Sentral ng Pilipinas announced the issue of a new series of banknotes and coins, starting December 2010. The new series with a new Bangko Sentral logo was issued to

prevent counterfeiting (Bangko Sentral ng Pilipinas 2010).

## **2.2 Global challenges of the Philippines' deep rooted problems**

### **The Philippine poverty reduction initiatives**

The policy efforts and actions in the Philippine poverty reduction initiatives did not yield substantial results or output. The deep rooted causes of the Philippine poverty problem have remained buried in the recesses of the system which render the past and present above the ground schemes ineffective and inadequate. Shifting trends of globalization has brought new meanings and challenges to the past colonization struggles of the Philippines. Globalised order is not only about the fusion of diverse cultures, or hybridization (David, 2002, p. 8). It is also about competition, diversity, and protectionism which limit choices of people (ibid). David (2002) emphasized the need of a state that is able to exercise creative and effective governance to defend the Filipinos from the homogenizing and alienating tendencies of globalization. An effective governance that does not simply fashion and execute laws but actively solvessocial problems to improve the quality of life of most Filipinos. The state needs to harmonize the efforts of government, the business sector, and civil society in ensuring that basic social services are efficiently delivered. Historically, there were many promising events <sup>1</sup> and the outcome of the 2010 election was one. However, events which promised political liberation and economic and social progress have remained just that: a promise(Bello, Docena, Guzman, & Malig, 2005, p. 1).

### **Population, an asset or liability?**

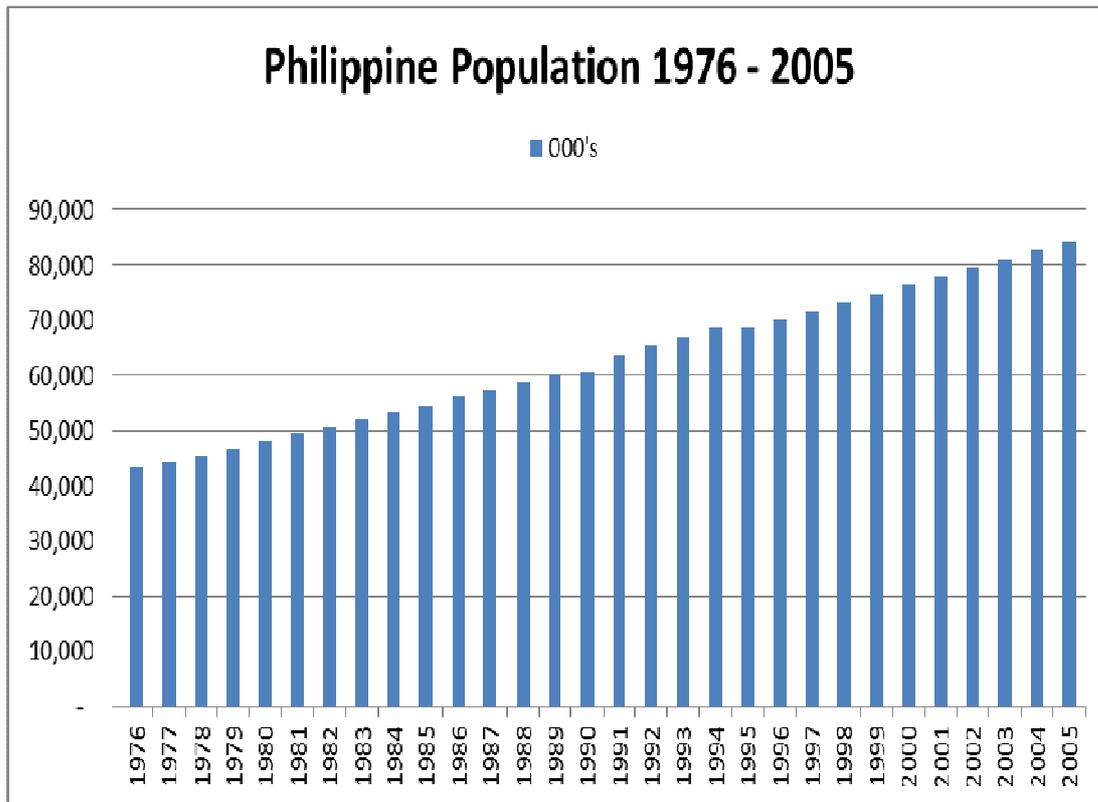
Population policy is a major issue that fuels friction between the influential Catholic Church and the Philippine government. The Catholic Church approves only the natural family planning method which hinders the government from issuing a clear population policy

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<sup>1</sup> The arrival of the American liberators in 1898 was a promise of liberation from the influences of the previous coloniser, the Spaniards. In 1972, the proclamation of Martial Law was a promise of a "New Society", a society of equal opportunities and economic development, which never happened. The 1986 People Power, which officially ended the Martial Law era was another promise of people empowerment which never delivered empowerment to the majority. These were all Philippine promising events which did not yield desired outcomes.

(Abinales & Amoroso, 2005, p. 296). Pernia (2003) argued that the lack of a clear and consistent population policy partly explains the anaemic economic growth and persistent mass poverty in the Philippines. The Philippine population was estimated as of July 2010 at 99.9 million, the world's no. 12 in the population ranking (Central Intelligence Agency, 2010; Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, 2009). This is projected by the United Nations Population Division to worsen to rank no. 11 by the year 2050 with a probable 146 million population. Growth trend of the Philippine population from 1976 to 2005 depicted a constant rise, with an average rate of 20.36 percent for the thirty-year period (Figure 2.1). However, the growth rate for the years 2003 and 2004 at 15.7 and 15.8 percent respectively are the lowest percentages in the period of reference. A declining growth rate increase is a positive development indicative of people's growing consciousness on population control.

Figure 2.1



The Philippine population was estimated at 43,338 (000's) in 1976 which ballooned to 84,241 in 2005 and was estimated at 99,900 as of July 2010.

Source : National Statistical Coordination Board. (2010). Population of the Philippines Census Years 1799 to 2007. Retrieved August 5, 2010, from [http://www.nscb.gov.ph/secstat/d\\_popn.asp](http://www.nscb.gov.ph/secstat/d_popn.asp)

## **The independent country with colonial roots**

Problems that beset the Philippines date back to the three colonisation periods – the Spanish, American and Japanese occupations. Hutchcroft (2008) discussed three key elements of the Philippine democracy endogenous to the US colonial era. First, patronage-infested political parties that rely heavily on pork-barrel public-works projects run through national legislators (Hutchcroft, 2008, p. 142). Economic elite of the Spanish-colonial era were transformed into a political-economic elite that continues to wield power today. Second, the colonial political system ensured exclusion of the masses and control by a national oligarchy nurtured by U.S. rule (ibid). The franchise was limited to a tiny electorate and did not begin to expand substantially until the late-colonial and early-postcolonial years. By this time, the dominance of the national oligarchy was so well-entrenched that challenges from below faced monumental odds. A third major legacy is the provincial basis of national politics, as influential provincial elites thrived in the national arenas established by U.S. officials. Finally, the strong presidency of the modern Philippines began with the emergence of the Philippine Commonwealth in 1935, when President Manuel L. Quezon presided over a weak National Assembly and enjoyed largely uncontested executive authority. Many of the apparently well-developed political, legal and bureaucratic institutions established in the wake of the American colonial era had shallow roots and could easily be manipulated by powerful political-business oligarchs (Abinales & Amoroso, 2005, p. 171; Balisacan & Hill, 2003, p. 4).

## **Filipino minds captured by religion and education**

The Filipino mind is held captive by the colonial mentality. The American colonizer's effective means of subjugating the Filipino people captured their minds (Constantino, 1966, p. 2). The Filipino was educated as a good colonial (ibid). Constantino (1966) highlighted the crucial role of education in the Philippines:

Education is a vital weapon of a people striving for economic emancipation, political independence and cultural renaissance. We are such a people. Philippine education

therefore must produce Filipinos who are aware of their country's problems, who understand the basic solution to these problems, and who care enough to have courage to work and sacrifice for their country's salvation.

Along the sphere of the lack of productive application of education theories in the Philippines ran the line of Constantino's criticism. The American imposition of public education was designed for the Filipinos to be Americanized in their outlook. The use of English as the only medium of instruction was argued by Constantino as all part of subtle but extremely effective "cultural" imperialism. However, in the globalized scenario a high level of competence of the English language is required in the current Philippine thriving business process outsourcing industry (Golez, 2007, p. 5). The practiced "free trade" during the colonial period and its later post-war imposition via the co-opted ruling elites perpetuated American dominance in all significant business and industries in the Philippines. It embedded the taste of the Filipinos for imported goods and culture practically killing any emerging native industrialization. America kept the Philippines mainly as a source of supply for agricultural products and strategic minerals which consequently resulted to the Filipinos losing the sense of national history, unity and national identity.

### **Issues that divide the nation**

In the process, after more than a century (1898 to present) of the same education system, the country as described by Abinales & Amoroso (2005), has remained divided socially – lack collective conscience (p. 184), culturally - with regionalistic tendencies (p. 293 – 294), politically - with the patron-client relationship (p. 169-170), and worst, economically - into few rich families and millions of poor people (p. 175). The Spanish colonisers successfully utilised religion to capture the Filipinos into submission to fate and faith (p. 267 and 289). The problematic Philippine land reform program traces its roots to the Spanish era which never gained positive outcome being contested by the oligarchs and unsuccessfully utilised by beneficiaries for production (Abinales & Amoroso, p. 2; Bello, et al., 2005, p. 43). Another major Philippine issue is the Mindanao peace and order problem between the Christians and Muslims (ibid). There has been a long series of negotiations which never came into total

peace and development of the war torn areas (David, 2002, p. 20).

### **Diaspora of Filipinos**

The economic, social and political outcomes of the education system have created the alternative of commodification of people. The oppression through economic difficulty and political instability has made millions of Filipinos decide to work in foreign countries where they find a better quality of life and political order (Abinales & Amoroso, 2005, p. 298; David, 2002, p. 6). Optimistically, Balisacan (2003) conjectured that the Philippines is best as services provider. The economic function of the labour export became a key factor in propping up the peso after the 1997 Asian financial crisis and the 2008 global financial meltdown (Bello, et al., 2005, p. 11). It is a fitting recognition of the sacrifices of the overseas Filipinos to be declared as Philippine “economic heroes.”(Abinales & Amoroso, 2005, p. 299; Arroyo, 2009). Their economic help can always be counted with their continuous stream of remittances (ibid).

### **The missing “strong” state**

The 2010 Philippine presidential national election result bannered a new promise. A promise of change, reform, and reconstruction anchored on the incumbent Philippine President election campaign slogan “Kung walang corrupt, walang mahirap” (If there are no corrupt individuals there will be no poor people) (BBC News, 2010). A “strong state” that promotes development and disciplines the elite and the private sector is missing in the Philippines (Bello, et al., 2005, p. 7). The absence of discipline is a missing piece in the development puzzle. The lack of discipline has bred and nurtured corruption and resulted to high incidence of poverty. Change, reform and reconstruction in the Philippines can only happen if the Filipinos can be counted on to fulfil the new promise. Education in the Philippines, in its complex role, has to be restructured to create at its best the most potent strategy to produce Filipinos who are change, reform and reconstruction agents.

**Conclusion:**

In the vision of Keynes, money is an expression of human society's capacity for self-transformation (Ingham, 2000). The Philippine money evolved and changed with the political transitions that the country underwent. The economic and social consequences of the political events impact on the lives of the Filipinos since the colonial years under the control of Spain, America and Japan up to the present. The theory of Viviana Zelizer on money (see chapter 3 for the discussion of the theory), as a key rational tool of the modern economic market and its existence outside the sphere of the market being profoundly influenced by cultural and social structures, is expanded in the Philippines. The history of Philippine money depicted influences by cultural, social, and political structures.

The Philippine governance faces a herculean task in the crafting and implementation of public policies to address the deep rooted problems of the country. The national issues date back to the colonial era which remained buried deep in the recesses of the state, entrenched in the culture and imbibed by the people in their way of life. The policy action is challenged by the structural and behavioral issues of the state and the people. The identified issues such as poverty, population, corruption, land reform, peace and order and others need the empowerment of the people. Empowerment to the people through wide choices of development of capabilities will have the potential of strengthening the weak structures of the state. The empowerment of the people will need the coordinated and collective action of the market, institutions, communities and individuals.

## Chapter 3: Literature Review

*Money never remains just coins and pieces of paper. It is constantly changing into the comforts of daily life. Money can be translated into the beauty of living, a support in misfortune, an education, or future security. It can also be translated into a source of bitterness. – Sylvia Porter ([http://thinkexist.com/quotes/sylvia\\_porter](http://thinkexist.com/quotes/sylvia_porter))*

This chapter will deal on poverty, poverty traps, and the poverty targeting strategy which will argue that the money attitudes and money behaviours are poverty trap factors. It also discusses how social capital, trust level, community cohesion and individual capability of the poor to manage money can impact on the poverty alleviation initiatives. The empowerment of the poor through financial education, policies and regulations collaborated by private institutions, government agencies, faith communities and individuals is also explored in this chapter.

### 3.1 Poverty targeting

The complexity of poverty requires reduction strategies that will encompass a wide range of interventions and policies (Edmonds, 2003, p. xxiii). Weiss (2005) p.1, defined poverty targeting as “the use of policy instruments to channel resources to a target group identified below an agreed national poverty line”. Poverty targeting, as a reduction strategy, will vary depending on the profile of the identified specific poor population, objectives, resources, programs, strategies, efficiency of past efforts (if any), political barriers, cultural and other factors (ibid).

#### Poverty in the globalised era

Poverty in the globalised era has remained a complex issue and as a major misery factor especially in poor countries such as the Philippines. The 2005 World Bank report showed that 1.4 billion people in the developing world (one in four) were living on less than US \$1.25 a day (The University of Manchester, 2011). From 1981 to 2005, the proportion of

people in Sub-Saharan Africa (SSA) living below \$1.25 has remained at 50% or 390 million people (ibid). As observed by many poverty researchers and theorists, poverty is a problem that will continually evolve and its reduction will remain as a priority global governance objective. Being a contested political concept, the understanding of poverty depends on the perspective of the people (Alcock, 2006, p. 2). Poverty is a multi-dimensional deprivation, not merely of income, but of capabilities, entitlements and rights (Hulme & Toye, 2007, p. 2). The material or economic deprivation depletes a person's dignity, esteem, health, opportunities and happiness (Oppenheim & Harker, 1996, p. 5).

Duncan (2007) interrelated the concepts of poverty and need. His basic description of poverty as some level of inability to meet one's own needs and those of one's dependents (Duncan, 2007, p. 255), simplifies the complexity of the meaning of poverty. He cautioned that the idea of 'need' is not specific which leaves 'poverty' subject to different definitions and measurements. He suggested the absolute and relative methods as two basic approaches to poverty measurement. Absolute poverty, the inability to maintain the bare necessities required for the maintenance of life, is quantified by assigning a poverty line (Duncan, 2007, p. 256). The poverty line depends on the economic costs included in the summation of essential goods required by a household to survive translated into a daily and monthly minimum income (Ibid). The relative dimension of poverty which is not captured by the absolute poverty approach will be the perspective of the 'relative poverty approach.' The 'relative poverty approach' defines and measures poverty in relation to a social norm of needs and well-being relative to the means and customs of the society concerned (Ibid, p.257). As discussed by Duncan, the two approaches are merely two perspectives on defining and measuring poverty as a common social problem.

### **Poverty traps**

The poor do not enjoy the freedom to live a flourishing life. The self-reinforcing mechanisms or "traps" obstruct and limit their capabilities to be productive. Azariadis and Stachurski (2005) identified the failures of market and institutions as the source of the self-reinforcing mechanisms or "traps" that act as barriers to poverty reduction. The failure of governance

and free market forces entrap people to poverty. However, Azariadis & Stachurski (2005, p. 2), argue that “sound governance and efficient free market forces may be able to revive the poor economies and catalyze their convergence but do not eradicate poverty at all.” A level of equilibrium in solving the continuum of the multifaceted deprivation remains elusive. There is no system available wherein individual behaviours leading to poverty traps and the inefficiency of poverty governance structures can be detected and corrected simultaneously.

On these seemingly hopeless poverty scenario, poverty alleviation theorists such as Yunus, Weber, Sen, Balisacan, and others offer their scholarly works to the pool of poverty reduction schemes. Yunus & Weber (2010) p.xiii, propose to create a poverty-free world by redesigning the system free from its gross inefficiencies and flaws which create poverty and “place poverty in the museums.” The proposal sounds too good to be true but fair enough as a positivist approach to the global poverty issue. Sen (2000) p.92, takes a more specific and realistic approach by specifying “basic foundational issues toward understanding poverty and deprivation in terms of lives people can actually lead and the freedoms they do actually have”. He points to the “important indirect linkage through which capability improvement helps both directly and indirectly in enriching human lives and in making human deprivations more rare and less acute” (ibid).

The traps of poverty differ for each individual, community and country being multifaceted and having evolved with trend and time. The odds are insurmountable. In the Philippines, Balisacan (2007) identified poverty alleviation targeting as one possible strategy. The process of poverty reduction targeting has to be a coordinated program where various groups will each focus on an assigned specific poverty trap. The government, private institutions, civil society groups, faith communities and other organizations are needed to contribute their competencies to a pool of interrelated strategies that simultaneously function to address the different and varied issues that entrap people in poverty. The well-being of a person is an individual effort that even in an efficient market and institution setting there are people who fall into poverty traps due to individual capability limitations.

From the definitions presented above, this thesis will argue that poverty traps originate from

failures of institutions and the market and from inadequacy and misuse of individual capabilities. This sub-section discusses the nature of the poverty traps, the market and institution failure and the deficiencies of the individual capabilities.

#### **a. Market failure**

The free market is an extraordinary prosperity tool but has brought with it worsening of social problems – poverty, disease, pollution, corruption, crime and inequality (Yunus, 2007, p. 5). Market failure in allocation theory, is the failure of a more or less idealized system of price-market institutions to sustain "desirable" activities or to stop "undesirable" activities (Bator, 1958, p. 351). The desirability of an activity, in turn, is evaluated relative to the beneficial effects of some explicit or implied maximum-welfare problem (Ibid). Benevolent social planners argue that “development can be achieved by the poor countries if only governments allow the market mechanism to function effectively—to get the prices right—and permit economic agents to fully exploit the available gains from trade which requires not just openness and non-distortionary public finance, but also the enforcement of property rights and the restraint of predation” (Azariadis & Stachurski, 2005, p. 2). The functioning of market mechanisms in the global era is not controllable by the government since economic agents act unpredictably that inequality can never be avoided. Poverty is the worst externality of market failure.

#### **b. Institution failure**

Poverty is an outcome of the deficiencies and inefficiencies of the different institutions created and established by people (Yunus & Weber, 2010, p. xii). Campbell (2004) p.1, cited “the influence of institutions to people’s action, shaping needs and decisions, by deploying their resources to achieve the institutional objectives.” The institutions, which include the state, legal systems, social norms, conventions and others, have a durability and logic of their own (Campbell, 2004, p.17). These institutions are determined endogenously within the system, and may be the direct cause of poverty traps; or they may interact with market failure, leading to the perpetuation of an inefficient status quo (Azariadis & Stachurski, 2005, p. 4).

An example is the inability of the financial institutions to fully serve the financial services requirements of the poor which has allowed loan sharks to thrive all over the world (Yunus & Weber, p. xii). The costs of the financial institutions' operation and technology maintenance expenses<sup>2</sup> are huge expenses to earn in their business transactions. The financial institutions have to recover these costs and also earn the desired profit margin to stay in business. The financial requirements of the poor are labour intensive and categorised by financial institutions as consumer or retail banking with little returns based on individual client basis. The profit oriented financial institutions, specifically banks, are focused on servicing the valued corporate clients which will yield wholesale and cost-effective returns. In most cases, loan sharks are categorised as valued clients and are being serviced by banks in their poverty trap lending operations.

The economic and political institutions that determine governance and other aspects of market interaction are difficult to reform (Azariadis & Stachurski, 2005, p. 4). Carruthers and Ariovich (2010, p. 17), explained that modern economies are now dominated by large, private organizations and the state has grown into large public organizations. Corruption remains pervasive which renders governance as inherently inefficient (ibid; Yunus, 2007 p.128). The vicious cycle of unreformed self serving institutional practices has blocked efficiency and common good outcomes. The resistance of norms and institutions to change is one reason why the outcome of liberalization and governance focused adjustment lending by the IMF has often been disappointing (Azariadis & Stachurski, p. 4).

### **c. Individual capability**

Sen (2000), p.90, advances the individual capability perspective in the poverty analysis to promote the understanding of the nature and causes of poverty and deprivation. He argues that attention of the analysis have to be shifted away from "means", particularly mentioned -

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<sup>2</sup> The operating expenses refer to all the expenses that financial institutions incur in their daily business operation such as rent of premises, salaries of officers and staff, interest paid on deposits, depreciation of equipments, advertisement and other expenses. The technology maintenance expenses refer to the costs of acquiring and maintaining the computer equipments, which include the automated teller machines, modems, computer terminals, and the application system software which are utilised for the 24 hour on-line banking operation.

income, to “ends” that people have reason to pursue and to the “freedoms” to be able to satisfy these outcomes (ibid). Income plays a major role in the individual capabilities that it enables the individual to pursue activities that will improve capabilities. The *capability improvement* will also lead to *greater earning power*. The link between *capability improvement* and *greater earning power* is crucial for the elimination of income poverty. Sen specifies “better basic education and health care” as among the factors that directly improves the quality of life and increases an individual’s capability to earn an income and get out of the income poverty trap (ibid).

Nussbaum, as cited in MacKenzie (2009) p. 528 and Riddle (2010) p. 345, specifies the basic and central human capabilities as —“life; bodily health; bodily integrity; senses, imagination and thought; emotions; practical reason; affiliation; other species; play; and control over one’s environment.” Riddle analyzes these capabilities as held to be constitutive of human flourishing while MacKenzie considers the approach as a list of universal capabilities- of what a person is “actually able to do and to be” (ibid). MacKenzie described Nussbaum’s core idea of human being as that of a “dignified free being who shapes his or her own life in cooperation and reciprocity with others” (MacKenzie, p. 351). The uniqueness of persons is captured in Nussbaum’s view of human being “as having worth as an end, a kind of awe-inspiring something that makes it horrible to see the person beaten down by the currents of chance and wonderful, at the same time, to witness the way in which chance has not completely eclipsed the humanity of the person”(ibid).

Inadequacy and misuse of human capabilities have often been the underlying cause of poverty and inequality. According to Yunus and Weber, “every human being has the capability to take care of himself or herself and also to contribute to the well-being of the world as a whole” (2010, p. xiii). This utilitarian approach has overlooked what Sen (2000) have argued as specific individual social and economic factors (basic education, elementary health care, and secure employment) which enable people to capture the opportunity to live a flourishing life. The social and economic factors will determine the capability of each individual to act and respond to any situation. It can be argued that Yunus and Weber (2010) are referring to the delayed responses of people who tend to wait for disaster situations

before taking social roles demanded by human compassion.

### **Poverty incidence in the Philippines**

The 2006 Philippine distribution of family income or Gini index was at 45.8 which ranked 38<sup>th</sup> most unequal among 135 countries (Central Intelligence Agency, 2010). Inequality in the distribution of family income in the Philippines as indicated by the index is very high. Income distributed with perfect equality will have an index of zero (ibid). A more current independent study by the Philippine Social Weather Stations conducted in June, 2010, showed that at least 9.4 million families, about 50 percent, considered themselves to be poor, up from 43 percent or 8.1 million in March 2010 (Agence France-Presse, 2010). The survey asked the families to choose between two cards: poor or not poor without qualifying why they feel poor (ibid). The result came despite figures showing that the Philippines recorded a 7.9 percent economic growth rate in the first half of 2010, its best half-year growth record in more than 20 years (Bangko Sentral ng Pilipinas, 2010). The figures were significantly higher than the government's latest poverty study in 2006 showing that 32.9 percent of the population or 27.6 million Filipinos have annual income below the absolute poverty indicator of PhP15,057 (NZ \$ 456.27) (National Statistical Coordination Board, 2010).

The 32.9 percent poverty incidence level reported in 2006 is only the average in the entire Philippine archipelago. Poverty incidence level actually differs in every geographical location in the Philippines. The war torn remote province of Tawi tawi registered the highest poverty incidence level at 78.9 percent. This means that 8 out of 10 families in the province of Tawi tawi are poor. Tawi tawi and five other provinces of Mindanao, the third largest island of the Philippines, are among the ten poorest provinces of the Philippines (Table 2.1). Mindanao has been struggling with the long standing conflict between Christians and Muslims in the island, a religion struggle fuelled by political and economic factors. The peace and order problem has caused the economic development stagnation of the region known as Autonomous Region of the Muslim Mindanao, the geographical location of three of the ten poorest provinces of the Philippines.

Table 3.1  
2006 Ten poorest provinces in the Philippines

Province	Region	2006	
		Poverty Incidence	Rank
Tawi-tawi	ARMM *	78.9	1
Zamboanga del Norte	IX *	63.0	2
Maguindanao	ARMM *	62.0	3
Apayao	CAR	57.5	4
Surigao Del Norte	CARAGA *	53.2	5
Lanao del Sur	ARMM *	52.5	6
Northern Samar	VIII	52.2	7
Masbate	V	51.0	8
Abra	CAR	50.1	9
Misamis Occidental	X *	48.8	10

Poverty incidence in these provinces refer to the proportion of families with per annual per capita income below the absolute poverty threshold in each province. The annual per capita poverty threshold differs in each province due to social, economic and peace and order variables. The Philippine national average is PhP 15,057 (NZ\$ 456.27) while that of Tawi-tawi is PhP 14,765 (NZ\$ 447.42) and the other provinces have their respective poverty threshold.

\*Located in the Mindanao island of the Philippines

Source: National Statistical Coordination Board (2010)

Table 3.1 2006 Ten poorest provinces in the Philippines

## Poverty targeting in the Philippines

The colonial mind of the Filipinos and the weak state have rendered the Philippine deep rooted problems, such as poverty, empirically impossible to solve in the context of term goals such as the United Nations' Millennium Development Goals (Remo, 2010). Corazon Soliman, the incumbent Philippine social welfare secretary, reported that the Philippines cannot meet the poverty reduction target as projected by the United Nations by the year 2015( *ibid*). There is no magic decade and a half (2000 – 2015) formula to solve the multifaceted complex Philippine poverty issues. As suggested by Philippine scholars and other theorists, the problems can be more effectively addressed by targeting specific geographical areas and communities (Balisacan & Hill, 2007; Stern, Dethier, & Rogers, 2005). The 2006 Philippine official poverty statistics for the basic sectors showed that the women had the second largest poor population at 12.8 million and with the children as the highest poor population at 14.4 million (National Statistical Coordination Board, 2010). As a representative sample of the poor women in the Philippines, the women of the Gawad Kalinga villages are the subject of this research on poverty targeting.

As claimed by Dinham (2009), the interest in faiths had waned in the past but there was a resurgence of interest in faiths as a public category in UK over the last two decades. In the Philippines, religion or faiths has never lost its influence (Abinales & Amoroso, 2005 p. 267-268). It is the powerful force that moves the people as evidenced by the 1896 Revolution against the Spanish colonizers and the 1986 EDSA people power revolt to remove from office the then dictator president Ferdinand Marcos (*ibid*, p.12). Religion is the breeding ground of the Philippine social capital as the religious institutions are most trusted and its organisations highly participated by the Filipino people (Abad, 2004). Abinales & Amoroso noted that whatever the substance of practiced religion, the strong presence of religious themes is a distinct characteristic of Philippine politics (*ibid*). It has been an *access* to better governance since the time of the Spanish colonizers. In the 1890s, Filipino priests bolted out the Spanish controlled Church to better serve the needs of the 'revolution' through the Philippine Independent Church (*ibid*).

In the Philippines the “perspective of faiths whose involvements are motivated from policy-makers, tradition to tradition and from one worshipping congregation to another” (Dinham, 2009 p.7) is present, alive and very influential. Two major religious groups, the Catholics and Iglesia ni Kristo are important forces in Philippine politics (Abinales & Amoroso, 2005 p.12). Religious actors, such as the cardinals of the Catholic Church, the elders of the Iglesia ni Kristo, and the *imams*<sup>3</sup> of the Muslim communities, are among the most powerful social forces and have at times participated in the state building. Dinham (2009) advances the policy perspective that views faiths as the pool of resources which are useful to the community, institutions and government. The faiths' collective resources – human capital (staff, volunteers, members); social capital (network of trusts and reciprocity); physical capital (community buildings and venues); and financial capital (collections, subscriptions, donations) provide “a whole range of new opportunities for faiths to contribute and engage in public spaces” (Dinham, 2009 p. 8). The strength of the Philippine civil society depends on the relationship between government and faiths and between faiths and the public. Dinham identified that the “policy aim of faiths engagement is to provide services, build community cohesion and improve governance” (ibid).

Dinham (2009, p. 8), further explained that it is common that “faith-based community activities have an arms’ length relationship with the worshipping communities associated with them”. The Philippine “Gawad Kalinga” or GK (Give Care) is a classic example of a faith-based project which started as an initiative of the Catholic family renewal movement Couples for Christ which became a non government organisation as it grew and expanded (Rieta, 2010). In this thesis, the women and volunteer workers of GK communities are featured as a specific group whose money attitudes and behaviours were put into the research lens as poverty traps and poverty alleviation tools. The GK communities’ residents have attended adult values re-orientation seminars, workshop on constructive citizenship and nationalism, virtues and spirituality in action talks. The GK communities also operate interactive early childhood learning centres. Re-educating the adults and nurturing the children to become dynamic thinkers and proactive nation building Filipinos are imperative

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<sup>3</sup> Imam is a muslim prayer leader (Abinales & Amoroso, p.12).

initial steps towards creating a globalized “nationalism” in a countrywide scale.

### **3.2 Social capital and poverty**

#### **Trust and empowerment**

Trust is a positive expectation of fulfilment of obligations as agreed and promised. O’Hara (2004) considers trust as a social cohesion factor. Trust can foster solidarity even “with only basic agreement and minimal emotional contract between people or with very few authoritative institutions” (O’Hara, 2004, p. 59). Trust as an integrative force is built through “shared values and norms of behaviours” to counter the individualistic tendencies of modern society (ibid). The process of redistribution of wealth from rich to poor requires institutions that will enforce social justice to protect freedom and privacy and to restrain self-interest. The Philippine weak state is in dire need of the “three functions of trust” as described by O’Hara. Trust has the “integrative force, promotes cooperation, and reduces complexity” (O’Hara, 2004, pp. 59-64).

The first function of trust, the social integration of Talcott Parsons (1902 –79), claims that “trust can bring individuals together when shared values are embedded in institutions” (O’Hara, 2004, p. 62). Trust can motivate people to work towards a common goal hence foster unity in a society. The motivation to work for a common goal in a high level of trust society will inspire people to give their best efforts, share their expertise and contribute ideas for the common good. These human actions can be collectively classified under the second function of trust, cooperation. Trust promotes cooperation, often in our interest and on other people’s motivations to help or cooperate (Ibid, p.64). Niklas Luhmann (1927-98) conceptualized the function of trust in reducing complexity of transactions between parties. The trust and cooperation of people will facilitate the reduction of complexity of human interactions. The seemingly simple trust functions carry complexities. The differences in an individual’s capabilities to participate towards a common goal, cooperation and facilitation of fast decisions and actions determine outcomes. The trust functions are best achieved in smaller units, groups, associations and institutions. In the Philippines, people strongly trust

the family members, kin and the faiths communities (Abad, 2004, p. 50). Outside the family clan trusted circle, there is that element of distrust based on experience and past interactions (ibid). As members grow in number, the workings of the trust functions will vary according to leadership, motivation, rewards and collective benefits. Countries with high population, such as the Philippines, face a herculean challenge to build the much desired high trust environment to develop the social capital that will promote social justice to reduce high incidence of poverty. In many cases, people will tend to become individualistic and prioritise self fulfilment above the common good.

The bonding within the family creates trust among the family members. Duncan (2009) p.1, traces the acquisition of “the ability to trust and the expectations under which we learn to trust in infancy and childhood.” The family environment provides the basic conditions for the child to trust and experience interactions that will influence the manner an individual trusts and distrusts others (ibid).The family leaders reaches out to other families to bridge differences and work towards cooperation. The bonded and bridged cooperative families will link to similar communities to create a linked society or country. Woolcock (2001), as cited in Gilchrist (2004) p. 12, categorises relationships between friends and family; common interests between neighbours and colleagues; and connectedness between unknown people and organisations into bonding, bridging and linking types of social capital. The community cohesion created from bonding, bridging and linking which are then translated into a high level of trust is a solid foundation of social capital. A high level of trust is empowering. It can be argued that the building of a high level of trust in the Philippines will foster 'real development', promote 'real nationhood' and eventually reduce the incidence of poverty. A 'strong state' is developed and sustained by a high level of trust environment promoted and maintained by the social cohesion of a network of constructively functioning families, communities, institutions and organizations.

### **Role of social capital in poverty alleviation**

Kroll (2008) cited the increasing relevance of social capital in the research on poverty reduction. He cited the “World Bank Social Capital Initiative” which is being developed to

enhance development effectiveness in the multidimensional approach to understand the causes, manifestations and outcomes of poverty (Kroll, 2008, p. 64). Poverty is one of the negative externalities of capitalism. The unequal distribution of resources and wealth has created a mass of excluded and marginalized population in economic deprivation. Weber (1904 - 1905) attributed the rise and development of capitalism to the sectarian Protestants' culture of individual moral character, trustworthiness and creditworthiness (Duncan, 1998, p.2) This set of protestant values (promoting economic prosperity, upward social mobility, and honesty) adopted by various voluntary associations in their ethics and business world networks was crucial to the rise of modern capitalism. However, as emphasised by Duncan (1998) the values which originally fostered capitalism, such as honesty and thrift, tend to deteriorate due to individualism of capitalist enterprise. It can be argued that the undermining of the originally rigorous Protestant ethics is a factor in the present global poverty issues.

Fukuyama (2000) p. 26, designates social capital as the capability that emerges from the high level of trust in a society or in its sectors. Social capital is created in the family, the nation and all other groups through religion, tradition, or historical habit (ibid). Putnam (2000) p.135, refers to social capital as "the collective value of all 'social networks' and the inclinations that arise from these networks to do things for each other." Kroll (2008) p. 61, describes Putnam's social capital theory as a "communitarian view" since it emphasizes on social cohesion. He emphasized the societal dimension of social capital as central to the theory of Putnam (ibid, p. 62). He further cited the dynamic effect of an individual's civic engagement<sup>4</sup> to other people and to the community as a whole. The high level of trust of Fukuyama's theory is the outcome of the social cohesion emphasized by Putnam's theory.

As noted by Duncan (1998), social organisation and cultural values are theoretically linked with economic activity. He also described the observation of Alexis de Tocqueville (1946) that a thriving community life in a range of voluntary organisations was vital for the development of American democracy. In the perspective of Weber and Tocqueville,

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<sup>4</sup> Kroll (2008) p. 62 explains civic engagement as the individual's membership in organizations, sports club, and participation in social networks.

economics should be understood in the context of the 'social capital' (Duncan, 1998, p. 3). The socio-cultural factors influence the types of economic transactions and affect their success and their efficiency. The influences of the socio-cultural factors that promoted capitalism and created poverty can be utilised to reverse the negative externalities. The reversal depends largely on the roles of market, the institutions and the global communities in the sphere of 'global social capital'. The commonality of objectives, synchronization of actions and coordination of efforts for a sustainable resolution to eradicate poverty are elusive scenarios. The elusive poverty eradication can be gradually achieved by targeting specific communities at a time by different groups of a global team, such as the World Bank, the governments and other institutions working simultaneously towards a poverty-free world (Weiss, 2005, p. 29).

Proper management of social resources and benefits is essential to create a productive community. A productive community can help promote equality and alleviate the marginalized individuals. Castiglione, Van Deth and Wolleb (2008) p. 24, enumerated six typical forms of social resources and benefits:

access to information and a certain kind of social life through relationships; the readiness of actors to become trustfully involved in risky ventures with other actors; the production of support, help, and solidarity; the availability of social control and a certain level of attention to the fate and action of other members of an entire network (or a system of social relations), like in the family, among relatives or in the neighbourhood; a climate of trust in the network, like among colleagues at a research institute; and the validity of norms, values, and morality within a group, organization, or society.

The first three kinds of resources and benefits strongly depend on individual and intentional efforts which are almost like private goods that can be used when needed (Castiglione, VanDeth, & Wolleb, 2008, p. 25). The other three resources and benefits are collective phenomena and represent collective goods since these cannot be achieved by isolated individual intentional efforts. The dynamic collaboration and coordination of the market, institutions, faiths communities, government and individuals in the governance of social

resources and benefits can alleviate poverty and eventually achieve well-being for the majority.

### **Social capital in the Philippines**

Dinham (2009) advances the idea that policy regards social capital as the bedrock of community cohesion and faiths as its effective agents. In the Philippines, the separation of the church and the state is embodied in the constitution under Article II, Section 6. Religion and state can neither be identified nor kept totally separate (Parekh, 2008, p. vi). There is a need to establish a working relationship between religion and state to foster cooperation and coordination while maintaining independence and distance (ibid). However, the faiths in the Philippines have always acted as agents of social capital, though subtle, in the faiths' lay organizations. A survey on the Philippine social capital conducted by the Social Weather Station (SWS) in 2001 showed that Filipinos are more likely to participate in organizations that relate to the private realm of religion (35%) and sports (19%) than in groups that relate to the realm of economics and politics (11%) - the realm that directly relates to improvements in material life (Abad, 2004, pp. 26 and 51). The 2001 SWS or International Social Survey Programme (ISSP) national survey, administered to a random sample of 1,200 Filipino adults aged 18 years and over had a sampling error of +/-3 percent. The survey also showed that Filipinos bestow their highest trust to churches at an 8.5 mean trust score (Abad, 2004, p. 47). The mean trust scores range from 0 to 10, with 0 standing for "least trust" and 10 standing for "most trust" (ibid).

Table 3.2 Percent distribution of frequency of participation in organizations – Philippines

**Table 11. Percent Distribution of Frequency of Participation in Organizations by Type of Group - Philippines, SWS September 1-18, 2001 Survey**

Frequency of participation in the past 12 months	People sometimes belong to different kinds of groups or associations. The list below contains different types of groups. For each type of group, please tell me whether you have participated in the activities of this group in the past 12 months.						
	Political party	Trade union or professional association	Church or religious group	Sports group	Charitable organization	Neighborhood group	Other associations
<i>Member</i>	11%	7%	35%	19%	13%	18%	12%
Attends meetings more than twice	3	2	13	6	4	5	4
Attends meetings once or twice	4	3	14	7	5	8	4
Belongs to, but never participates	4	2	8	6	4	5	4
<i>Non-member</i>	89	93	65	82	87	82	88
Total (N)	100% (1,200)	100% (1,200)	100% (1,200)	100% (1,200)	100% (1,200)	100% (1,200)	100% (1,200)

Source: Abad, R. (2004). *Social capital in the Philippines: Results from a national survey*. Quezon Philippines: Social Weather Stations.

Table 3.3 Mean Trust Scores to Selected Institutions - Philippines

Table 22. Mean Trust Scores to Selected Institutions - Philippines  
SWS/WVS July 9-27, 2001 Survey

Institution	Mean trust score
Churches	8.5
Environmental protection movement	6.7
Women's movement	6.6
Armed Forces	6.6
Television	6.5
Press	6.3
Civil Service	6.2
Police	5.8
Congress	5.7
Major companies	5.5
Labor unions	5.4
Government in Manila	5.1
Political parties	4.8

Note: Mean trust scores range from 0 to 10, with "0" standing for least trust and "10" standing for most trust. The original categories were "a great deal," "quite a lot," "not very much," and "none at all."

Source: Abad, R. (2004). *Social capital in the Philippines: Results from a national survey*. Quezon City, Philippines: Social Weather Stations.

The low participation of the Filipinos in the political organizations indicates a low level of trust. The high level of participation in the church validates the high mean trust score of the churches. It can be argued that faiths communities in the Philippines have the potential to be effective agents of social capital development since Filipinos trust and participate more in the faiths' leadership and activities. The Philippine faiths communities typify the theory of Parekh (2008) that religion provides a valuable counterweight to the state, and nurture sensibilities and values that the state ignores or suppresses. The weak Philippine state is compensated by faiths communities by providing 'an alternative source of morality and fundamental human unity' (Parekh, 2008, p. vi). The Filipino faiths communities have the capacity to build trusting relations as the survey result revealed. The trust relations can potentially "reconcile individuals and communities, heal wounds, nurture self-esteem and put together broken and despondent selves" (Parekh, 2008, p. vi).

A state-religion partnership in the Philippines or the simple faiths communities' active participation can potentially improve outcomes in poverty alleviation and other social capital development projects. Gaventa (1998) considers participation as a process which is regarded as "a powerful vehicle for social inclusion and for mobilizing new energy and resources for overcoming poverty". Participation is difficult to achieve (Dinham, 2009, p. 170) especially in the Philippines where the elected officials are mostly from the oligarch families who do not enjoy a high level of trust from people. It is clear that the "faiths and the state differ radically in their approaches to life, but their spheres of activity overlap" (Parekh, 2008, p. v). The state has a legitimate interest in the social consequences of the beliefs and practices of the faiths communities (ibid). The faiths communities on the other hand have a moral and spiritual interest in the social consequences of the policies, decisions and actions of the state.

The faiths organizations in the Philippines have had participations in the country's governance. This is often indirectly done through the pulpits of the religious sermons on Sunday services where political choices are implied in the spiritual teachings. The crucial events which depicted faiths as visible and influential in the governance issues of the Philippines were the 1986 EDSA people power revolution and the use of the parliament of

the streets to rally on issues that directly run counter to theological teachings of the faiths such as human reproduction control strategies. The Philippine government has utilized the faiths communities and trusted leaders in the national and local elections, negotiations with rebel groups and appointments to key positions in the government. The Parish Pastoral Council for Responsible Voting (PPRCV) was a joint effort of faith communities to safeguard the integrity of the successful first ever electronically processed 2010 election proceedings in the Philippines (PPCRV, 2010). The present Secretary of Education Bro. Armin Altamirano Luistro is a Filipino De LaSalle Brother, a priest in the cabinet of President Benigno Aquino III (Department of Education, 2010). If it is a coincidence, the priest as education secretary can be viewed as a packaged leadership in the vital department of education. As discussed, religion and education were the capturing devices of the colonizers to subdue the minds of the Filipinos. The present religious secretary of education has the access to the two institutions that best influence and capture the minds of the Filipinos to develop the required trust relationships and network of trustworthy institutions through religion and education.

On the poverty issue requiring participation, the faiths in the Philippines are doing their own initiatives to set up and manage poverty alleviation projects such as the Gawad Kalinga free housing to families in the poor villages. Dinham emphasizes policy relating to governance – the re-engagement of a society of individuals considered to have lost interest in the processes of decision-making. Dinham suggests to include more people, including faith groups, in decision-making. The Gawad Kalinga develops and utilises the strong family relations or strong kin ties to promote community cohesion as bonding capital, builds the much needed bridging capital through partnerships with private institutions and ultimately links GK villages all over the Philippines Putnam (2002) pp. 414 – 415, in his review of social capital trends in eight advanced countries, has observed a “growing inequality in the distribution of social capital”. The evidence kept mounting: people who trusted more, joined more and bonded more tend to come from the ranks of the privileged (Abad, 2004, p. 51). In turn, people least likely to trust more, join more, and connect more find themselves in the fringes of society, short of human capital and lacking access to financial capital (ibid). The

penalty for diminished social capital is social exclusion. Efforts to involve the poor and powerless in building social capital can help reduce or eliminate these disparities. If these efforts also succeed in altering the ways in which the larger society distributes scarce goods, then these disparities can be held in check for a longer period of time. Other things being equal, people with limited social capital will have lower life chances compared to those who are better connected. The task of change will thus come from expanding social capital at the bottom, and shaking the “other things” from above so that the system can dismantle its strategies of exclusion.

### **3.3 Money attitudes and behaviours**

#### **Money driven global communities**

The member countries of the Organisation of Economic Cooperation and Development (OECD) have already discussed in their 2001 Luxembourg conference strategic monetary plans for the next few decades expecting the emergence of novel, virtual forms of money and credit (Organisation for Economic Co-operation and Development, 2001). New forms of money and credit could be created by technological breakthroughs and some dramatic economic and social changes. In the global era, people have the option to use money in its physical forms or the invisible state in the virtual digital sphere. The use of money in the digital dimension is technology-driven, vulnerable to connectivity efficiency and technological security risks. The OECD expressed concerns that new forms of money will encourage anti-competitive behaviour, exacerbate exclusion and inequality, foster economic volatility, facilitate criminal activity and retard the effectiveness of macroeconomic policy (ibid). In non-member countries like the Philippines, where technology is not widely available, goods and obligations are still mainly paid in bills and coins. The mentioned negative effects of digital money raised by the OECD are likewise current policy challenges in the Philippines despite the mainly crude money circulation system in the country.

Ingham (2002) described money as a token claim to goods. This is a timeless description of the universal use of money as an instrument to gain entitlement to goods. The main

objective in the creation of money is the dynamic social and political interaction between the issuers and users of money (Ingham, 2002). Money moves in the freely evolving global environment and structures with constantly changing factors vulnerable to the purposive economic, social and political actions of men. The social and political relationships create the monetary *space*, a *social* sphere in which *impersonal* exchange takes place (ibid). The credit theory of Ingham (2002) argues that such social and political spaces cannot be constituted *exclusively* by the exchange relations of economic agents. He argued that this socially constructed space existed prior to the creation of market, without money there can be no market. A specific feature of money is the projection of abstract value through time. This makes possible the endogenous creation of money through debt and capitalist financing. Ingham warns that money in whatever timeline, form and sphere requires authoritative foundations, some autonomous social and political foundations. He explained narrowly that “market money” whether a 16th century bill of exchange or today’s e-money remains embedded in and restricted by its economic network and is, consequently, only as viable as the network itself.

The concentration of money in few social spaces has created vulnerabilities, exclusions, inequalities and unrest. Accumulation of money in few social spaces is made possible by a lot of strategies. The ingenuity of money-smart people who have the keen business sense can fill their private social space with so much money. However, there are people who filled their social spaces with money through their political influences. Further, there are people who wield their economic power to siphon money out of the circulation sphere which limits the access of others to the market competition. The latter can leave out many without opportunities to a fair share in creating money enough to obtain goods for their daily basic needs.

### **Inequalities created by money**

Simmel (2004) described the structure of society as totally independent of persons with the present-day society built upon the fact that some possess no money at all (lowest), others save something (middle), a third class can live permanently from its interest (highest strata).

The quantity of money that an individual possesses is utilised as an economic measure of the social status of people. The unjust state of affairs has come about through a just victory in competition, a victory of the more cunning, of the shrewd, or even the more unscrupulous (Simmel, 2004). Hart (2001, p. 77), lamented that money has changed everything and became the driving force of an increasingly unequal society. He observed that the twentieth century society has been based on impersonal economic institutions that made most people feel largely powerless (Hart, 2001, p. 319). The inequalities that the possession of money has created will persist and create more marginalized people which require policy action and intervention.

Money, as a “token” claim to goods, is subject to the initiatives, discipline, regulation, monitoring and stewardship of men. The inequalities created by the flow of money from individuals to institutions to the rest of the global community require the common sense, intelligence, prudence and discipline of men. In its plain paper and coin form money is harmless. It is in the process of exchanges that men of different intentions use money that money becomes an instrument of inequality and destructions. From the time money was originally used to the present global era, it can be argued that it has created a lot of economic and social problems more than the solutions it offers (Hart, 2000). The uses of money embedded in all aspects of existence cannot be replaced by any other form of exchange. The lack of a standard of form of exchange will cause chaos and inconvenience which is unwelcome to majority of the global communities. There is urgency for understanding, compromise, collaboration and networking of efforts to attenuate the inequalities created by the use of money.

### **Money attitudes and behaviours as trust factor**

Bourdieu (1986), as cited by Dinham (2009) p. 101, analyzed how economic capital interacts with wider social structures and processes and converted into cultural and social capital in ways which reproduce inequality. Economic capital is the source of cultural and social capital (ibid). Bourdieu considers social capital as a multiplier for economic and cultural capital

while being created and maintained by the conversion of the two forms in 'the unending effort of sociability' (ibid, p.103). The economic capital operates, thrives and fluctuates in the endless interactions of people facilitated by the exchange of money and claim on goods. Money is the lifeblood of the sphere of economic capital. Money circulates as the means to bond, bridge and link families, communities, institutions and organizations. The attitudes and behaviours of people towards money are key elements in the economic continuum which have created the inequalities in many countries.

Trust is a social privilege bestowed upon people and institutions that will guarantee smooth flow of transactions. Trust is built up over time and sustained by the promise that the present words and actions will be valid and visible in the future words and actions (Duncan, 2009, p. 1). The trustworthiness of the money attitudes and behaviours of a community facilitates economic transactions with ease, promotes opportunities and fosters development. Prudence, transparency and accountability on money management can promote social cohesion and trust - qualities that help reduce corruption, reinforce government, project its performance, and provide a conducive environment for reform with effectiveness and economic growth (Narayan, 2002, p. 4). Trust is earned by people who are frugal and spend their money wisely. Credit worthiness is developed by people who give full, accurate and timely disclosure of required financial information. Integrity and honour is vested on individuals who bears and answers for the consequences of financial decisions and actions.

### **Money as instrument of capabilities**

People will have to earn money to gain a claim on the basic needs of existence. The earning of money depends on the capabilities and the range of options available to individuals. Some are highly educated, industrious, creative, innovative and resourceful. However, there are people who either by choice, by default or by circumstances are deficient of the capabilities to earn sufficient money to buy their basic needs and hence fall into the capability poverty. The Philippine weak state can be argued as one which can only provide limited opportunities to the poor causing 'opportunity deprivation or opportunity poverty'.

People may have unutilized capabilities due to lack of opportunities. Capabilities will always require the availability of opportunities to become useful tools of existence.

Sen (2000) argued that poverty must be seen as the deprivation of basic capabilities rather than merely as lowness of income. Lack of income or money is a principal reason for a person's capability deprivation but income is not the only instrument in generating capabilities (Sen, 2000, p. 87). Sen believes that low income and low capability varies between different communities, families and individuals. The relationship between income and capability is influenced by the demographics of individuals, families, and communities. Age, gender, social roles, location, epidemiological atmosphere, and other parametric variations over which a person may have none or only limited controls are important (ibid p.88). The poor are more vulnerable to events they cannot control (Azariadis & Stachurski, 2005, p. 10). They are less able to diversify their income sources and more likely to suffer from famine, violence and natural disasters (ibid). They have lower access to credit markets and insurance, with which to smooth out their consumption. Their children risk exploitation, and are less likely to become educated.

### **Money and Filipino women**

Money is utilized in the social spaces of bonding, bridging and linking of people. Zelizer (1997) explained how people create controls and establish "ear-marking" of money for specific purposes. For every social interaction, there is a corresponding ear-marked money such as "marking rites of passage" where people give 'fees, gifts, donations at weddings, funerals, baptisms and Bar Mitzvahs" (Zelizer, 1997 p.26). In the working class households, it is a typical assignment of wives as family cashier (ibid, p.38) although in modern era households of earning spouses the family expenses are shared according to agreement. Zelizer assumed that "money is the vehicle for an inevitable commodification of society" (ibid, p.12). The social meaning of money differs and varies with the objective of the issuer and the end-use of the payee. It also depends on the outcome of the exchange to the passive parties such as partners, communities, institutions, organizations and others. The outcome can range from value-adding or beneficial to the well-being results to highly-

damaging and ill-effects of inequitable concentration of money to few hands.

Money, as a tool of social interaction, requires responsible earning, handling, safekeeping and disposing. Everybody has a role and responsibilities in the cycle of distribution of money. In the Philippines, it is the culture of Filipinos to assign the family money management to the women. Wilson (1999) described the women as chronically worried about money faced with the daily reality of the costs of routine living. The Filipino and Australian women share similar struggle to “eke out the weekly budget, satisfy family needs, pay essential bills, enable some pleasures and provide for unexpected costs” (Wilson, 1999 p. 96). The money attitudes and behaviours of the Filipino wives matter a lot in the family life. It is a common reality that wives in the Philippines have to be resourceful to augment the family income and adopt the most prudent style of spending. The challenge to stretch the family income is greater in the poor families (ibid).

The Filipino women as money managers play a vital role in the Philippine poverty alleviation program. Getting out of poverty requires planning and the will to succeed. Individuals and families who are able to manage their financial affairs successfully have better chances to get out of the poverty trap. Poverty alleviation requires the money skills of people to manage the economic aspect that will promote trust. Trust promotes social cohesion that will bridge and link the capabilities of the poor to opportunities.

### **3.4 Money management skills**

Zelizer (1997) cited the recognition of consumer theorists<sup>5</sup> (e.g. A. C. Pigou) on the need of free “choosers” of goods to learn how to avoid “blunders and waste”. The “art of expenditure” is learned through training which produces a “successful purchaser” (Zelizer, 1997, p. 123). The skill to manage money is a basic capability acquired from the family, community, and school. People use the money skill daily in the personal, business, social, religious and other interactions of existence that require the exchange of goods. A

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<sup>5</sup> A.C. Pigou, in his classic statement on welfare economics first published in 1920, urged “some degree of oversight” when transfers to the poor were made “in the form of command over purchasing power.” Zelizer also cited Thos J. Riley, “Teaching Household Management,” *The Family* 3 (March 1922): 17; and Hazel Kyr, *A Theory of Consumption* (New York: Houghton Mifflin, 1923), pp. 131, 291-92.

competent consumer needs information and instruction in making wise choices to maximize the use of money. A good money manager is one who can still set aside savings out of the limited money resources.

This sub-section will detail the different money tools and skills that will enable individuals to manage and utilize money for well-being.

#### **a. Budget, a money flow schedule**

A money flow schedule, the budget, is a money-handling efficiency tool useful to all people in personal and family financial management. It will be a list of a monthly allocation of money in the smartest way possible that a person will not feel too much pressure about money (Bailyn, 2007). A personal and family budget reveals interesting facts about the lifestyle of the individual and/or the family (ibid p.16). Adhering to a planned distribution of money can foster the generation of trust being able to comply with payment schedules. People need to understand the impact of the present spending on the family financial well-being.

#### **b. Saving, a constructive money behaviour**

China has attained and sustained its economic gains due to its high saving rate. It holds the record as the world's highest overall saving rate since 2000 at nearly 50 percent of GDP (Eichengreen, Wyplosz et al. 2008, p. 372). Bailyn (2007) p. 60, shares a simple tip "start the habit of automatic saving as early as possible and never stop". Financial decisions are guided by emotions which can result to problem spending (Bailyn, 2007 p.61; Wilson, 1999 p. 97). Zelizer (1997) p. 137, emphasized the saving of money from improper uses and redirection of savings to "proper"<sup>6</sup> expenses. A lot of discipline, determination and control are required to become good money savers.

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<sup>6</sup> "Proper" expenses refer to spending of money for the purchase of home, furniture, tools and other needs instead of buying drink, tobacco, and other unproductive uses of money (Zelizer, 1997, p 137).

### **c. Credit, a source of fund for various purposes**

Fund requirement for emergency, productive and other purposes can be obtained through the loan windows of different fund providers (Carruthers and Ariovich, 2010, p. 87). The lenders normally charge interest as a fee for the use of money for a given period of time. The interest rates vary depending on the cost of money to the lender and their business judgment on the appropriate amount to be collected. In the Philippines, the interest rate is not offered at a fixed rate to allow lenders to operate profitably due to the credit risks involved and high operating expenses. The level of interest rates is “determined by the interaction of the supply and demand for funds in the money market” (ibid, p.2). Individuals who enjoy a high level of trust and members of networks often have a wider choice of lenders ranging from interest free to high interest rates loans.

### **d. Livelihood, an activity that yield economic returns**

A flow of income and other economic benefits for the poor is a major factor in poverty alleviation. These benefits, in the form of livelihood at household, community and societal levels will become assets which will constitute a stock of capital (Rakodi, 1999, p. 316). A stock of capital which can be put to work, stored, accumulated, exchanged or depleted. A livelihood is defined by Carney (1998) , as cited in Rakodi (1999) p. 316, as comprising

the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is considered to be sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base.

### **e. Financial information and advice**

Financial information and advice are essential to understanding what money is and how is it exchanged (The Social Research Centre, 2008, p. 179). Lusardi (2008) p. 2, cited the result of the study of the US population which showed that

most individuals lack knowledge of basic financial concepts, such as the working of interest compounding, the difference between nominal and real values, and the basics of risk diversification. Illiteracy is widespread among the general population, and particularly acute among specific demographic groups, such as women, African-Americans, Hispanics and those with low education. Low literacy and lack of information affect the ability to save and to secure a comfortable retirement; few individuals rely on the help of financial advisors, and ignorance about basic financial concepts can be linked to lack of retirement planning and lack of wealth.

The quality, timeliness, availability and reliability of financial information and advice are essential to financial decisions.

#### **f. Gambling control**

“Problem gambling” is an indicator of “out-of balance money behaviour”(Wilson, 1999, p. 172). Wilson (ibid) as well as Furnham and Argyle (1998) p. 115, in general terms described gambling as “wishfulness – a whole infantile omnipotent fantasy”. Craib (1998) p.145), explains ‘wishful thinking’ as “the tendency to construct a theoretical world according to a usually implicit idea of what the world should be like. In reality gambling is habit forming and a dangerous money drain. Gambling has “a moral component in that many oppose it as a source of entertainment, and some believe that gaming leads to a number of undesirable outcomes like increased crime, divorce, and bankruptcy” (Humphreys, 2010, p. 80). Wilson (1997), p. 189, suggests “a reconciliation of the personal money balance sheet might mean that unconscious, essentially infantile responses move aside in favour of a more adult sense of control”.

#### **g. Health and environment awareness**

Health and environment care are issues that will indirectly affect the financial aspects of existence. A healthy lifestyle will translate into productivity and quality time with family and friends. People have to take charge of their health (Insel and Roth, 2006 p.1). The basic health care practice require the personal management of the physical, emotional,

intellectual, spiritual, social, and environmental aspects of health (ibid, p.2). The health habits that a person develops will impact on the lifespan and the quality of existence of a person. Health and environment care are interrelated. The personal health of every individual depends on the health of the environment (ibid). Environmental abuses, such as water pollution and second hand tobacco smoke, will impact on the health of the people.

#### **h. Community fund contribution**

Participation and membership in organizations, community and church activities are sources of moral and financial support. It is a universal culture of civic and social organizations to extend help to members in case of emergency and other cases requiring human compassion. A good network of friends, membership in organizations, participation in the community and other links can provide economic and social opportunities. Membership in the rotating savings and credit associations (ROSCAs) is a source of interest free credit. ROSCAs are “essentially a group of individuals who come together and make regular cyclical contributions to a common fund, which is then given as a lump sum to one member in each cycle”(Srinivas, 2010). The minimal amount of time and the money contributed to a community fund will yield more than the amount required in emergency situations requiring financial support (ibid).

#### **i. Future and retirement planning**

Prudence in money management also requires future well-being planning. The daily grind of existence more often preoccupies people to economic activities setting aside possible health issues outcome and old-age welfare. The elderly life requires maintenance funds for daily subsistence and medical expenses. A monthly contribution to a retirement fund, specifically government managed, during the productive period of employed individuals can help people in the twilight years in the form of old-age pension. The study of Lusardi (2008, p.2), showed that a large percentage of workers in the USA have not thought about retirement, even when retirement is only five to ten years away. Further, she cited that consistent with the evidence on lack of planning, half of older workers know little about their pensions and

the rules governing Social Security benefits. Accidents can also happen to anybody which can affect ability to earn or may even cause the loss of life. An accident insurance can attenuate the possible outcomes of an accident. These forms of investments for future well-being require sound advice and reliable information due to the liquidity risks involved. The possibility of non payment of insurance benefits by insurance companies and fund managers is a liquidity risk.

### **3.5 Public policy on money**

#### **Policy perspective of money**

Zelizer (1997) favours the proper supervision of money and training and teaching the poor how to spend properly. She believes that “properly supervised money could serve as an important instructional currency to rehabilitate the morally righteous but technically incompetent poor” (Zelizer, 1997, p. 121). The technical incompetence of the poor on monetary laws, policies and rules is a public policy implementation issue. The monetary policies are often available but not accessible to the poor in the less developed countries like the Philippines. The lack of access leaves the poor excluded and deprived with the financial information that will empower them in making choices in their financial decisions. The lack of information and knowledge on alternatives in making financial decisions can trap individuals to poverty.

The poverty trap shackles people to misery. Promoting the well-being of people is central to the governance of all nations. The role of public policy to promote the well-being of the people is contradicted by the role of federal, state, and local governments which utilise lottery sales and revenues from other gaming as an important and growing source of funds to finance governance expenditures (Humphreys, 2010, p. 80). A factor that promotes gambling is the availability of outlets where people can buy lottery tickets. The enticing ambience and entertainment offered seduce people to visit the casinos and gamble away money. The two avenues for gambling are sanctioned by governments to fill the public coffers. In the Philippines, the Catholic Bishops Conference of the Philippines are concerned

on the underground multi-million-peso jueteng (an illegal numbers game) operations which have for years been the major source of revenue for corrupt local politicians (GMANews TV, 2010).

Empirical data shows that the global financial literacy initiative to educate people on money management has started in the early 2000's. The United States Federal Reserve System has worked to promote awareness of the importance of financial education and literacy since 2003. The Federal Reserve System has long recognized the value of economic and financial education for producing better-informed citizens and consumers (Bernanke, 2006, p.2). Broadly, the US financial education activities fall into five primary categories (ibid): (1) increasing access to information about financial products and services, (2) promoting awareness of the importance of financial literacy, (3) collaborating with educational and community organizations, (4) supporting research and identifying best practices, and (5) providing financial education for its own employees.

In New Zealand, its financial literacy programme is a holistic and coordinated effort of the government through the Retirement Commission with a dedicated website ([financialliteracy.org.nz](http://financialliteracy.org.nz)) (International Gateway for Financial Education, 2009). This initiative is joined by the banks' financial education programs and other partner organizations which serve as support channels to people with money issues. Australia has its own 'Understanding Money' programme which was created mid 2005 (The Corporate Citizenship Company, 2005). It is a network of the financial literacy initiatives of the government sector through the Australian Securities and Investments Commission (ASIC) and partners - the Catholic and independent school sectors, industry and community sector organisations (ibid). The financial literacy programmes of the different countries are up and running with the common objective of empowering the citizens specially the marginalized population on the responsible and constructive use of money.

### **Philippine public policy on money**

Financial education plays a key role in improving the lives of Filipinos. Casas (2007) lamented

that very few companies in the Philippines provide financial literacy seminars (how to manage debt or how to save for retirement) to their employees. The inequality created by the disparity of financial literacy levels between the rich and the poor Filipinos is a policy issue that needs attention and immediate action. The Philippine financial literacy is a priority program of the Bangko Sentral ng Pilipinas which conceptualised the Financial Education Master Plan (FEP) on November 2008. The program is for the financial learning needs of the pre-working, working and marginalized sectors of the country. The task to educate the 100 million Filipinos on money management will require a network of trainers, support organizations and the cooperation of communities. The Philippine legislative body has yet to pass the pending Financial Literacy Act of 2008 filed on the 6<sup>th</sup> of December 2008 by Senator Miriam Defensor Santiago under senate bill number 2933. Santiago expressed the desire to have a Philippine financial literacy program similar to that of Australia, Japan, United States and United Kingdom.

### **Potential contribution of the faith communities to financial literacy**

Furbey, Dinham, and et al. (2006) cited evidence on the social engagement of faith groups which are classified as 'non worship' projects. A 2003 Northwest Development Agency survey in north-west England of 2,300 faith communities identified 5,000 significant 'non-worship' projects involving over 45,000 volunteers across the region (p.2). The project addressed a wide range of issues and user groups – homelessness, racism, crime, drug and alcohol abuse, health, skills development, art, music and environmental improvements (ibid). As discussed in the previous section of the chapter, the faith organisations in the Philippines has the highest participation and the highest level of trust by the people. It can be argued that there is a potential for the faith communities to assist and become partners of the Philippine government in the financial education program.

### **Conclusion**

Good financial practices begin with a progressive working budget (a budget that allows provision for unplanned but essential purchase or payment of goods). A sound earmarking of

money will allow the regular saving of a portion of the family income. It will also allow the smooth and prompt payment of basic obligations such as rent, power and water bills, children's education fees, organization dues and taxes. The person and the family who are prompt in the payment of payables will earn the trust of other people, communities, institutions, government and other parties. The trust will translate into creditworthiness which can be utilized in times of unexpected financial need. Further, creditworthiness also provides opportunities to source funds for a livelihood venture or a micro business with potential for an additional source of income.

The two major component of social capital: trust level and community networks, require policy actions in the Philippines. The Filipinos have to contend with a weak state, hence a very low level of trust environment. The compensating factor is the high trust bestowed to the faith communities. The high trust in the faith communities is evidenced by the high level of participation of the Filipinos to the religious organizations. Constructive money attitudes and behaviours can build 'trust' and 'community cohesion'. The trustworthy money attitudes and behaviours of the poor can build trust that will provide economic and social opportunities. Regulated and coordinated economic and social opportunities provided by the market, institutions, faith communities and the government can help the poor get out of poverty and become productive individuals.

The Philippine poverty problem has remained as a major governance objective since the first republic in 1898. As discussed, the factors of the poverty problem are embedded in the system being deep rooted and have entangled millions of Filipinos to miserable existence. As argued by poverty theorists, the poverty problem can better be addressed by identifying major factors and priority areas. Among the major factors identified are the failures of the market and institutions, limitations of individual capabilities and the social capital of the Philippines. Wilson emphasized 'the role of individual differences and personality traits in the study of money attitudes and behaviours' (Wilson, 1999 p.29). The individual capability is a factor in the complete deliverance from poverty to well-being.

Solving the poverty issue requires increasing the poor people's access to opportunity,

security and empowerment for economic growth and poverty reduction (Narayan, 2002, p.4). The public policy action on the needs of the poor at the individual level which are caused by the market and institution failures and the lack of appropriate individual capabilities are difficult to address simultaneously and requires financial and human resources. The collective need and the ability to organize and mobilize to take collective action to solve their problems require effective leadership, motivation and cohesion. Rakodi (1999) p. 316, argued that the poor lack the access to private assets which a collective pool of resources can compensate. Sen (2000) p. 40, favours a “fixed institutional arrangement” that will give the poor “protective security” from being reduced to abject misery. A “fixed institutional arrangement” such as the Gawad Kalinga community, provides a sort of “protective security” to the residents.

## **Chapter 4: Methodology**

The chapter presents the overall approach to the research process from the theoretical underpinning to the collection and analysis of data (Hussey & Hussey, 1997, p. 54). The guiding concepts, research design, research demographic, profile of location and group of interviewees, types of data collected, the manner of data gathering, the procedure in the data transcription, tools of data analysis and ethical consideration are all discussed in the sections of the methodology chapter.

### **4.1 Guiding concepts**

A reflexive, ethnographic approach was adopted for this exploratory study which examined the financial experiences of women in the GK communities. The study evolved from the observation of the researcher on the campaign for financial literacy undertaken by different countries. This initiative is sparked by their concern to educate the people on money in view of the financial crises that happened around the world, the most recent was the 2008 global financial crisis. The Australian definition of financial literacy is one which requires informed decisions to be applied in the daily financial decisions (The Social Research Centre, 2009, Sec. 1).

Mason (2003, p.8) argues that financial literacy is a construct relevant to the social world which is characterised by equivocality and ambiguity. She advances the theory that financial literacy be conceptualised as a sense-making process seeking plausibility rather than accuracy in environments characterised by ambiguity. Mason argued that the relationship between financial literacy and other terms, such as financial awareness and financial capability, was found to be poorly understood and in need of further clarification. The underlying concepts and basis of the three related terms financial literacy, financial awareness and financial capability are the basic money attitudes and behaviours of people.

The researcher argues that at the base of financial literacy lies the basic money attitudes and behaviours which are all acquired and learned from childhood to adulthood. It

is further argued that financial literacy is attained through a long process which starts from the money attitudes and behaviours progressing to financial awareness then elevated to financial capability which will finally develop into money smartness termed as financial literacy. The financial literacy starts at the money attitudes and behaviours turned into conscious efforts to gain awareness of the flow of money transactions by keen observation on the different outcomes and learning through experience. The awareness and consciousness about money flow is enriched by constant availability of reliable and timely information and advice which are the elements to build the financial capability.

Financial capability is a level of financial competence where an individual is able to 'understand the purpose of saving, budgeting, varying interest rates of credit, insurance, retirement planning and the different risks in financial transactions' (The Social Research Centre, 2009, p. 181). The acquired financial capability or competence applied to the complexity of earning and spending money will develop into financial responsibility. Financial responsibility is being able to make appropriate personal life choices about financial issues, to understand consumer rights and responsibilities, and to access assistance when things go wrong (ibid p. 182).

The informed decisions required in financial literacy are unlikely to be possible under all circumstances in the daily life of individuals. Informed decisions are achieved by a process of gathering information, processing and analysing the information, consultation, comparison of alternatives and taking risks. The quality of the information available can be constructively reliable, accurate, and applicable. But the quality of information can also be biased, inaccurate and influenced. The quality of the information matters in the desired outcome of being able to maximise the use of money. After acquiring the desired information, more often people will seek the advice of those who have previous experiences or the technical knowledge on the financial transaction.

The quality of the advice is another crucial factor since there is that validation and recommendation given by a person or consultant which influences the individual in making the financial decision. The information and the consultant can be either right or wrong. There is that risk of wrong information and wrong guidance that will lead to financial losses.

The right and timely financial information and advice most often are not present and available to people all the time. The reality is that the financial expertise, technical knowledge and experience are possessed by a few who spent years in the university to learn the financial theories, laws and cases, passed qualifying exams, and have hands-on application of the principles and theories. With the financial experts' rare presence and availability (they also charge professional fees), people will just follow the usual flow of exchange of goods without prior reflection or analysis on the impact of the money decision .

The few who have the eagle's eye to analyse, reflect, and anticipate possible outcomes are the money smart people who are able to earn more, spend less, and accumulate more money in their pockets. It can be argued that the economic and social inequalities originated from this cycle. With the complex requirements of informed decisions on financial issues come the basic reality, how then are the poor managing the flow of the scarce and limited income and their spending tendencies which have entrapped them in poverty?

This question has led to the thesis entitled "Poverty targeting: Money attitudes and behaviours of women in the Philippine Gawad Kalinga (GK – Give Care) communities". The poor who have limited access to information and advice on financial issues which can be due to geographical and demographic barriers are left to their common sense to manage the flow of money. This research considers as a policy issue and concern to look into the money attitudes and behaviours of the poor that have entrapped them into poverty. The policy concern is urgent to the Philippines with a very high poverty incidence level.

## **4.2 Research design**

The research on the money attitudes and behaviors of women of the GK communities in the Philippines as poverty traps progressed through four stages (Australian Government, 2008): a) exploratory research; b) development work; c) data collection; and d) data analysis. The 2<sup>nd</sup> to the 4<sup>th</sup> stages were central concerns of descriptive aspects of the research. The brief participant observation, interview and interaction with the GK women and volunteers are qualitative strategies designed to capture their money attitudes and behaviours based on

their sharing of their daily social and economic life.

The exploratory research on the literature on Philippine financial literacy revealed that there is no available reliable baseline information as to the levels of the financial literacy of the Filipinos. The researcher reviewed and analysed the 2005 ANZ Financial Literacy & Inclusion – Global Benchmarking Report which is based on “the ability to make informed judgements and to take effective decisions regarding the use and management of money” (The Corporate Citizenship Company, 2005, p. 2). The major influence of this research is the 2008 ANZ Survey of Adult Financial Literacy in Australia. The adult financial literacy framework (Appendix 1) of the survey provided details of a criteria model on financial literacy measurement (The Social Research Centre, 2008, p. 47). The mean trust scores range from 0 to 10, with 0 standing for “least trust” and 10 standing for “most trust” (ibid).

The criteria included the measurement factors of the level of competence on the following financial capabilities: a) Numerical Literacy and Standard Literacy; b) Financial Understanding; c) Financial Competence; and d) Financial responsibility (The Social Research Centre, 2008, pp. 179 - 182). The competence on the four levels of financial capabilities are categorised into basic requirements and advanced competence (The Social Research Centre, 2008, p. 179 – 182). On the numerical literacy and standard literacy, each individual is evaluated on the basic know-how and advanced abilities on the essential mathematical, reading, and comprehension skills. A person has the basic requirements of numerical and standard literacy if one is being able to add, subtract, multiply and divide; understand and calculate percentages; and read and comprehend basic English.

The financial understanding is measured based on the capability to understand what money is and how it is exchanged and the sources and uses of money. A person is assessed on financial competence on the ability to understand the main features of basic financial services; the importance of reading and retaining financial records; attitudes to spending money and saving; and awareness of risks elements of financial products. A financially responsible individual is one who has the ability to make right choices on financial issues, understand consumer rights and responsibilities, and seeks assistance when problems arise.

Based on these criteria it can be argued that the GK poor women have major deficiencies even on the basic requirements of numerical literacy and standard literacy. The evaluation of their financial capabilities will have to be on their basic daily money attitudes and behaviours.

### **4.3 Research demographic**

#### **a. Geographical profile**

The data for this qualitative research were gathered by conducting interviews in three Gawad Kalinga or GK (Give Care) villages in three representative cities of the three major islands of the Philippines. The GK villages were GK – Gravahan, Davao City, Island of Mindanao; GK – Eversley, Mandaue City, Island of Cebu, Visayas; GK – St. Paul, Paranaque, Metro Manila, Island of Luzon. The research sample was composed of 30 interviewees, 26 of them are female and 4 are male. The GK residents interviewed were 23 while the number of GK volunteers interviewed was 7. To the table below (4.1) details the geographical distribution of the interviewees and the figure thereafter (4.1) shows the geographical location of the GK villages.

Table 4.1 Geographical distribution of interviewees

Name and location of GK Village	Number of GK resident interviewed	Number of GK volunteer interviewed	Total
GK – St. Paul Panaque, Metro Manila	7	2	9
GK – Eversley Mandaue, Metro Cebu	8	2	10
GK – Gravahan Davao City	8	3	11
Total	23	7	30

## **b. Profile of the research locations**

GK St. Paul is located in Paranaque City of Metro Manila. GK St. Paul was established in 2005 to assist families rebuild their houses after a fire that gutted the original community in 2003. It has approximately 37 families and it is just one of a cluster of GK villages in the area. The estimated 2008 population of Paranaque City was 568, 908 (City of Paranaque, 2011). The GK Eversley is located in Mandaue City of Metro Cebu. GK Eversley was the first GK village established in 2000 of the 13 existing Metro Cebu GK villages with approximately 25 families. The estimated population of Mandaue City as of 2008 is 337, 320 (Mandaue City, 2011). Mandaue has a significantly large population below the poverty line (ibid). The GK – Gravahan was established in 2003 with approximately 43 beneficiary families. The village is located in Davao City which has an estimated 2010 population of 1.5 million.

## **c. Profile of the interviewees**

The 30 interviewees were composed of 21 married, 4 single, 3 widows, and 2 separated individuals. The practiced religion of the interviewees was predominantly catholic with 29 catholics and 1 Iglesia ni Kristo. As to the level of education completed, 17 respondents were able to attend secondary education (high school), 9 respondents claim to have either taken university papers or completed a university degree, and 4 were only able to attend the elementary level. The interviewees' age range varied and age groups were randomly represented. There were 8 participants belonging to the 21 to 30 age range comprising the biggest group followed by those aged 41 – 50 and 51 – 60 both represented by 7 individuals as reflected in the table below (4.2). As for the income levels of the interviewees, data showed that 20 claimed earning below minimum between Philippine peso P 1,000 (NZ \$ 33) to P 10,000 (NZ \$ 330) while 5 others earn more than P 10,000 (Table 4. 3). The 5 other interviewees were volunteers who did not provide their monthly income.

Figure 4.1 Geographical location of the GK villages in the Philippine archipelago



Source: <http://www.worldatlas.com/webimage/countrys/asia/lcolor/phcolor.htm>

Table 4.2 Age Distribution		
Range	No. of Interviewees	Percentage *
21-30	8	27
31-40	4	13
41-50	7	23
51-60	7	23
61-70	3	10
71-up	1	3

\* Does not add up to 100  
due to rounding.

Table 4.3 Income level per month		
Income level	Number of Interviewees	Percentage
P 1000 to P 5,000	7	28
5,001 to 10,000	13	52
10,001 to 15,000	3	12
15,001 to 20,000	1	4
20,001 and above	1	4

Conversion rate is NZ \$ 1 to Philippine Peso 33.

## **4.4 Tools of Inquiry**

### **The qualitative interviews**

The visits to the GK villages were all facilitated by the respective GK management offices in the area. The GK coordinators in the Luzon, Visayas, and Mindanao regional groupings provided the contact persons of the three villages visited. The researcher was formally introduced to the GK neighbourhood presidents who in turn scheduled the interviews with the residents. The interview duration was managed not to exceed one hour per interview. The interview guide questions were grouped into specific money attitudes and behaviours. The guide questions of the Philippine research is a simplified version of the 2008 Australian survey based on the basic financial capabilities, as mentioned, with the intention of obtaining basic money attitudes and behaviours profile.

The interviewees were asked on their abilities and dispositions on key areas of money skills and management. Budgeting, as indicator on their control of the family income and expenses. Saving, as the ability and determination to set aside amounts out of the limited resources. Credit and debt, as indicator of awareness on the terms and conditions of loans and borrowings. Their livelihood initiatives to engage in income-generating activities were also gathered. It was deemed crucial to ask the source of their financial information and advice. The issue on individual ability to control and discipline the tendencies to bet in the numbers game was also looked into. Another aspect investigated was health awareness, the consciousness to take care of their health since sickness is a major money drain. The participation on environment care activities that will save monetary losses due to environment abuse was included as well.

The tendencies of the interviewees to be forward looking were also included in the questions. Their level of community fund participation for individual emergency needs was gathered. The eventuality of old age was discussed by asking whether they have retirement plans. The foresight to plan ahead on their old-age which will require expenses for medication and living allowance is an individual responsibility. The other money issues

relating to Philippine culture ( e.g. spending on fiesta celebrations) were also briefly tackled. The interviewees were also asked whether the free house provided by the Gawad Kalinga has helped them in their economic, social and cultural needs. They were encouraged to share their concerns about the community cohesion and network as residents of the Gawad Kalinga village.

The following demographic variables were obtained: a) gender; b) civil status; c) age; d) religion; e) educational attainment; f) income level; g) regional origin; and h) number of years residing in the GK community. The variables were utilized to correlate the money attitude and behaviours to their personal incidences and individual capabilities. The demographic variables will provide a basis for the policy actions of the GK village organization, GK management and the government that will be required to address the money issues identified. The policy actions will be guided by the demographic profile as to groups that will require specific attention, provision and intervention on their financial issues as revealed by the shared money attitudes and behaviours.

#### **a. Women residents of the GK communities**

The women residents interviewed in GK – St. Paul and Gravahan villages were mostly engaged in livelihood activities as chosen by the project director and the neighbourhood president. The women respondents in GK – Eversley were a random selection of the researcher. The interviews were conducted in the local dialect of the village which are “Tagalog” in Manila and “Bisayan” in Cebu and Davao. The 21 GK women were composed of 1 single, 15 married, 2 separated and 3 widows. The marital statuses of the women were indicative of their daily money struggles which vary for the married with spouse support, the widows and the separated.

The majority of the participants had their level of education considerably at the lower spectrum with 4 at the elementary level, 15 at the secondary level and only 2 college levels (with one as a graduate of Bachelor of Education). Their educational attainment is an indicator of their ability to understand and comprehend basic money matters such as forms

and uses of money and the intricacies of loan terms and conditions on their borrowings. Majority of the women have lived in the community prior to the conversion into a GK village, 17 women have lived in the community since they were born. The length of years that they lived in the community is an indicator of the quality of community cohesion and trust.

#### **b. Volunteer workers of the GK communities**

The sessions with the volunteer workers were all very inspiring as deemed by the researcher. The GK Mindanao area coordinator shared the history of “Gawad Kalinga” from the time it was conceptualized as a project of the “Couples for Christ” renewal organization in 1995 to the present. He is among the pioneer volunteers who opted to stay with the poverty alleviation project for the last 15 years. The “Sibol” (bud) teacher in Davao City provided insights on the status of the few volunteers in the program. She considers it a challenge for the past 7 years to teach in the day care center of the GK village being a graduate of a different course, Bachelor of Science in Nutrition.

Two volunteers in the Metro Cebu area were equally generous in providing time for the interviews in the project management office and on site where an “operation circumcision” was conducted. Both Metro Cebu volunteers were male, one is a Bachelor of Science in Secondary Education graduate who has already served the program for the past 9 years and the other was a freelance insurance and real estate agent who dedicates most of his time to the project. The two Metro Manila volunteers have been converted to full time employees’ status of the Gawad Kalinga. One is a son of a Philippine diplomat and has served the program for 3 years. The other is a lady who started as a youth volunteer at age 17 and six years on she now works as project director of the GK – St. Paul.

#### **Document analysis**

The English transcription of the 30 recorded interviews was tedious. The interviews were originally conducted in two Philippine dialects, “Bisayan and Tagalog”. Half of the transcription job was outsourced to fasttrack the transcription which required minimum of 6

to 8 hours per interview. An interview guide questionnaire was very useful in the analysis of the responses of the interviewees (Appendix 2). It enabled the researcher to group the responses into relevant issues on their money attitudes and behaviours. The issues were analysed as to influencers, motivators, factors, and variables to determine the policy intervention requirements of the researched community.

The researcher reviewed the money history of the Philippines to validate and trace the historical origins of the money practices in the GK villages. The written literature of the education program of the Gawad Kalinga on community building were also reviewed to assess the values, livelihood, environment and health care trainings the residents attended which could have possibly influenced their money attitudes and behaviours. The pertinent policies of Bangko Sentral ng Pilipinas or BSP (Central Bank of the Philippines) and applicable laws on monetary issues were retrieved from the internet to evaluate the policy intervention required such as the BSP regulation on the interest rates on loans and borrowings and the Philippine Usury Law. A review was also done on the comparative loan interest rates of the different states in America and that of the Australian lenders.

#### **4.5 Ethical consideration**

The research was approved as a low risk research by the Massey University Ethics Committee (Appendix 1). The ethical issues were fully considered adhering to the ethical principles suggested by Schutt (2009). Schutt posits four ethical principles in research: achieving valid results; honesty and openness; protecting research participants; and the ethical uses of research.

#### **Voluntary participation / informed consent**

The objectives of the research were fully discussed with the research participants. The research information sheet (Appendix 3) with the contact details of the researcher, the research supervisor and the university was provided to each participant. Informed consent was obtained from each participant (Appendix 6). The consent form sets out the voluntary

participation of the participants and that they agree that the interview is recorded under the conditions stated in the information sheet.

### **Confidentiality and Anonymity**

The research participants were assigned number codes to protect the confidentiality of the interview and provide anonymity on their identity. The researcher personally managed the conduct of the interviews to avoid other parties having access to the data of the research. The transcription of the interviews originally conducted in the Philippine local dialects was partially translated by an outsourced person but all the recorded interviews were labelled with code numbers to protect the identity of the participants.

### **Research findings**

The research findings will be provided to the management of the Gawad Kalinga as requested. The Gawad Kalinga will use the findings in the planning and implementation of their community development projects. The research data will also be provided to the Bangko Sentral ng Pilipinas Institute to become a part of the database that will be utilised as reference for other future research and support policy directions of the Bangko Sentral ng Pilipinas on financial education.

### **4.6 Limitations of the methods**

The qualitative interviews of a small size of participants have its own limitations. The limited number of participants will only provide indicators on money attitudes and behaviours which are subjective to the individual experience and may not necessarily represent the community as a whole. The pre-selection of the participants in two GK villages may have caused distortion in the data. A random selection of participants can be a better representation of participants which can provide a better quality of data.

Another limitation is the tendency of the qualitative method to be full of ambiguity and contradiction (Wilson, 1999, p. 191). It was noted that the personal nature of the questions

sometimes create confusion and difficulty on the interviewees in answering. There were interviewees who had the tendency to get confused when asked about loan terms and conditions and some became defensive when asked about gambling. The reactions were not further verified with the interviewee since the questions will become intrusive and deemed to be invading privacy rights. However, other interviewees, the volunteers and officers provided the clarifications on the issues which were not completely discussed by some interviewees.

The profile of the money attitudes and behaviour of the participants can only serve as indicator of issues which will require further research to quantify the impact and outcomes. Policy actions are better implemented with quantified data to identify specific populations requiring policy interventions.

## **Conclusion**

The thesis evolved from the initial phase of formulating the research questions to the final write-up of the text through a structured methodology. The subjective qualitative approach included the examination and reflection on perceptions on the money attitudes and behaviours of the Gawad Kalinga women, volunteers and officers of the GK village. The concepts on the money issues were constructed on the bases of the trustworthy 2008 research and survey conducted by the Australian government on financial literacy. The researcher realized that the Philippine scenario will not fit the standard of the Australian financial literacy requirements. It can only be about money attitudes and behaviours which need to be improved and enhanced by effective and generous public policy interventions. The data on the money attitudes and behaviours are good baseline information on the realities and requirements of a specific group of poor women in the Philippine financial system governance. As reiterated, further related studies will identify better policy actions and quantify the specific policy interventions required.

## Chapter 5: Results

*A desirable goal of development is the empowerment of people which works to enlarge people's choices and freedom to take action to shape their lives - Narayan (2002) p. 2.*

The realities of the money attitudes and behaviours of the GK women as captured in the interviews conducted were presented in three sections: a) the foundation of the adult financial education; the community and monetary issues of the respondents; and the profiles of the money capabilities and potentials of the GK residents and volunteers. The existing public policies on the various money issues were also discussed to identify policy interventions and actions required.

### **5.1 The adult financial literacy framework**

The 2010 exploratory qualitative interviews conducted in the Gawad Kalinga (GK – Give Care) communities in the Philippines depicted the struggles of the women residents in their money management. The data are presented based on the adult financial literacy framework which utilises four criteria: the numerical and standard literacy, financial understanding, financial competence and financial responsibility (The Social Research Centre, 2008, pp. 179 – 181). The information on the basic money abilities and understanding of money concepts are categorised into the community issues, budgeting attitudes and behaviours, the saving struggle experiences, credit awareness, livelihood strategies, quality of financial information and advice, gambling control, health awareness, environment care, participation in community fund, retirement planning and other money issues. The profile of money attitudes and behaviours will help identify policy issues that will focus on the needs of the poor to empower their money capabilities.

### **5.2 Monetary and other issues**

The GK residents shared their community concerns and general gratefulness on the housing grant they received from the Gawad Kalinga program. The GK residents and volunteers are bonded together by the commonality of being beneficiaries and workers of a poverty

alleviation project. The interviews revealed issues and realities on community living, their individual capabilities, and the impact of the faith community, the economic market, the institutions and the public policies addressing the poverty problem of the Philippines. The money attitudes and behaviours of the interviewees were anecdotal of their individual struggle on money management. The negative and positive attitudes towards money were manifested in their behaviours on the utility and social meanings of money in their daily activities.

**a. Gawad Kalinga (GK – Give care), building people through building houses**

The idea of social capital and the contribution to human welfare are central to the free housing projects undertaken by the Gawad Kalinga in the Philippines. The social esteem of being the “owner” of the house which the family is residing in is a big morale boost for the residents. However, the trust and community cohesion of the social capital of the villages are challenged by different issues raised by the residents and the volunteers. A Project Director lamented on the challenges of community building:

“The community building is very challenging, the adults are uncooperative. It will take time to convince them to participate and sustain the participation in the community activities. I started with building relationships to gain the trust and cooperation of the community. The GK management envisioned the transformation of the GK families to better community builders for a better Philippines.”

Proper management of social resources and benefits is essential to create a productive community (Castiglione, Vandeth, et.al, 2008). The collective action of the GK residents is a factor in creating a productive community which can help promote equality and alleviate the marginalized individuals. The attitude of the residents towards community building through participation, discipline and cooperation require continuing guidance, monitoring and re-orientation of values through the presence and dedicated services of volunteers. A day care teacher GK volunteer shared her sentiment on the lack of volunteers:

“The GK team is previously composed of volunteers. The continuity of their services is an issue. GK needs more full time and committed volunteers. The foreign

researchers observed the lack of coordination between those who perform office work and those who do the field work.”

The sentiment of the day care teacher on the lack of volunteers is a major issue that requires the attention of the GK management. Empowerment also implies more participatory, bottom-up approaches to development objectives (Narayan, 2002, p. 6). A neighbourhood president expressed his observation on the residents’ community behaviour:

“Majority of the residents has not changed at all. They tend to have negative pride over having received decent house structures. There are rules to follow. Our country is struggling because many are not willing to follow rules and observe discipline.”

Further, the neighbourhood president shared the lack of cooperation of the residents:

“I have tried to do everything to generate the cooperation of the residents. The free house has helped in a way that it should have changed their perspective in life. Some were not willing to give their participation in the building of the houses. They will only have to contribute their willing labour time in the construction of the houses.”

The scenarios are indicative of a very slow development of the bonding, bridging and linking aspects of social capital essential for a sustainable empowerment of the poor residents in the community. The GK villages face a lot of community building challenges. The subsequent sections will show details of the individual challenges on the different social and economic factors that affect their money attitudes and behaviours.

## **b. Budgeting attitudes and behaviours**

The budget is an important money management tool. Zelizer (1997) described the process of segregating funds into the essential and basic expenses, savings, well-being costs, and other expenses as “earmarking”. The “earmarking” of money serves as a form of control in the outflow of money from the family funds (Zelizer, pp.21-25). Marginalized Filipinos, out of necessity, have learned to scrimp on the limited income source. As explained by Bailyn (2007), the individual and family budget reveals interesting facts about the lifestyle of the

individual and the family. The marginalized individuals face greater economic and social challenges.

A GK resident shared how the sickness of her husband has affected the family budget.

Resident 1

“I learned how to budget through experience as wife and mother. I have practically memorized all our daily needs. We don’t buy food because I sell cooked viand. Sometimes I borrow money. Whatever I have saved will easily be depleted. My husband is sick. He lost his eyesight. He can no longer work.”

Another resident highlighted the expenses for the well-being of her children as her major expenses

Resident 2

“I can keep track of the family expenses but our family income is always insufficient. I consider as savings the expenses I spend for the well-being of my children.”

The help of a wealthy sibling has provided for the other family requirements of this GK resident.

Resident 3

“The family budget depends on the sales level of our convenience store. I learned how to budget from my mother who supported us by operating a convenience store like this. In case I need to buy items which will require a bigger amount, my well-off sister lends me money anytime.”

Another resident is faced with the challenge to budget an irregular income.

Resident 4

“There are times I can’t keep track of expenses since the income is irregular. I do try to reduce expenses and save to cover emergency financial needs.”

The university fees of children are a common budget priority for these residents.

Resident 5

“I have to allocate money for tuition of my children so instead of buying pork; I

manage with fish and cheaper options. One kilo of fish can be divided for three meals. I don't really have a definite budget for appliance purchase. It has been a long time since we had our TV working. "

Resident 7

"My daughter attends the university to get a degree. It is a heavy financial burden to send a child to the university."

These residents augment the deficiency of the income through borrowings.

Resident 6

"Food is our major expense. Sometimes I go over the budget. Despite being a university undergraduate, I am not good in budgeting. Sometimes I have to borrow money just to make ends meet.

Resident 8

"I learned how to budget both from my mother and from the school. I can keep track of the family expenses but there is a new agency that handles my husband's employment. There is a little delay in the release of his salary. Our alternative is to avail of a Purchase Order Loan<sup>7</sup> payable in two payments. "

Resident 9

"For emergency needs, I borrow from the neighbours. I lost the convenience store and the income from the boarders due to the fire. It's difficult to recover from the tragedy. For our weekly budget for food, we purchase rice and other items on credit from a convenience store and pay it on payday. We spend before we even earn the money. The remittance of my son from abroad is just enough for the amortization of the PhP 50,000 (NZ \$ 1,515.15) loan we spent for the processing of the overseas job application. Maybe, we will be better off when the loan is fully paid."

The grandmothers who share their monthly income with their grandchildren expressed their joy and sentiments.

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<sup>7</sup> A Purchase Order (P.O.) Loan is a form of credit extended by stores to employees and staff of various companies and other parties. The store issues a voucher for a specific amount which entitles the bearer to buy goods from the store up to the specified amount. The P.O. is charged with an interest rate usually from 5% to 10% per month.

Resident 10

“I have really tried my best to budget and fulfil the needs of my children. I used to render a lot of services to earn money. I shifted to rendering massage therapy. It should have been a relief that my children have married but I still help them out in their financial problems. When any of my grandchildren gets sick I extend help. I even redeem their pawned jewellery to avoid foreclosure by pawnshops.”

Resident 11

“My deceased husband contributed only the minimum amount when he was still working so am receiving only the current minimum pension given by SSS. The pension is insufficient. It is a big help that I have two sons who are overseas workers in Dubai who send support regularly. I am generous to my other children who are just mere local contract labourers. Just like this grandson (holds her grandson) who lives with me. I brought him to the doctor for consultation. I don't mind sharing because I know that my pension is a sure monthly income.”

The family with disconnected power supply due to power bill issues with siblings of the husband of the resident who live in the ground floor of the house

Resident 12

“My husband is a public utility jeepney (the main public transport vehicle in the Philippines) driver. If the rented jeepney is fit for plying the route, he earns P 300 (NZ\$ 9.09) daily. At present, it has been two weeks since the jeepney broke down and is under repair. I have a spending budget and I set aside a portion of the amount remitted by my husband as a daily savings. If the refrigerator is operational we buy in bulk grocery and food supplies. The refrigerator can't be used at this time because our power supply is temporarily disconnected due to unsettled power bill. Our power connection is shared with two of my husband's siblings who live in the ground floor of the house.”

The budget experiences of the interviewees revealed the significance attached to the income as one that unites or divides the family. The family issues range from the difficulty to make ends meet, university and other education fees of children, widows sharing the 'social

security member's surviving spouse pension' to their children and grandchildren, burden of medical expenses of a sick elderly parent and other experiences of survival through financial difficulties.

The perspectives of the GK volunteers and officers indicated negative budgeting attitude of majority of the residents (referring to other residents of the village who were not interviewed).

“Many of the residents can no longer save and do not have a budget because they don't have money or source of income. One of the problems of the community is the addiction of some residents to gambling. They don't prioritise the purchase of food instead habitually bets on illegal lotteries. There was no training or lectures on budgeting. A basic, detailed and sustained budgeting training and follow ups can help the residents, if those can be conducted in the community.”

Officer of the GK village association:

“Many residents in the community spend more than what they earn. They have vices – cockfighting, ending lottery games, toss coin game, smoking and alcohol drinking. We have already conducted a lot of seminars. The municipal government has called for a meeting to discuss payment scheme for the lot the residents are occupying. They complained of inability to meet the monthly amortization. We explained to them that they can pay the amortization if they will not engage in any vice at all.”

Day care teacher

“The GK parents just have to pay PHP 20 (NZ \$ 0.61) per month for the day care school. The GK provides for the children's materials and the parents' monthly dues will take care of the other expenses. We had 20 kids at the beginning of the school year but only 15 kids finished at end of the school year because they couldn't pay the monthly fee.... We traced the cause of the problem. It's just that some parents are not that committed in the education of their children. They think their children are in pre-school so it's not really a priority. “

GK Project director:

“There are few residents who have really improved in their values on money

management. Some experienced transformation but there are residents who just allowed the training to pass them by and have no impact at all in their actions. The community is divided, half have improved for the better and the other half remain indifferent. I believe that with constant interaction and good motivation they will eventually be transformed. One indication is their willingness to attend meetings and activities.”

However, on a positive note a GK full time employee shared the improvement of the budgeting attitude of people in another GK village.

“In my experience the people in GK Batangas used to prioritise vices but they have changed. They now prioritise food for the family, school allowance, medical needs and other daily priorities. They have to help their own selves. If not, they will just go back to their old irresponsible selves. Every month, we conduct values re-orientation to avoid backsliding.”

The budget attitudes and behaviours of the residents are manifestations of the uses of money in the social system of the poor. Simmel, Parsons and Habermas (as cited in Dodd, 1994, p.4), argue that “money is significant not only in economic terms but for what it reveals about the normative fabric of modern society.” A number of the residents shared childhood memories of being trained by their mother on how to manage money. Wilson (1999) p. 42, explained that “childhood money memories remain pertinent to the adult’s world view.” The historical evolution of the uses of money in the Philippines revealed struggles of the poor which have persisted today. As discussed in Chapter 2 p. 8, the monetary struggles of the peasants during the Spanish colonization era drove many families out of the lands they till and migrated to urban areas where they hope to find better opportunities (Abinales & Amoroso, 2005, pp. 57, 60-61, 122, 154). The crowding of urban areas in the Philippines and the land reform problem are interrelated (ibid).

The present basic budget concerns and the ancient Filipinos have remained identical: living expenses, marriage, illness and death. However, the budget concern over the university fees of children is a modern day family objective that the poor pursue to alleviate their economic

and social status. The centuries that passed in the Philippine history have not witnessed a collaborated effective policy strategy of the market, public and private institutions and individual capabilities to alleviate the poor. There is that policy call in the insights of the GK neighbourhood president. He hopes that there will be a seminar on budgeting in the community to help the residents develop a sense of clarity in their daily money management.

### **c. Savings, a fund that provides solutions**

A good money manager is one who can still set aside savings out of the limited money resources. Bailyn (2007) has anticipated the need to save which many countries realised as the only way to weather the effects of the 2008 global financial crisis. China has attained and sustained its economic gains due to its high savings rate (Eichengreen, Wyplosz, et.al, 2008). For the marginalised families, saving from the limited and scarce income seems to be impossible. The GK residents and volunteers shared their experiences on their struggle to save from the little source of income.

A diligent saver narrated how her savings got depleted due to the sickness of her husband

Resident 1

“I always save money daily. I allocate funds for all the expenses then set aside a portion as savings. It is more of self discipline. I used to have a bank account where I deposit every time I received my share in the rotating credit savings program. I have closed the account since I require funds for my sick husband.”

Those who took the cudgel of saving shared that family needs and objectives will require regular setting aside of money ‘earmarked’ for a specific purpose. The university fees of the children topped the list of expenses that will require saving. Another objective for saving is the medical needs of the family. While the other emergency or urgent need, like broken household stuff that requires immediate repair or replacement, is another saving objective given by the residents. The residents shared their saving motivating factors and influencers.

Resident 2

“My husband trained me to save.”

Resident 4

“I always thought that savings were important for the university education of my children. I used to save before spending and prudent with the family expenses. I prioritize our daily needs like food and medicine but it’s mainly food because health should be a priority.

Resident 5

“I learned saving from my experience as wife and mother. My youngest is sickly so when she needs medication, I have a bit of money for her.”

Resident 7

“I learned to save on my own. My mother died early so we grew up with one parent. I managed a forced savings group in this community.”

GK day care teacher

“I was raised by my grandmother because my parents separated when I was young. Among the four siblings, I’m the only one who always have savings. I consider my saving as my independent fund that I can use for my personal needs since I don’t ask money from my husband.”

The different factors of the inability to save were also shared by the residents.

Resident 9

“I don’t set aside money for savings. If I have extra money I buy something for my grandchildren. It is my joy to see them excited about little things I give them.”

Resident 10

“I don’t have a savings account in the bank but I set aside money and keep it safely here at home. I don’t really have savings because I share to my married children whenever they have financial problems.”

Officer of the GK village association

“We spend much for the quality of education of my daughters. We have depleted our savings in paying for the university and school fees. Our dream is to send our three daughters to the university and earn their chosen degree.”

Savings is a stand-by fund for the solution of needs and can be utilised to finance rare economic opportunities. Saving is the first step to create wealth. It can be argued that saving is also the first step to get out of poverty. The GK volunteers cited the community saving initiatives

Project director

“We really taught the children how to raise funds by pooling the little contributions. The youth are also trained to put money on a piggy bank so that we can accumulate funds for our activities.”

GK partners’ coordinator

“On their personal initiatives, the GK residents are trying to save and minimize expenses. The GK management has not included a campaign to save money in our development program.”

The anecdotal data on the savings attitude and behaviour showed the factors that hinder the residents from saving and the motivations that prompt them to struggle to save. Saving is more of an independent act through individual discipline and determination. Those who are unable to save shared that they chose to live a day at a time. There are those who are simply unemployed. The lack of income will never allow them to save.

#### **d. Credit Awareness - empowerment to the borrowers**

The Keynesian theory of money principles, (as cited by Hart, 2001 pp.245 -249) has spurred development in the world. After the 2008 global financial crisis, the Keynesian credit theory was the strategy utilised by most governments to sustain the financial requirements of governance. On the individual level, ‘credit’ is a source of expanded purchasing power, working capital for micro business, the solution to urgent needs in the absence of savings and for payment of products with long term well-being benefits. Credit requires proper management be it a country’s obligation or a simple personal payable. Credit with minimal interest rate charge has been utilised as a poverty alleviation tool by the Grameen Bank in Bangladesh as founded by Muhammad Yunus in 1983.

The GK residents and volunteers were asked about the community credit awareness and the individual credit management styles. Their stories disclosed credit issues with historical background dating back to the Spanish colonization era of the Philippines. The practice of lenders charging interests at unconscionable rates and the non-resolution can be argued as outcomes of the education and governance systems that lack adequate provision for enhancement of credit awareness of the poor. The interest rate issue is emotional and complex by itself in the Philippines. As discussed in chapter 2, the *pacto de retroventa* system has entrapped many peasants to poverty during the Spanish colonial era. As Mike Daily of the Law Society of Scotland argued, the poor usually gets the harshest beatings in the credit business. He cited the maxim “the poorest people in our society pay for the most expensive credit” (Daily, 2009).

The economic and social realities of the credit experiences of the GK residents are indicative of credit issues that require policy interventions.

Resident 1

“In the past I have availed of loans from the Indian lenders at 20 percent per month interest. I still avail from time to time if I need the money. At present, I have a loan from “Kaakbay” (Companion) Lending at 5 percent per month. I realized that a good credit history earns the trust of the lenders and provides a regular source of low interest funds for capital of my convenience store.”

Resident 2

“We borrowed money when my husband tried to apply for an overseas job.... I am worried about our debts even if there is no interest charged by his sibling who lent us the money.”

Resident 3

“I have availed of a loan from a lending company with my SSS (Social Security System) surviving spouse pension as collateral. I managed to repay the loan. I did not avail again because the loan procedure of the company has changed. The interest is around 5 percent a month. The lending company got hold of my ATM card and the PIN to enable them to withdraw the amortization of my loan. The pension amount

was more than the monthly amortization of the loan but the financing company people would say that my pension is not deposited yet. My present outstanding loan is borrowed from Centre for Agriculture and Rural Development (CARD), Inc at 5 percent per month. I borrowed because I got sick.”

Resident 4

“I only pay the minimum amount due of the loan and the 15 percent interest per month. I have loans from three creditors. The two other creditors charge interest at 10 percent and at 20 percent per month. I repay through my overseas son’s remittance.”

Resident 5

“The lending institutions charge high interest rates but we’re forced to borrow money from them due to circumstances. I’m a member of CARD but I think the total interest is 20 percent for a term of four months. CARD does not disclose the details of the loan deductions and service charges. It’s not really stated in this piece of paper they gave me. I don’t understand their terms.”

Multiple and overlapping of borrowings have caused a lot of stress to residents.

Resident 5

“I have outstanding loans with two money lenders. I pay one money lender weekly. I also have a daily amortized loan from the Indian money lender. Thankfully, I can repay. The sales from my convenience store are just enough to pay for my debts. It’s a cycle of debt. Once I fully paid my loan, I start another one so I can get my store going. I have piling debts but I don’t think we can survive without borrowing. The fortnightly pay of my husband is not enough.”

Resident 6

“I stopped availing of daily amortised loans. It is very difficult to pay. It came to a point I could no longer buy my basic needs. The past loans were for the capital of my micro trading business. It started with one loan which I was having difficulty meeting the amortisations. I cannot pay the first lender so I borrowed from a second lender until it multiplied to four lenders and my life became very miserable. I was sleepless

thinking how and where to get the amortisations due. ”

The “no document required, easy access loan” as a lending window for livelihood of residents.

Resident 5

I think the interest rate of 20 percent for the two month loan is excessive. If there is an alternative source of capital I will surely stop borrowing from the *Indian money lender*. He does not ask for documents, the only basis of the loan approval and outright release is my convenience store with merchandise for sale. I have been borrowing money from him for three years. The mark-up of my selling price is very minimal. I cannot charge a higher mark-up due to the stiff competition in the neighbourhood."

A resident shared the perception that banks are the experts on lending but have stringent requirements hence not available to small borrowers.

Resident 5

“I guess the banks are the authority on lending. But banks are very strict. You need to have collateral. I wish there was a better option and access to low interest credit then I will not avail of loans with high interest rates. I have not tried the cooperatives because they require members to put up share capital which I don’t have. I just hope someday I’ll get out of the cycle. And I’ll be able to pay my debts.”

The “5:6 loan” as source of capital for livelihood and as a fund to pay university fees of children.

Resident 7

“It is unavoidable to have payables. The initial capital for my convenience store was from the proceeds of my participation in a rotating savings and credit program. However, I required more funds for my daily working capital which I sourced from the “5:6 lenders” (loan sharks). My husband then was just a house painter who worked on seasonal and contractual construction jobs. There were periods when he was not

earning at all. I really had to avail of the “5:6”<sup>8</sup> loan. At present, I have an outstanding loan with CARD. We need a reliable source of fund to pay the university miscellaneous and tuition fees of our daughter.”

The culture of multiple borrowings is adopted by many residents to survive.

Resident 7

“The financial status of the residents now is not good. Most of us are heavily indebted. I doubt if they can comply with the weekly contribution to a group forced savings. There are so many lenders who are providing credit windows to the community. Their presence has resulted to the overlapping of credits of many residents which has become a counterproductive outcome. It has become a cycle of borrowings to pay prior loans. In the past, I have cried because of fear that I will be unable to pay my loans. I believe that the purpose of the loan must be productive.”

Resident 8

“I hope your research can help our economic condition. We are really abused by money lenders charging us very high interest rate on our loans, higher than 20 percent. There are instances when a PhP 1,000 (NZ\$ 33.00) loan is repaid in a week by paying double. Loans have really made our lives miserable because of the high interest rates. I use to render personal beauty services like hair perming, manicure, etc. Overlapping of loans is really a problem in the community. They pay their prior loans by availing a new loan from other lenders. The Indian money lenders are really ruthless in the interest rates they charge.”

Confusing loan terms and conditions discouraged a resident from availing again under the group loan scheme.

Resident 9

“I want to stop availing the group loan because some members are not able to meet the weekly amortizations. The credit line will be suspended once the other members of the group default in their amortization payment. We had a seminar before I

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<sup>8</sup> A loan of NZ \$ 5 is repaid with NZ \$ 6.

availed the loan. I find the group loan scheme confusing. I can only understand very little even if I read the terms and conditions of the loan.”

The credit awareness of the GK neighbourhood president saves him from loan sharks. He earned the trust of most creditors being prompt in paying his debts. He learned to compare loan interest rates and avail the loan with low interest rate.

GK neighbourhood president

“I have never experienced borrowing from loan sharks. The interest rate of 20 percent per month is so high. I will only avail loans at 1 to 2 percent interest rate per month. When the fire happened, we borrowed money but it was interest free. Many really offered loans to me. Some with interest but I opted those without interest with the simple trust that I will repay the loan.”

The GK volunteers shared that the community values trainings do not include money management and credit awareness.

Volunteer 1

“We don’t generally include money management in the education program of the GK community. I know there’s one GK community with an existing cooperative which is the community program for responsible management of money. I think they need more structure though. “

Volunteer 2

“Trainings on credit awareness can help the residents here. However, they will not practice the theories of credit awareness consistently.”

Volunteer 3

“Credit consciousness should be developed by the GK residents. On availing loans from loan sharks, these are their personal ventures which are really not allowed per GK rules.”

The element of ‘TRUST’ as a credit advantage is highlighted by the GK neighbourhood president.

GK neighbourhood president

“I have helped and taught many people aspiring to engage in business or starting up. I lent money as their capital with one percent (1%) interest per month. But sad to say, many did not pay back the money. Nobody will trust people who renege on their financial obligations. My prudent debt management has earned me ‘credit worthiness and credibility’. I consider the ‘TRUST’ of the suppliers as an advantage. I can borrow or purchase on credit from many people and companies.”

The credit issues of the residents have many public policy calls which the volunteers admitted are not addressed by the current community program trainings. Credit is the expertise of the banks and the government institutions tasked to regulate and monitor credit, like the Bangko Sentral ng Pilipinas. The lenders who are lending to the community are mostly microfinance companies and loan sharks. The microfinance companies are under the supervision of Central Bank but the loan sharks are not. The Circular No. 416 of the Central Bank of the Philippines reads:

By virtue of the authority granted to it under Section 1 of Act No. 2655, as amended, otherwise known as the "Usury Law," the Monetary Board, in its Resolution No. 1622 dated July 29, 1974, has prescribed that the rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall be twelve per cent (12%) per annum.

The circular speaks of interest rate stipulated in the loan contract which is agreed by the debtor and the lender. The interest rate of 12 percent is only applicable in the absence of an agreed interest rate. The Bangko Sentral ng Pilipinas has relaxed the imposition of an interest rate cap to allow the financial institutions to have a viable and profitable operation. The costs to service lending requirements of different group of industries and individuals vary depending on the nature of the business. It is unhealthy to prescribe a single interest rate applicable to all since some industries have ‘seasonal or periodic income’<sup>9</sup> and some are

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<sup>9</sup> Most agriculture based businesses in the Philippines have seasonal income. The crops and animal

engaged in 'highly unpredictable business operations'<sup>10</sup> with higher probabilities of default in the loan payment.

The rate paid by the residents on their microfinance loans at 5 percent per month is explained by Nimal Fernando, principal microfinance specialist in the East Asia Department of the Asian Development Bank (ADB)

An MFI's (microfinance institution) main objective is to provide poor and low income households with an affordable source of financial services. Interest charged on loans is the main source of income for these institutions and, because they incur huge costs, the rates are correspondingly high. Four key factors determine these rates: the cost of funds, the MFI's operating expenses, loan losses, and profits needed to expand their capital base and fund expected future growth.

The nominal interest rates charged by most MFIs in the region range from 30 percent to 70 percent a year (on a reducing balance basis). The effective interest rates are even higher because of commissions and fees charged by MFIs. Other factors-such as the compulsory deposits for obtaining a loan, frequency of repayments, and the systems adopted to collect repayments also raise the effective interest rates (Fernando, 2006, p. 4).

In his paper Fernando cited the much lower interest rate charged by Grameen Bank at 20 percent (on a reducing balance basis) which he explains as due to the subsidized operation of the bank. He discussed the incomparability of the subsidized operations of other lending institutions (e.g. government sponsored) to MFIs operated by private institutions which need to operate with a profit. Comparing the rates charged by MFIs with those charged by the loan sharks, that of the MFIs at 5 percent is lower than the 10 and 20 percent rate they charge. However, the annualized rate at 60 percent is still a huge amount for the poor.

Fernando justifies the high microcredit interest due to the high-cost of operation of servicing

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production involves cropping and growing periods. The cropping and growing period require bridge financing until the harvest time. The level of credit and liquidity risks are high with many variables such as weather, human resource and market forces (economic and political)

<sup>10</sup> The businesses with highly unpredictable operations are those that are engage in mining and others which are sensitive to global trends such as securities and insurance

individuals in different geographical locations since MFIs serve on a door-to-door basis. He offers a key to reducing the rates in a sustainable manner through improved market competition, innovation and efficiency. The strategy still leaves the poor vulnerable to abuse of money lenders. The need for credit is most of the time immediate and urgent that people will grab the easy to avail loans even if it means paying very high interest rates. People with urgent financial requirement need the right information and guidance on the availability of alternative low cost credit windows.

The wife of a GK neighbourhood president shares her perspective on the high interest rate credit source choices as irrational

“The common problem of the residents is their inability to look for low cost capital on their micro trading or *sari sari store* (convenience store) business. They are unable to earn the interest rate of 20 percent in their trading business. The payment to the expensive source of capital is made by availing another loan from another source which results to overlapping of loans. The very high monthly interest rate is a major factor of poverty instead of improving their economic status they become heavily indebted to multiple lenders.”

### **c. Financial information and advice**

The issue on the inability to look for low cost capital is a matter of availability of the right financial information and advice. Financial information and advice are available in the financial institutions and the government regulatory bodies. In the Philippines under Republic Act 3765 or the Truth in Lending Act which was enacted 22 June 1963, it is declared as the policy of the State to protect its citizens from a lack of awareness of the true cost of credit to the user by assuring a full disclosure of such cost with a view of preventing the uninformed use of credit to the detriment of the national economy (Bangko Sentral ng Pilipinas, 2010). Under Section 4, the law requires that any creditor shall furnish to each person to whom credit is extended, prior to the consummation of the transaction, a clear statement in writing setting forth, to the extent applicable and in accordance with rules and regulations prescribed by the Monetary Board of the Bangko Sentral ng Pilipinas, the

following information (ibid):

- 1) the cash price or delivered price of the property or service to be acquired;
- (2) the amounts, if any, to be credited as down payment and/or trade-in;
- (3) the difference between the amounts set forth under clauses (1) and (2);
- (4) the charges, individually itemized, which are paid or to be paid by such person in connection with the transaction but which are not incident to the extension of credit;
- (5) the total amount to be financed;
- (6) the finance charge expressed in terms of pesos and centavos; and
- (7) the percentage that the finance bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation.

The existence of a law that requires proper disclosure of financial interest and other charges by creditors to their borrowers is a strong policy basis. All the banks in the Philippines are required to display a poster for information on the disclosure requirement in their premises. The residents when asked about the disclosure statement of their loan from the microfinance institutions answered that they are not aware of the document at all. The documents showed to the researcher by the residents were just the amortization schedule of the loan and the passbook of the savings account. It is possible that the document is on file in the office of the microfinance institutions but the poor borrowers are not aware that they should hold a copy of the statement as their guide on the various charges the creditor has charged on their loan. The possession of the copy of the disclosure statement does not help at all if the borrowers did not read or had read but do not understand the information detailed therein.

The residents were asked on their preferred source of information and advice on their financial transactions. The replies resounded the same sentiments disclosed in the result of a 2000 Social Weather Stations (SWS) survey in metropolitan Manila and three other regions cited by Stern, Dethier, and Rogers (2005) p. 227:

The survey, administered to 1,200 households, asked poor Filipinos about the constraints they encountered in accessing public services, their views on service

quality and adequacy, and the responsiveness of government officials. Customers filled out report cards indicating their feelings about public services. The survey revealed widespread dissatisfaction, provided insight into customer priorities and problems, and highlighted how different services could better meet poor people's needs.

There is nothing much that changed for the ten year period that elapsed from the time the survey was conducted in 2000. The residents shared detached sentiments on the government's services to the poor.

From a GK neighbourhood president

"We seek advice and information on financial matters from Gawad Kalinga. The government does not give any support to the community. We have not received any aid or help from the city government. They will only visit the community during election period."

The residents shared that they grew tired of inquiring from the government institutions since they don't get prompt and complete information on the inquired financial information.

Resident 1

"The reason I lost an insurance claim is I really do not know where to ask or inquire. I am not aware I can verify from the Philippine insurance commission for the unreceived return of the insurance premium I paid for five years. All the premium payment receipts and the policy got burned when the fire happened. Training on how to choose the right insurance company can help us so that we will not lose hard earned money on supposedly investments."

Resident 2

"I do not trust insurance companies. We had a sad experience with the coverage of my father which paid a very small amount for his burial. The total of the premiums paid was higher than the benefit given when he died. We lost trust and confidence to the insurance companies with the spate of closures and non-payment of benefits here in our country. If we have extra money or funds, I rather deposit it to the bank."

Resident 3

“I ask from my mother any information I need on money and credit. I do not inquire from any government agency.”

Two other residents shared the sentiment that the government officials will only remember and visit the community during election campaign periods.

Resident 4

“The seminars on money conducted in the community helped a lot. The government raised our hope once and we had to spend on identification photos and CV’s but it was just electioneering. So I learned not to trust on the government.”

Resident 5

“I don’t expect much from government agencies. They’re only around during election campaign periods.”

The public articulation of dissatisfaction in the 2000 survey was argued to have put pressure on service providers and the government that it was hoped that steps were underway to address some of the constraints identified by the report card respondents. The policy challenges on the dissatisfaction and distrust of the poor to the Philippine government require the action of the various government agencies to address the issues.

The interviewees were asked where and who do they ask when they require financial information or need to verify matters pertaining to loans, debts, savings and insurance and other credit issues. The 12 options given are ranked according to the responses. The Radio and TV were the preferred source of information; the Family was the 2<sup>nd</sup> top option, followed by the Friends and Neighbors as the 3<sup>rd</sup> option (Table 5.4).

Table 5.4 Ranking of preferred sources of financial information		
Source of Financial Information	Number of Interviewees' who prefer the source	Rank
Television/Radio	18	1
Family	14	2
Friends and Neighbours	9	3
Newspapers	6	4
Bank	2	5
Government Agencies	2	5
Seminars/Educational Institutions	2	5
Work	1	6
Community Services	1	6
Security Guard of Banks	1	6
Accountants	0	7
Internet	0	7

The interviewees were allowed to have multiple sources option.

Surprisingly, the formal institutional sources such as banks, government agencies and educational institutions were utilized as the last option. The group has never tried asking the professional accountants and browsing the internet for financial information. The quality of the credit information provided by the choices of the people is not as reliable and accurate as those provided by the banks, credit experts, financial advisors and government regulatory agencies.

As indicated in the result of the preferences of the interviewees on sources of financial information, the credit awareness is patchy and inadequate. The lack of proper and adequate financial information is a factor in the unguided credit decisions made by the GK residents. It is also a factor in the availment of easy 'no documents required' expensive high interest rate loans from loan sharks. Likewise, the lack of knowledge to understand credit terms and conditions has lead the residents to multiple borrowings. They cannot cope up the amortization of prior loans which they have to repay by availing subsequent loans. The multiple loans from micro-finance companies, loan sharks and other lenders are charged with a monthly interest rate of 5, 10, 15 and 20 percent with an annualized rate of 60, 120, 180 and 240 percent respectively.

Among the residents who have outstanding loans, two residents in GK – St. Paul, Manila shared their wisdom on the value of 'trust' in credit transactions. An enterprising mother values her 'good credit history' which earned the trust of the lenders. The president of the GK village in Manila stood out among the rest as the smartest money manager in all the three GK villages visited. He shared that despite his level of education, have not finished secondary education (equivalent only to level 8 of New Zealand high school), he has never borrowed from loan sharks for the working capital of his mini grocery and hardware business. He has a network of lenders who charge low interest rates having earned their 'trust' by consistently paying his obligations on time and the full amount due.

The GK volunteers admitted that money management is not included in the education program of the GK communities. Trainings on credit awareness can help but there is no guarantee on the consistent and proper application of the theories.

#### **e. Livelihood as income stream**

The poor, to get out of the economic poverty trap, requires an income stream that will allow them to buy the basic needs and to save for livelihood opportunity working capital. Yunus (2010, p. xiii-xiv) argues that the poor are simply confined to their tiny and powerless social space and given the “enabling environment” through the “social business” scheme, they can unleash their energy and creativity to get out of the poverty trap . He describes “social business” as one outside the profit-seeking world with the objective to solve a social problem. The social problem solution is achieved by using business methods in the creation and sale of products or services that addresses the social problem itself. Yunus cited “Grameen Danone as working to solve the problem of malnutrition by selling affordable yogurt fortified with micronutrients” (ibid p.2).

In a densely populated country like the Philippines, products and services are required on a daily basis by approximately 100 million Filipinos. A social business has the potential to prosper given an adequate capital, effective leadership, government support, church endorsement, and cooperation of people. The GK volunteers and residents were asked on their perspective about skills trainings, product seminars and applications of skills learned. The objective is to harness their creativity potential and gather their personal ideas on how to start an income generating activity in the community.

Persistence, determination and the will to succeed are factors for poverty alleviation.

GK neighbourhood president

“We do not have proper trainings on business but we tried to venture and learn each day. We started with a mere PhP 500 (NZ \$ 15.00) initial capital for our original convenience store. I was working full time and my wife operated the store business. After work in the evening, I will conduct an inventory of the store stocks and whatever sales we have for the day I will use it to purchase replenishment stocks the following day. I just ride the bicycle to save on transportation costs. I availed of an SSS (Social Security System) salary loan as additional capital.”

Another inspiring livelihood initiative is the non-formal cooperative organized by the wife of the GK – Gravahan neighbourhood president.

“Our non-formal cooperative was organized in November 2008. It was through the donation of bath soaps a foundation of a group of overseas Filipina nurses. I organised 15 women of the community to sell the bath soaps valued at PhP 1,500 or NZ \$45.45 (rounded-off Philippine Peso to NZ Dollar exchange rate of P 33 to NZ \$ 1 for computation convenience purposes since exchange rate fluctuates.). The seed money of P 1,500 (NZ\$ 45.45) increased into P 19,000 (NZ\$ 576.76) after a year of operation. The cooperative has diversified into lending and selling.”

Three residents shared how they trained for skills and are able to utilise the skills to earn.

Resident 1

“I have utilised my cooking skills in my little business since we came here and I have been doing well. However, since my husband got sick I started to really experience financial difficulties.”

Resident 2

“I work as a nails groomer. I render manicure and pedicure services in the community. With my daily income, I set aside P 10 pesos (NZ \$0.30) for water bill, 10 pesos for my children, 10 pesos for food and 10 pesos for emergency needs. We have survived despite the difficulties.”

Resident 3

“I earn money by rendering massage services. I also have the skill of palm reading and help people with relationship problems. I always set aside amounts to meet the payment schedule of my loans. I have not completed higher education level but it seems I earn well.”

A resident emphasized the family benefits of the livelihood skills she acquired.

Resident 4

“I have attended basic reflexology training which is useful whenever my children will require massage. I still require advance reflexology training to attain competency to render the service to the public. I learned dressmaking from the livelihood training. I

can now sew my own dresses and that of my children. I really try to attend skills trainings despite some problems of having to mind my sons' activities."

The band wagon mentality is a common problem in the community where the convenience stores are operated just few meters away from each other.

Resident 6

"I closed my convenience store. It is tough to operate a convenience store in this community on a capital borrowed at 20 percent per month. You cannot expect to be profitable due to the stiff competition and high cost of capital."

Resident 7

"We have this bandwagon mentality which is counterproductive. I am thinking of food processing business. Nobody in the community sells processed meat products."

The policy challenges of the behaviour problem of many residents on livelihood as described by a volunteer and a neighbourhood president

Day care teacher

"There were parents from sites who were asked what they'd do if they were given money. They submitted proposals and were given money by the Department of Social Work and Development. Nobody invested the money; instead they used it to pay for their debts and to augment their income. They have a problem on repaying their debts. I think financial literacy is helpful. There are also heaps of job opportunities it's just that some people are too lazy to get a job and just want an easy life."

Neighbourhood president

"Many of the residents don't exert efforts to look for alternative source of income and other means to survive. We had some residents who went to Japan to work as entertainers but they had to stop when the educational attainment was restricted to college graduates. Their families went back to poverty. They did not invest the money earned overseas to productive activities.

The unsustainable program of planting vegetables as shared by the GK president.

"We had a program which promoted the planting of vegetables in the community garden. However, the residents have not sustained their interest and participation in the program. My own backyard garden is still existing. I persevered in tilling my garden. I have to lock my backyard garden fence gate because my produce tends to get harvested by intruders when nobody is around."

The human capital potential of the residents is a factor to work for by the community, GK residents and the government.

Project director

"We really allow residents to operate convenience stores provided it is inside the house. It should not utilize the road right of way and obstruct the smooth flow of road traffic. They followed the instruction and rule to keep the store inside the house."

Resident 8

"I feel that we really need livelihood trainings to make those without income become productive. We have to create a list of skills available in the community so that we can offer our services to other people, like how many are carpenters, plumbers, dressmakers, cook, etc."

The development requirements of a cooperative in the village as described by the Project Director.

"The cooperative strategy of other GK villages can be applied here in Manila provided there is a responsible leader to manage the cooperative. Everybody has leadership skills but if the leader has no sufficient knowledge and experience, the livelihood venture is bound to fail."

The neighbourhood president suggests that livelihood can help the idle residents spend their time productively.

"We need a livelihood project for the mothers so that they will not engage in gambling. Gambling bet is collected door to door. What a pity, the amount intended to buy rice is diverted to gambling. The real all time winner is the operator or

financier of the gambling activity. The physical appearance of the community has improved through the help of the GK in constructing concrete row houses. However, the residents have not improved at all in their virtues and values.”

The scenarios shared by the interviewees illustrated the interrelatedness of the factors of the poverty traps. The residents complain about the credit market in the community abused by the money lenders who charge very high interest rates which is a market failure. The failure of the government to address concerns and issues, like the lack of reliable financial information that will empower the residents on credit decisions is an institution failure. While the individuals who failed to rise up to the challenge to utilise the given opportunity to start livelihood activities are the classic examples of the individual capability deficiencies.

#### **f. Health awareness, indirect way of saving money**

As discussed in Chapter 3, sickness is an unavoidable major money drain. Insel and Roth (2006) reiterated the importance of adequate health care in improving both quality and quantity of life through preventive care and the treatment of disease. A healthy lifestyle is a sickness prevention strategy. The productive and quality time lost when a person gets sick can be translated into monetary values of the opportunity lost by the sick person and the attending relatives. In the Philippines, for the poor, sickness medication is a major family expense which has no allocation in the earmarking of the limited family income. Low income and lack of health insurance prohibit the access of the poor to adequate health care (Insel and Roth, 2006 p. 11). The sickness insurance coverage of the Filipino wage workers is limited.

The residents and the volunteers of the GK communities were asked on their personal health management. They were also asked whether they avail of health services provided in the community and whether they attend health trainings conducted by the GK management and by the government health agencies.

Resident 1

“We have a community health centre. I take vitamins and exercise daily to be healthy and fit. I have to take care of my health because I am now the sole breadwinner of

the family.”

Resident 2

“My husband drinks alcohol. He has mellowed down because he got sick. In a week, he drinks twice or thrice. He has stomach ulcer.”

Resident 3

“I don’t exercise even if I have time. Now, I am having difficulty walking due to arthritis. I have not consulted a doctor because I fear the truth about my health. My children are prodding me to go to the community health centre. I just pray that I will get healed. I will appreciate a visit of a community health worker who will take my blood pressure. I am hypertensive but I don’t have maintenance medication I just try to go on diet. My husband also got sick four months ago. He was admitted to the hospital for meningitis. My daughter is also sickly. She has health problems since she was five years old.”

Most of the residents do not find time to exercise but considers household chores as a form of exercise to control weight gain and stay healthy.

Resident 4

“I consider household chores as exercise. A doctor has recommended that I monitor my blood pressure regularly.”

The quality of the community health program is affected by the lack of basic health indicator devices such as sphygmomanometer (a device used to measure the blood pressure), stethoscope, first aid tool kit. The GK – St. Paul community “lusog” (health) volunteer lamented that the lack of basic vital signs measuring devices hampers her services to her village neighbours.

“I am a lusog (Health) leader. I assist in medical missions. I know how to take the blood pressure. At the moment we do not have a blood pressure measurement device. There was an old unit provided by GK which eventually malfunctioned.”

The outcome of low participation of residents in the community provided physical fitness is a

setback to the community health program.

Neighbourhood president

“We had a regular exercise activity provided by the Barangay to promote good health. An exercise instructor was hired but the residents lost interest and will no longer attend the activity.”

Health is wealth. People regardless of social status need to take care of their physical fitness and well-being. Health is a primary governance issue which is difficult to deliver in highly populated countries. The health management of the nation requires all stakeholders to participate. Again, it is the workings of the market, the institutions and the people.

#### **g. Environment care, avoiding monetary losses due to mismanagement of nature**

The worsening environmental crisis in the Philippines is one of the country’s many problems (Bello, et al., 2005, p. 217). Fragile ecosystems have been pushed to the limit (ibid). Natural disasters such as the massive mudslides that practically swept away the city of Ormoc in 1991, Southern Leyte and Surigao del Norte in December 2003, and the tropical storm ketsana (locally called “Ondoy”) which caused flash floods that devastated Metro Manila and other areas in September 2009 exemplified the massive tragedies that could result from the systematic slashing away of Philippine forests (ibid) The improper disposal of solid waste is among the causes of the flash floods.

The implementation of the proper segregation of garbage is a governance challenge.

Wife of neighbourhood president 1

“There were lectures and trainings conducted by the GK office on environment care. However, most of the residents are not really diligently segregating garbage and maintaining compost. Everybody does the gathering and selling of plastic bottles. Our community location is prone to flood. We have experienced flood four times since we resided here. Our community is a river bank. We try to campaign on garbage segregation and proper disposal of garbage. There was one flood which did not subside right away. It subsided only the following day.”

GK Employee

“We hope that we can have a better coordination with the government office responsible for the garbage collection. There are villages that make their compost to produce vegetable garden soil out of kitchen waste of the village.”

Project Director

“It should be the Gawad Kalinga management that will plan and implement the seminars and trainings on environment care. The people have already grown tired of all the seminars. The implementation is the problem. People cannot practice the segregation properly because we do not have the segregation materials like appropriate plastic bags and garbage cans. The residents will not bother to buy any of these materials so they cannot properly segregate the garbage. “

Neighbourhood president

“I have brought the residents to the various trainings but sad to say it seems I am the only one who tries to dispose the garbage properly. They do not think that whatever little garbage they litter can accumulate into a magnitude of pollutants which will be harmful to the environment. This is the reason why we experience flooding.”

Wife of neighbourhood president 2

“There is a person who really trains us on proper garbage segregation. We have a problem on the garbage collection because the town garbage collection truck does not come here. We just have to dig big dumping holes to solve our problem.”

#### **h. Community fund, a collective savings for individual emergencies**

A community fund fosters community cohesion as a source of assistance and benefits. It matters to individuals or families to belong to a community or organization where help can be expected in times of need. Emergency fund requirements often lead to borrowings at all costs which can be a poverty trap. It is common in the Philippine communities to have a community fund for the purpose of giving burial assistance to the family of a deceased person. The other kinds of community funds are the Rotating Savings Credit Scheme Association (ROSCA, discussed in Chapter 3 under ‘Money management skills’) and the non-

formal credit cooperatives.

The non-formal credit cooperatives are often organized to prepare for the community patron saint “fiesta” (feast day). A group of families contribute a specific amount to a common fund at the beginning of the year. The common fund will be loaned to the fund members at market rate usually at 5 percent per month. The borrowed funds will be collected prior to the “fiesta” celebration and the total proceeds will be utilized to purchase food that will be served in the members’ respective homes. The participation in ROSCAs and non-formal credit cooperatives are often sources of funds in times of emergencies such as sickness, losses and other urgent requirements.

The major issue on community fund is leadership and honesty of the fund manager. The risk of fraud is a factor since there are many cases where the fund manager disappeared with the fund. The level of participation of the GK residents in contributing to a community fund is very low. It is another challenge to encourage active participation and continuous contribution.

Neighbourhood president

“I have a program which is the “Kapatiran- Tulungan” (Community Help Common Fund). We collect minimal contribution when a member of the group dies. I also organize midyear raffles and social activities for the community.”

Wife of neighbourhood president 1

“There was a community fund in the past but we stopped it because many will not contribute.”

Wife of neighbourhood president 2

“We don’t have a mortuary fund in the community. We ask the help of the local government unit, which is the Barangay Office, for those who need emergency assistance in case of death, sickness and other needs. We usually get assistance which is a meagre amount but can assist in their immediate need.”

The residents who need the community help but hesitated to ask for assistance. Their problem is left unsolved which can possibly be resolved with the collective community

action.

Resident 1

“My husband will only require eye laser treatment. He had a scheduled operation in the Philippine General Hospital. We had no money for the post operation medicine and expenses, the operation was shelved. I received only PhP 1,000 (NZ \$ 33) from a donor but it is not enough. Nobody will take care of my husband in the hospital since I have to earn our keep daily. His relatives live in the province.”

Resident 10

“I have recently returned to the GK village because I have to attend to a family problem. My brother got involved in a crime where he and his two peers held up a lady’s cell phone. He is now behind bars. I have to help in processing his bail, a bond of PhP 100,000 (NZ\$ 3,300). We have the alternative to pay a surety bond of PhP 14,000 (NZ\$ 425) but the amount is still unaffordable. We have already spent so much for the transportation in complying with police requirements. I really do not know where to get the amount.”

A GK employee lamented that it is the government’s responsibility to help the poor.

GK employee

“It is the responsibility of the government to help the people requiring assistance. We hope to really set up GK community funds for the emergency needs of the residents.”

The problem of a transient resident of GK – Eversley on her brother who is behind bars with two other youth residents of the village is a sad reality. The scenario is just a snap shot of the bigger picture of misery due to poverty in the village. The sister claimed that her brother is jobless but have tried to look for a job in the past. There was that silent question which the researcher wanted to ask whether the village, the GK management and the government have lapses in their respective duties and responsibilities which are contributory to the desperate act of cell phone robbery.

#### **i. Old-age financial planning**

In the Philippines, the children are the old-age insurance of the parents especially in the poor families. The children are expected to take care and spend for the elderly parents' medical and subsistence requirements. In most cases, children of sick elderly parents will incur debts to pay for the parents' medical expenses. The minimal health insurance coverage of the elderly who are retired employees and/or dependents of employed children is already a form of a little financial relief to the children. The extension of the lifespan of the elderly depends on the availability of funds of the children.

Resident 6

“My husband earns enough but when his father got sick we were the only ones to help out. We had to borrow money for his father’s medication and now we are in debt. My son is going back to school next semester. We didn’t have enough to pay for his tuition this semester. “

The inclusion of the old-age financial planning in the interview is to gauge whether the residents and volunteers are aware of the financial eventuality of old-age. There were 24 residents and volunteers who were asked whether they have old-age financial planning. Half of the group affirmed that they have old-age financial planning in the form of membership and contribution to the Philippine Social Security System (SSS). However, on the health insurance membership out of 24 interviewees only 9 reported that they have a Philippine health insurance (Philhealth) membership. The membership to the Social Security System and the Philippine Health Insurance require regular payment of monthly dues but mostly are not regularly paying their monthly dues.

The residents and the volunteers are aware of the need of planning for retirement and old-age. The neighbourhood president described his pro-active future planning. strategies.

Neighbourhood president

“I don’t have savings because I pay a lot of insurance premiums. I can avail of a policy loan at 1% per month interest. My accident insurance will entitle my beneficiaries to receive P 5 million in case I die in an accident. I always try to have alternatives. I think

of fall back positions that if one company folds up I still have other investments that I can utilize in case of financial needs. There is always the risk of losing but it is worth the try. I always think of the future and security of my children. If I don't invest I don't have anything to look forward to receive in the future. It is still a game of chance."

The residents are aware of the need for future planning, retirement and old-age but are constrained by various factors.

Resident 1

"I have thought about old-age financial planning but simply cannot do anything. I can hardly manage the present needs of my family having a sick husband. "

Resident 2

"I have thought about old age planning but I really do not know how to go about application for SSS membership. I cannot understand the instructions. I can just go with the flow when I have some peers with me doing the processing of documents. I don't have the guts to inquire from people in offices."

Resident 3

"I am not a member of the Social Security System. I really do not know how I will survive when am old."

The residents with existing Social Security System (SSS) membership but not regularly paying their membership premium payments are faced with the uncertainty of their old-age retirement benefits.

Resident 7

"I don't have a pension from the Social Security System. I found out that my previous employer didn't remit my contribution to SSS. I have no proof that I made contribution though because I burnt my payslips. The SSS records showed I have zero contribution to the retirement program."

Resident 12

"I signed a membership form but I do not know whether my contributions were remitted at all. I have not verified from the SSS office."

Resident 16

“I am a member of the Social Security System (SSS) but I have not been regularly contributing to the fund. I intend to resume my contribution payment to SSS. I don't have other pension sources.”

Resident 21

“I don't have insurance coverage but I am a Social Security System member. This year I have not paid the premium payments. There was somebody who collected premiums here but there was no remittance made to the SSS.”

The residents dependent on their husband's old-age pension are confident of a spouse support when they grow old.

Resident 10

“I don't have any retirement insurance at all. I am my husband's primary beneficiary as his wife.”

A resident, at age 42, is processing her SSS membership. She can still comply with the mandatory requirement of at least ten year payment period before reaching the retirement age of 60 in the Philippines.

Resident 5

“I have already prepared the documentary requirements for SSS membership. We hope to receive some SSS pension when we are 60 years old. We already have Philhealth coverage just two months ago. We realized the importance of old-age planning based on my mother's status. She has grown old, has spent her savings for medication and does not have any income or pension at all. At least when you have SSS coverage, there is an amount you receive every month. My mother is dependent on the contribution of her children to support her medication and other needs.”

The Project director cited the Gawad Kalinga team organized to campaign for Social Security System and Philippine Health Insurance membership in the village.

“The GK South has organized a team to campaign for SSS membership in the village. The GK has realised that Philhealth is a big help in case any member of the family will require hospitalisation. “

## **j. Gambling, a desperate never wins activity**

Gambling is a game of chance often played by idle and desperate individuals. Wilson (1997) identified 'control' as central to gambling behaviour. Gambling in the Philippines is a daily activity common to depressed and poor communities. A former president of the country was impeached for his involvement in the illegal gambling operations (Abinales & Amoroso, 2005, p. 275). The current Philippine Interior and Local Government Secretary (DILG) Jesse Robredo admitted that the government's goal of stamping out "jueteng" operations in the country will be a formidable task, saying what is needed is a more systematic approach in dealing with the illegal numbers game (GMA News, 2010). Robredo declared that the Aquino administration would not tolerate the conduct of jueteng because it is illegal, and it "develops a culture of mendicancy and corruption among the constituents as well as government officials" (Recuenco, 2010). The Catholic Bishops' Conference of the Philippines (CBCP) worries on the illegal numbers game since allegedly has been the major source of revenue for corrupt local politicians (ibid).

The problem on habitual gambling was identified by the Gawad Kalinga neighbourhood presidents of GK – St. Paul, Manila and GK – Gravahan, Davao City as rampant in the two villages.

Neighbourhood president

"We have various gambling forms here. (Named the different gambling forms) The impeached Philippine president Joseph Estrada was jailed due to illegal gambling. His successor promised to get rid of illegal gambling but was unable to stop the problem."  
“

Wife of neighbourhood president 2

"There is a nightly "last two lottery" illegal gambling in the community. Most of the residents are really hooked on it."

The only resident who shared to have benefited from winning the numbers game.

Resident 5

“We purchased our home appliances in cash because we won in the “swetres” (illegal numbers game) lottery. We have won twice. We won PhP 36,000 (NZ \$ 1,125) with a PhP 20 (NZ \$ 0.63) bet.”

The residents are aware of the downsides of gambling and yet they still continue to bet.

Resident 4

“I don’t buy lotto tickets but I do occasionally bet on the easy two digit lottery. My bet is very minimal at PhP 5 (NZ \$ 0.17) per day. However, usually the gambling winning is easily spent.”

Resident 16

“It is only my husband who buys lotto tickets. Gambling is not good. It is diverting funds which are supposedly spent for the family requirements.”

The element of luck and intuition is the motivation to gamble for these people.

Resident 6

“I occasionally buy lotto tickets. I bet if I have some intuition on the luck of chosen numbers. I won a few times but not the big pot money just the prize for the three or four digits. I also won a few times with the “swertres” (lucky three) lottery. Gambling winning is not at all beneficial because it is easily spent.

Resident 20

“I don’t bet on lotto but I occasionally bet on the last two number game. I sometimes win whenever my grandchild dreamt on some numbers which I will use as basis of my bet.”

The resolve to resist the urge to bet with the realization that it is not a good example to the children is constructive.

Resident 18

“I bet occasionally which is not really a habit at all. I bet in 'Last Two Digits Lotteries' but rarely. I used to be a habitual gambler in these small time lotteries. My children were very young then and I really was hooked to the daily betting. I will even bet the few remaining pesos in my wallet. Later, I realised that it was not good and now I can

resist the urge to bet. I think of my integrity and moral ascendancy as a parent so that my children will not do the same.”

The GK officers and volunteers worry on the impact of the vice on the family budget and the other social effects of habitual gambling. Gambling is a global problem as well. As discussed in chapter 3, there is a conflict of interest issue in some gambling forms which are sanctioned by local and national governments to raise funds for the public projects. The source of public funds is gambling which is found to have negative impact on individuals and their families. The gambling fund is spent on the various government projects that will benefit the people as public goods.

### **5.3 GK residents’ and volunteers’ qualitative money management profile**

#### **a. As budget planners and money savers**

The GK residents’ and volunteers’ money experiences indicated the pain and pleasure of managing their finances through the difficulties of balancing the source and the requirements. The income profile of the GK residents and volunteers (Table 4.3) showed that 20 out of 25 or 80 percent are earning less than PhP 10,000 (NZ \$ 303) per month. Despite the low income level, their budgeting behaviour is towards optimism. The willingness to attend budgeting seminars and trainings is an indication that they are open to learning strategies and skills on money management. A real struggle and self control indicator is the habit of setting aside small amounts as savings. Saving is a positive money behaviour. The interviewees try their best to save regularly though they will not be able to accumulate big savings since the needs are beyond the means and end up utilising the little amounts they have tried to set aside.

#### **b. As people with livelihood initiatives and their level of credit awareness**

The income deficiency prompts the resourcefulness of the women to engage in livelihood activities to augment the income of the husband. The act of looking for other sources of income is another constructive attitude towards the need for money. The livelihood initiatives lead to borrowing of capital which is sourced from money lenders who charged

very high interest rates. In this aspect of the quest to earn additional income come the interplay of the individual capability to understand the external factors of the sourcing of funds and the predatory practices that are beyond their level of independent knowledge and action. The women of the GK communities are not well informed on their credit options which make them vulnerable to manipulations. The bridging of the need of the poor for money to be used as livelihood capital has become an opportunity of the 'loan sharks' to foster their agenda for accumulation of money in their private social space. On this aspect of money management, the women of the GK communities require professional advice, help and guidance from the government, the banks, the Gawad Kalinga management, appropriate civil society group and money –smart individuals.

#### **c. As trusted borrowers and clients**

Among the interviewees, there were only two who exhibits money smartness having achieved the levels of monthly income that provide comfort and security in their lifestyle. It is inspiring to find money smart people in a supposedly categorised as a poor community. One completed only the 2<sup>nd</sup> year high school level but the other one is a college graduate with a degree in Education. The former used his perseverance and determination to understand the flow of money from fund sourcing to investment in business to collection of receivables and the cyclical money movement. He persisted in spending wisely and saving regularly. The other used her high educational level in managing the finances of the family provided by a hard working husband. Both invested the family savings in buying properties and converted those into rental assets. The two are the rich neighbourhood officers of the community of poor families.

#### **d. As environment and health care agents**

The awareness level of the residents on the environment and health care is high. The residents welcome the gathering of empty plastic bottles and selling them as a source of money. However, the level of awareness is not consistent to the outcome of their attitudes and behaviours towards preventive environment and health care. The environment

and health care knowledge is not consistently applied in all villages. The environment and health care attitude and behaviour impact on the lives of people without daily visible signs. The environment care benefits manifest into the overall cleanliness, orderly and beautiful surroundings of the community and serves as attenuating factor in case of natural calamities. . There were interviewees who enjoy good health while there were those who suffer from various sicknesses. Those who are sick are against the odds of medical expenses which are heavy money drain for the poor. The well-being of the people is a major policy concern but it will require the individual cooperation of people.

#### **e. As participants of gambling activities**

The tendency to buy lotto tickets and participate in the illegal numbers game in the villages is high at 12 out of 23 interviewees or 52%. The childish wishful thinking of a windfall in the numbers game is a matter of personal discipline and control. The research was not able to inquire the primary reasons of the residents to gamble. The GK St. Paul neighbourhood attributed the gambling habits as a result of being idle and the lack of livelihood activities that will preoccupy the residents and make them productive. He also cited the absence of government action to control the gambling operators. He described the door to door promotion of illegal gambling where agents solicit bets from every household. Most of those interviewed who gamble claimed that they are only betting minimal amounts and only a few times a month. However, the few times a month bet multiplied into the 12 month period will already be an amount that could have been invested or spent for the well-being of the family. The number of the interviewees is very minimal in every village. Those who were not interviewed could be the majority of the habitual gamblers.

#### **f. As contributors to the community fund**

The interviewees' participation to a common or community fund is very low. Only 6 out of the 24 asked or 25% participated in the rotating savings credit scheme. However the number of interviewees who contributed to a community emergency fund was 8 out of the 24 respondents or 33%. This is indicative of a weak bonding of the residents of the

community. The cohesion of the community will manifest in times of emergency a The willingness to give monetary support to those in need is a gesture of solidarity. Whatever little amount contributed to a pool of fund can go a long way to those who are in need and may change their lives forever. Mother Teresa of Calcutta has a one word solution to the poverty problem – “share”.

#### **g. As future planners**

Planning is a conscious effort to prepare for the future specifically for events that are expected to happen like getting sick and growing old. The residents who shared that they have thought about retirement and growing old were 15 out of 24. However, only 12 interviewees are members of the Philippine Social Security System. Out of the 12, 4 interviewees admitted that they have defaulted in the monthly contribution. Default in the monthly contribution will affect the eventual claim of the benefits when they reach the retirement age which is at age 60. The same group of interviewees admitted to betting to the numbers game that lacks the consciousness to prioritise the prompt and regular payment to the retirement fund. In the case of the sickness insurance membership in the Philippines Health Insurance only 9 out of 24 are members. The eventuality of getting sick is as sure as day and night rotation. The minimal contribution of PhP 100 (NZ\$ 3.03) is something that the poor should try to prioritise to ensure that the members of the family can avail the insurance coverage in case of the need to be hospitalised. Although the aspect of well-being is a priority governance issue, the Philippine scenario requires the pro-active responsible action of all Filipinos specially the poor population.

#### **Conclusion**

The roles of the market, the institutions and the individuals in the poverty problem are apparent in the sharing of the interviewees of their community life and money attitudes and behaviours. The dynamics of the three poverty trap factors is never at a continuous and constructive flow. There are also scenarios wherein the factors are at odds with each other, like the gambling sponsored by the local and national government. The existing laws that

should protect the interest of the people are not efficiently implemented due to the uncoordinated actions of the stakeholders. The 'Truth in Lending Act' has been there since 1963 but the people are not even aware of its existence. The law requires that creditors fully disclose charges on loans to the borrowers. The borrowers are likewise supposedly to be empowered by the information and give them the awareness and consciousness in their credit options. The financial institutions have complied with the requirement but have not adequately explained the relevance and importance of the disclosure statement which in turn leave the public still inadequately informed about credit options. Another law which is implemented but is still inefficient is the 'Ecological Solid Waste Management Act of 2000'. The objective of the law is very beneficial to the people and the next generations of the Filipinos. However, the market, the institutions and the people have not given their full cooperation and participation to make it successful. Indeed, the failure of the market, the institutions, and the deficiencies of the individual capabilities will entrap people to poverty.

## **Chapter 6: DISCUSSION**

### **6.1 The Philippine faith community and social capital in poverty alleviation**

The GK village is a thriving community of people bonded by the commonality of being beneficiaries of a free house with a village organization governed by a set of officers. Trainings and seminars on nationalism, values, livelihood, environment and health care are continuously conducted in the village. The GK village has the basic elements of building the social capital in a faith community. The free houses are their bonding factor, the village organization provides the bridging of their individual capabilities and the GK management links the village to other communities, institutions, and the government. The GK village has the 'horizontal' relationships of bonding (with family and bridging (with other community groups) supplemented by 'vertical' relationships (with institutions and government)(Furbey, Dinham et. al., 2006, p.7). To date, there are 2,000 GK villages all over the Philippines (Gawad Kalinga 2009). The creation of trust and community cohesion is facilitated by the interaction of people bonded by common values of honesty and integrity and beliefs for the collective well-being.

#### **Behaviour problem of the poor**

The GK Mindanao area coordinator shared that "the focus of the program is to address the behaviour problem of the poor". He believes that the approach of GK is unique by starting with the transformation of the physical environment of the poor through the provision of concrete houses as their family home. He cited the influence of the environment to the mindset of the people to have a positive disposition. He added that the environment is the reason why slum areas are breeding grounds for criminals. He observed that the women of the GK villages are good in coping up with the difficulties in life. He points to the idle and out of job husbands as the cause of poverty in the country. GK has the objective of building the capabilities of the husbands to become good providers. He is optimistic that developing capabilities of the husbands is a good start to eliminate corruption. A GK partners' coordinator in the Metro Manila area had these perspectives on the GK community

“Their slum behaviours are being reoriented towards becoming good community builders. They are oriented towards becoming responsible people and how to avoid alcohol drinking, drugs and other vices. We do not actually teach the GK residents how to handle money but we try to change their mindset about poverty. Poverty is not rooted from the government or other sources but it is in the mind of people. We try to motivate people to work and become productive.”

### **The potential of the GK village as a poverty alleviation initiative**

On the basis of the six typical forms of social resources and benefits theory of Castiglione, Van Deth and Wolleb (2008) as discussed in Chapter 3 pp. 34-35, the GK village as a poverty alleviation initiative has the potential to create a productive community. First, the community access to information (e.g. credit information) is available despite the deficiencies on the delivery and quality of information. The deficiencies can be argued as part of the sources like the government, institutions, media and the informal sources like family, friends and neighbors. The effectiveness of the information can also be affected by the comprehension ability of the individuals as recipient of the information. Second, the readiness of community actors to become trustfully involved in risky ventures with other parties. This is a development need of the GK community. The level of trust needs to be developed since most of the residents are hesitant to participate in activities with elements of risks like credit cooperative and the rotating savings scheme. Third, the production of support, help and solidarity, has been nurtured by the GK village upon inception of the community. The cooperation of the GK residents require constant leadership motivation and nurturing by volunteers. As explained by Castiglione, et.al. the first three forms are driven by the intentional efforts of the individual residents.

The other three resources and benefits cannot be achieved by isolated individual intentional efforts since these require collective actions which are the biggest challenges of the GK villages. The fourth form, the availability of social control and the level of attention to the fate and action of the other members, is an issue of culture, policies, leadership, governance, and collective cooperation. The issue requires a long term solution that will

create the network of a coordinated team composed of the government, the GK management and residents of the villages. The short term immediate step by step strategy is the strengthening of the different players in the community building. The fifth form, a climate of trust in the network, is a general problem in the Philippines. The tendency to distrust as shown in the survey result on the social capital of the Philippines is the outcome of the deep rooted problems of the country like corruption and abuse of power. The sixth and the last form, the validity of norms, values and morality, is a work-in-progress in the GK village. The GK residents have been oriented on values, nationhood, norms, productivity and morality on a continuous basis.

## **6.2 Analysis : Money attitudes and behaviors as poverty alleviation tools**

Poor people are emotionally battered by a society that provides little help for the lifestyle most people justifiably seek (Yablonsky, 1991 p. 104). The cycle of financial crises that happened in the history of mankind, the 1929 American depression, the 1997 Asian financial crisis and the 2008 global financial crisis, are also a cycle of “ the poor paying a higher price than the wealthy” (ibid). This was pointed out in 1931 by Will Rogers, a humorist and social commentator. Rogers as cited by Yablonsky (1991) believed that there is not an unemployed man who has not contributed to the wealth of every millionaire in America. With the interconnected world, it has now become apparent that the global poverty problem has the same face, structure, issues, meanings, and challenges anywhere. In the maze of the complex poverty issue, one factor always surface, the abuse of money as a tool of credit and exchange.

### **People as competent money managers**

Zelizer (1997) pp. 119 – 198, has described the history of the strength and weaknesses of the money capability assistance extended to the poor by the state in America since the early 18<sup>th</sup> century. The poor in richer and developed countries are luckier compared to the poor in the Philippines, they are given state support. In the Philippines with a weak state, the poor have to struggle on their own independent efforts to get out of poverty. Zelizer’s theory of

empowering people to become competent money managers needs to be applied in the Philippines with empirical evidence of the poor being abused by money lenders. Katona (1975), as cited in Furnham and Argyle (1998) p.34, explained that “consumers’ decisions are shaped by attitudes, habits, socio-cultural norms, and group membership”. It can be argued that the inequalities of society are partly the “the outcome of people generally not reflecting on all the options available to them, forgetting details of past spending decisions, being unclear on their individual needs and being uninformed on recent economic data” (ibid). Furnham and Argyle explained that people derive multiple benefits from money behaviors such as giving and gambling. The psychological benefits are paid in a way that does not maximize the income and often just careless spending.

### **Rational money attitudes and behaviours**

Furnham and Argyle (1998) agree with Zelizer that most people are not sufficiently educated in monetary and economic affairs to behave ‘rationally’. Wilson (1999) p. 5, shares the same perspective on the rationality of personal money attitudes as “often irrational and infantile”. She explained that money has a childhood. Similar childhood money stories were shared by the residents and volunteers of the GK villages. The anecdotes validate the theory that the relationship of people with money starts with childhood experiences. Wilson identified the need for women to disentangle negative emotions that may be inhibiting the ability to deal rationally with money (ibid). Her research indicated that women may transfer negative childhood associations, consciously and unconsciously, onto money in adulthood. In many homes, money is not discussed openly and objectively. Most people grow up without the rational thinking, attitude and behavior towards money due to the silent childhood home atmosphere of money (ibid p. 7; Yablonsky, 1991 p.28).

### **Clarity, control and discipline for a better money attitude and behaviour**

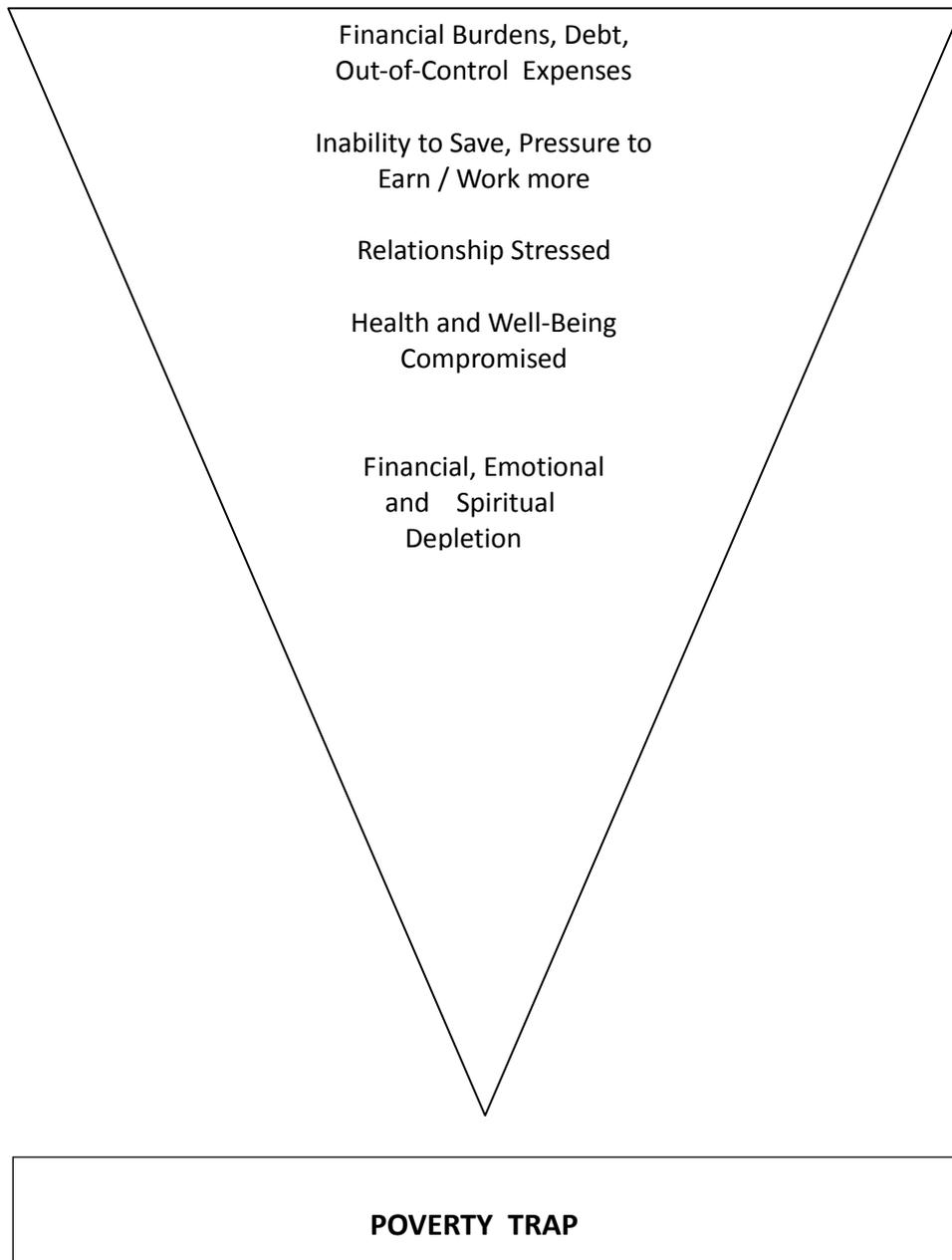
The educative process in the uses and morality of money is lifetime. It starts in the home environment in childhood, acquired from the school lessons and other trainings, and applied in the daily interactions with people and technology (use of ATM and internet banking).

Every individual regardless of economic status needs to learn and understand how money works and affects our existence. People need to integrate the practical, emotional and spiritual aspects of the relationship with money (McCall, 2000 p. 9). The poor and those who lost their wealth may both have empty pockets but the two have different capabilities and network. The poor may have unutilized capabilities but does not have the network that provides opportunities. The impoverished rich may have abused their capabilities but still have a network of influential friends who can help in their financial recovery. Both need to examine the underlying issues that had shaped their relationship with money and develop sound financial behaviors to serve the current financial needs and develop a financial plan for the future (ibid). Control becomes the key to understanding money attitudes (Wilson, 1999 p. 67) and discipline is the factor in developing a better money behavior.

### **The money drain**

The differences of the level of money smartness or 'money quotient' vary in every individual depending on the capabilities acquired through training from home, educational attainment and experiences. All people need to take responsibility of their finances, take control of their money attitudes and discipline their money behavior. The Money/Life Drain theory of McCall (2000, p. 21) shows "how an undependable financial structure, top-heavy and weak, can erode the very things that make life worth living". The drain will go into the poverty trap ground (Figure 6.1). The poverty trap, as discussed in Chapter 3, is caused by either the market failure, institution failure or the individual capability. McCall has formulated a strategy of a set of behaviors to stop the money drain. "First, the tracking of income and expenses, exploring belief systems around money and their obstacles and debt management. Second, the assessment of savings, insurance, identification of knowledge required and developing action steps. Third, clarifying values about spending, saving, earning and planning for the future. Fourth, examining personal money behaviors and money relationships" (McCall, 2000 p.23 – 25).

Figure 6.1 The Money/Life Drain



Source: McCall, K. (2000). *It's your money achieving financial well-being*. San Francisco, California: Chronicle Books LLC.

### **6.3 The role of public policy**

#### **The pending Philippine financial literacy bill**

Duncan (2007) p. 4, cited an overarching description of public policy as “a governmental strategy for managing society’s use of resources and its distribution of rights and obligations”. He explained that “policies have political and intellectual origins which involve people doing relevant work which will impact on the social and environmental aspects” of the covered areas and individuals (ibid). The Philippine challenge on the policy on financial education is overwhelming with 100 million Filipinos to educate on money management. On the policy makers table of the Philippine governance is a pending Senate Bill 2933 or the Financial Literacy Act of 2008 filed by Senator Miriam Santiago on 3 December 2008 (Santiago 2009). An act to develop Philippine national financial literacy which was submitted to the Committee on Education, Arts and Culture of the Philippines senate. The sooner the bill can be enacted will be a big step in the task of fostering sound money attitudes and behaviours in the Philippines.

#### **The regulatory role of Bangko Sentral ng Pilipinas**

On the regulatory perspective, the Bangko Sentral ng Pilipinas rolled out the financial literacy advocacy in 2006 under the leadership of Governor Amando M. Tetangco Jr. He issued Office Order No. 892 on 15 October 2006 that created the Financial Consumer Affairs Group (FCAG) of the Supervision and Examination Sector (SES). The group was established to support the SES in ensuring the protection of depositors and investors and enabling the smooth and orderly functioning of the entire financial system. However, the function of the FCAG is limited to the intermediation of the consumers’ complaints or disputes with BSP-supervised financial institutions. The poor abused by the loan sharks, whose operations are not BSP supervised, are not mentioned as covered. In November 2008, BSP conceptualized the Financial Education Master Plan (FEP) with the vision of financial education as a building block for a stronger economy (ibid). The program aims to cover all the regions of the Philippines. The FEP, as conceptualized, makes use of the non-formal system of education

targeting college students preparing for their working phase, young professionals, entrepreneurs, retirees, and individuals from the marginalized and underserved sector. It is divided into phases to create a financial learning environment that is customized to the needs of target audiences. Each phase features the entry of a corresponding program which is carried over on a continuing basis for the ultimate goal of elevating it as a national strategy.

The financial education of the people is for the monetary smartness of individuals which can be weakened by the lack of clear policies that will address what Ingham (2004) described as “the structural inequalities in the credit market”. Ingham refers to the public policy action that actively protects the banking institutions that when they fail they are bailed out by the government. Banking institutions serve the top level of the credit market constituted by basic capitalists who borrow money in order to make more money (Ingham, 2004 p.138). The middle level of the credit market largely involves borrowings for consumption and the bottom level remains outside the credit-money-producing circuit and uses cash and quasi-barter (ibid). The poor can be argued as those in the bottom level whose credit requirements are serviced by lenders not regulated by the government regulators who can freely charge any interest rate to the borrowers.

#### **6.4 The role of public action in financial education**

Public policy is an activity that occurs in a wider social context of actors which include the specialists, lobby groups, the media and the target sectors of the society (Duncan, 2007 p. 4). The vision of the financial education program of Bangko Sentral ng Pilipinas is challenged by the absence of a law that will provide legal basis and funding for a nationally coordinated action on the program. Compared to other countries such as New Zealand and Australia, the Bangko Sentral ng Pilipinas does not have the active participation of the private banks whose network, resources and geographical locations of branches can be useful channels of the financial education campaign. As discussed in Chapter 3 the faith communities are possible potential partners in the financial education program due to the high level of trust and

participation of people in the faith lay organizations. The education sector is another potential partner which can be mobilized by the passage of the pending law. The education sector is crucial to the introduction of early money management education and training to the children and all other levels of schooling Filipinos. There are other non government groups engaged in financial education such as the Colayco Foundation for Education and numerous cooperatives nationwide. These institutions conduct separate and independent financial education seminars and trainings.

## **Conclusion**

People need to have the clarity, the courage and to acknowledge that the way they dealt with their financial life had affected the quality of their entire life (McCall, 2000 p. 23). The experience of the GK – St. Paul neighbourhood president, who has the same level of education with majority of the other interviewees at high school, is one with having clarity, courage and constant acknowledgment of the effects of money to the quality of his life. He started as a poor boy from the province who initially worked as a house help and evolved into a successful businessman. His keen sense of learning on how money works and moves are indicators of a high level of control on his money attitude and discipline on his money behaviors. He earned the much needed trust and built a network of low interest financial sources which allow him to reach his full potential and becoming all he can be.

While most of the women respondents struggled in their money management, one stood out as having a high level of money smartness. The wife of the neighbourhood president has ably managed the income of her husband, sent her son to the medical school and invested in rental properties. The anecdotes of the women in the GK villages showed the need for financial education that will address their needs to improve their money attitudes and behaviors specifically on credit, future financial planning and gambling. The thesis argument is negative money attitudes and behaviors are poverty traps. Conversely, the positive and constructive money attitudes and behaviors are potential capability builders that will attract opportunities to become financially stable in life.

The coordinated and collective action of the government and the public on the financial education campaign can facilitate the fast tracking of the financial literacy program and will benefit the financial well being of the people. The empowerment of the individuals through financial education to become better money managers can still be affected by the structural inefficiencies and inequalities of the credit market and other social and political factors. In the Philippines, there is an existing struggle between the poor debtors and the high interest charging creditors. There is a vacuum of control over this area of struggle since the Philippine regulator; the Bangko Sentral ng Pilipinas does not regulate these types of lenders. This will lead to a question of another research as to who will regulate the so called “loan sharks” in the Philippines. As argued by Ingham (2004, p.150), “central banks are presented as having the knowledge and capability to control the trajectory of the economy but in reality the control is severely constrained”.

On the other social and political factors, it matters that the women respondents of this research are residents of a community with spiritual and social network which has the potential to link to the political channels. As discussed in Chapter 3, the community network values and cohesion serve as a support to the individual members. The qualitative data showed indicators that require collective actions that can be motivated by a trusted leader. The issues on environment and health care, community fund participation, and gambling require the cooperation and participation of all the residents in the community. The Gawad Kalinga poverty alleviation program has already achieved concrete steps towards the creation of a productive community. It has development and sustainability requirements for the residents and the community as a whole which will require the best support of the government, institutions, the public and other sectors. The GK program foremost require the full participation, cooperation and commitment of the residents as the beneficiaries of the program whose lives will be continually enrich by their voluntary and systematic responsible actions.

## CHAPTER 7: CONCLUSION

*What does public policy seek to achieve? ... It seeks to maximise what people value.  
...good public policy aims to maximise the scope for human flourishing.*

*New Zealand Business Roundtable (July 2007)*

### **The no – cure – all theory**

Dani Rodrik (as cited in Schramm, 2009, p. 3) shares a caveat that there is no cure-all theory of growth and offers instead pragmatic suggestions for individual scenarios. This thesis on Philippine poverty alleviation with money attitudes and behaviours as the variables for targeting poverty reduction offers the same argument. For all its worth, placing the women and volunteers of the Philippine “Gawad Kalinga” (GK – Give care) communities under the research lens disclosed realities and issues which were both presented, discussed and analyzed under the premise of the theoretical perspectives of the money theorists Zelizer (1997), Ingham (2002 and 2004) , Wilson (1999), and others. These were also examined through the perspective of development and public policy theorists such as Sen (2000), Fukuyama (1995), Duncan (1998, 2007 and 2009) and others. In the final analysis, this thesis offers optimistic potential for the reduction of poverty in the Philippines dependent on the actions of public policy and the public (the market, the institutions and the individuals).

### **Poverty traps**

The poverty reduction menu differs in every country to suit the culture, environment and factors involved. Improvement in outcomes depends critically on local conditions and on tailoring institutional design to meet these locale specific needs (Narayan, 2002, p.7). The Philippines faces the hurdles associated with the poverty reduction issue like the deep-rooted problems embedded in the culture, social and political structures of the country. The scenarios depicted in this thesis illustrated the interrelatedness of the poverty trap factors, the market and institution failures and the deficiencies of the individual capabilities. The objective of continuous and harmonious interactions of the market, the institutions and the

individuals will remain as a fundamental goal to achieve. There are endogenous and exogenous factors that affect the market, institutions and individuals which require constant monitoring and regulation. The factors have tendencies to be in conflict with the desired direction towards efficiency and equitable distribution of the public goods. The counterproductive tendencies will create inefficiencies and inequalities resulting to marginalized population in any country.

### **The “Gawad Kalinga” strategy**

In the Philippines, governance issues coupled with the public’s failure to participate and cooperate will potentially affect the development efforts and initiatives. The poverty alleviation efforts of the previously religious organization turned into a non-government organization “Gawad Kalinga” is a constructive step in the Philippine poverty reduction challenge. The Gawad Kalinga village serves as a showcase of a poverty targeting initiative focused on one specific community at a time. It matters that Gawad Kalinga provides a ‘protective security’ that serves as social safety net to the poor beneficiaries preventing the residents from being reduced to abject misery. The community life of the GK residents is a ‘fixed institutional arrangement’ that will serve as their support system in their daily life. The replication of the GK poverty alleviation program in all places in the Philippines will potentially help in the reduction of the poverty incidence in the country.

### **Money attitudes and behaviours**

The money attitudes and behaviours of the people is just one aspect of the Philippine poverty problem that requires public policy and public action to address. The individual capability of the residents in their daily money management is the outcome of personal social and economic factors such as education, trainings and experiences. The education, trainings and experiences are influenced by the market trends, the actions of the institutions and the enactment of public policy. The knowledge offered by these activities provides the people the freedom to choose and the protection from exploitation. The dynamics of the interaction of the market, the institutions and the individuals get distorted due to the imbalance caused by the deliberate actions of individuals who abuse their access and

authority for their self-serving agenda. Empowerment through inclusion, voice and accountability are required to promote social cohesion and trust (Narayan, 2002, p. 4). Social cohesion and trust are qualities that help reduce corruption, reinforce government performance, and provide a conducive environment for reform, with consequential benefits for developmental efforts' effectiveness and economic growth (ibid).

### **The empowerment approach**

The empowerment approach to poverty reduction is done by increasing the human capabilities by providing universal basic education, health care, and adequate arrangements for social protection (Narayan, 2002, p. 6). In the Philippines, It will require the improvement of the distribution of tangible assets such as land through an effective land reform program or access to capital such as low cost credit. The approach can enhance the poverty-reducing impact of growth-inducing policies and investments by enabling poor people to more effectively participate in markets (ibid). Poor people lack capabilities such as literacy and collateral assets for credit which deprive them from economic opportunity. This limits a society's potential for growth in general particularly pro-poor growth, and consequently the effectiveness of development efforts (ibid).

### **Collective action**

Empowerment can have socio-political benefits for a country's poverty reduction efforts (Narayan, 2002, p. 6). The Philippines needs to take steps toward wider social inclusion, broader voice, and enhanced accountability of governments to better achieve the social consensus and capacity for collective action needed to carry through difficult reforms effectively (ibid). Empowerment in terms of citizen inclusion and participation at the local level can help ensure that basic services reach poor people, and can lower operation and maintenance costs by comparison with centrally managed activities (ibid, p. 7). Empowerment through community involvement such as the "Gawad Kalinga" is particularly potential to be effective in the management of local public goods such as livelihood, environment concern, health care and education. The poverty targeting of village-level

programs is improved by involvement of the individuals leading to community cooperation and cohesion. The empowerment of the poor will improve their quality of life and promote their human dignity. Public policy in the Philippines is challenged to improve local and national governance for a pro-poor growth by effectiveness in the delivery of basic services to all Filipinos. As suggested by Yunus (2010), there is a potential in the pro-poor market development through the 'social business' concept.

### **Governance challenges**

The problems of the society are governance challenges. Consequently, the governance challenges are public policy issues that require the pro-active and dynamic cooperation and participation of all stakeholders. Empowering poor people requires new relations and partnerships based on respect and tolerance among government, the legislature, civil society, poor peoples' organizations, research institutes, the private sector, and donors (Narayan, 2002, p. 9). The public policy issues continue to evolve with trends which are too many to monitor, regulate and address simultaneously. Risks previously identified will be affected by emerging risks that will affect the governance structures already in place. The flow of economic and social transactions in all countries require the vigilance and conscious efforts of all the stakeholders to safeguard the common good and well-being of the people.

### **Future quantitative research**

Based on the qualitative evidence gleaned from the money and credit concerns of the poor residents of the Gawad Kalinga communities, a pragmatic approach can be taken in proposing ways to deliver financial education programs to the adult Filipinos. The subject communities were a practical way to gain broader insights about their financial education issues which can serve as guide to determine the future direction of larger-scale quantitative research aimed at enhancing financial literacy and consumer education outreach initiatives in the Philippines.

## **The essence of public policy**

The essence of public policy is its enabling and empowering effect and impact on people's needs. The maximisation of outcome depends largely on the collective efforts and actions of the stakeholders – the market, the institutions and the individuals. The poverty alleviation efforts to educate the poor on money management will only be effective and sustainable with the continuing support and dynamic action of the three stakeholders.

# APPENDICES

## Appendix 1

### Appendix Two: Adult Financial Literacy Framework

#### Adult Financial Literacy – Australia Framework of Skills and Knowledge

(based on an amended version of the framework produced by the Adult Financial Literacy Advisory Group, UK, and revised in light of comment from key stakeholders)

Numerical Literacy and Standard Literacy		
	Basic requirements	Advanced competence
Essential mathematical, reading and comprehension skills	<ul style="list-style-type: none"> <li>Ability to add, subtract, multiply and divide (with or without calculator)</li> <li>Ability to understand and calculate percentages (with or without calculator)</li> <li>Ability to read and comprehend basic English</li> </ul>	<ul style="list-style-type: none"> <li>Ability to understand compound interest</li> <li>Ability to understand averages</li> </ul>

Financial Understanding		
	Basic requirements	Advanced competence
Understanding of what money is and how money is exchanged	<ul style="list-style-type: none"> <li>Understanding of the range of ways to pay for goods and services, including:               <ul style="list-style-type: none"> <li>Cash</li> <li>Cheques</li> <li>Money orders</li> <li>Credit cards</li> <li>Debit cards</li> <li>Store cards</li> <li>EFTPOS</li> <li>Direct debit</li> <li>Loans</li> <li>Laybys</li> </ul> </li> <li>Ability to compare the advantages and disadvantages of different forms of payment</li> </ul>	<ul style="list-style-type: none"> <li>Understanding of the implications and key features of unsecured credit and debt, including both fixed:               <ul style="list-style-type: none"> <li>Personal loans</li> <li>Lease</li> <li>Hire purchase</li> </ul>               ...and revolving:               <ul style="list-style-type: none"> <li>Credit cards</li> <li>Store cards</li> <li>Overdrafts</li> <li>Other "line of credit" facilities</li> </ul> </li> <li>Understanding of ways to compare interest rates and the effects of fees and other charges</li> <li>Understanding that some loans and purchase agreements are secured whilst others are unsecured, and the implications for default</li> <li>Understanding of the concept and implications of personal guarantor and co-borrower arrangements</li> <li>Understanding of how credit records are generated and the implications of bad records for future borrowing</li> </ul>
Understanding of where money comes from and goes	<ul style="list-style-type: none"> <li>Ability to read a pay-slip</li> <li>Recognition of household expenses and regular financial commitments</li> </ul>	<ul style="list-style-type: none"> <li>Understanding of how companies and other organisations are financed, including shares</li> </ul>

Financial Competence		
	Basic requirements	Advanced competence
Understanding of the main features of basic financial services	<ul style="list-style-type: none"> <li>• Awareness of the availability and basic features of:               <ul style="list-style-type: none"> <li>- Basic banking</li> <li>- Electronic banking (e.g. ATMs; EFTPOS; telephone banking; Internet banking)</li> <li>- Mortgages</li> <li>- Superannuation</li> <li>- Other investments (e.g. shares; term deposits; managed investments; life insurance with an investment element)</li> <li>- Risk insurance products (e.g. house and contents insurance, including coverage and exclusions; health insurance)</li> </ul> </li> <li>• Awareness of the sorts of fees that apply to these services</li> <li>• Awareness of the trade-off between fees and return</li> <li>• Awareness that one should shop around before purchasing financial products</li> <li>• Understanding that superannuation sets aside money for retirement, and involves compulsory employer contributions</li> <li>• Understanding that personal contributions can be made to superannuation as an option</li> <li>• Ability to check that an employer has been making compulsory contributions to superannuation</li> <li>• Understanding of fixed interest rates vs. variable interest rates as they apply to mortgages</li> <li>• Understanding of terms and conditions for early termination and other variations within mortgages</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to make strategic use, to maximise personal financial advantage, of:               <ul style="list-style-type: none"> <li>- Basic banking</li> <li>- Electronic banking (e.g. ATMs; EFTPOS; telephone banking; Internet banking)</li> <li>- Mortgages</li> <li>- Superannuation</li> <li>- Other investments (e.g. shares; term deposits; managed investments; life insurance with an investment element)</li> <li>- Risk insurance products (e.g. house and contents insurance, including coverage and exclusions; health insurance)</li> </ul> </li> <li>• Ability to check records (e.g. Annual Statements) from superannuation funds to determine whether current contribution levels and % returns are appropriate for anticipated needs</li> <li>• Knowledge concerning what constitutes an adequate level of insurance for total and permanent disablement or death benefit, and ability to check that a superannuation fund is providing it</li> <li>• Understanding that taxation can be minimised through personal contributions to superannuation vs. other forms of investment</li> <li>• Ability to use property for personal financial advantage (e.g. purchase investment property)</li> </ul>
Ability to understand financial records and appreciation of the importance of reading and retaining them	<ul style="list-style-type: none"> <li>• Ability to check accuracy of official financial records, such as:               <ul style="list-style-type: none"> <li>- Bank statements</li> <li>- ATM service statements</li> <li>- Credit card statements</li> <li>- Superannuation statements</li> <li>- Insurance policies and renewal notices (e.g. understand coverage, exclusions and duty of disclosure)</li> <li>- Loan documentation</li> </ul> </li> <li>• Understanding of the need to keep records</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to reconcile a bank statement to allow for items not yet reconciled</li> <li>• Ability to read an Annual Statement from a superannuation fund to see the asset classes invested in and % return over time</li> <li>• Understanding of official financial records, such as prospectuses and Annual Statements for investment products</li> <li>• Understanding of the need to monitor performance of investments over time</li> </ul>

Financial Competence (continued)		
	Basic requirements	Advanced competence
Attitudes to spending money and saving	<ul style="list-style-type: none"> <li>• Understanding of the purpose of saving</li> <li>• Understanding of why you need to save for retirement</li> <li>• Understanding that there is a variety of places and ways in which to save money</li> <li>• Understanding of how to use budgets to plan and control personal spending</li> <li>• Ability to forecast and recognise the impact of irregular major financial outlays (e.g. vehicle registration; holidays)</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to budget strategically to make payments as late as possible and keep money earning interest as long as possible</li> </ul>
Awareness of risks associated with some financial products and appreciation of the relationship between risk and return	<ul style="list-style-type: none"> <li>• Understanding of the purpose of insurance</li> <li>• Awareness that both savings and borrowing are offered on differing terms and interest rates that vary over time</li> <li>• Awareness that high return investments are also likely to involve high risk</li> <li>• Understanding that market values can fall as well as rise</li> <li>• Awareness that if it sounds "too good to be true", then it probably isn't true</li> <li>• Awareness of the dangers of under-insurance</li> <li>• Awareness that individuals are responsible for debts of spouse/other family members with whom they have a joint financial product</li> <li>• Understanding of the value of diversification when investing</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to identify potential risks and determine whether they need to be eliminated or mitigated against</li> <li>• Understanding of managed investments</li> <li>• Understanding of guarantees on investments</li> <li>• Understanding that short-term ups and downs in value are less important for long-term investments</li> <li>• Understanding of currency issues, including the impact of fluctuations in exchange rate for the Australian dollar</li> </ul>

Financial Responsibility		
	Basic requirements	Advanced competence
Ability to make appropriate personal life choices about financial issues	<ul style="list-style-type: none"> <li>• Understanding of the difference between long-term and short-term needs</li> <li>• Ability to prioritise different needs to balance income and expenditure within financial capacity</li> <li>• Understanding of the difference between good (manageable and planned) debt and bad (unmanageable and unplanned) debt</li> <li>• Ability to make informed choices when experiencing a drop in income</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to assess the financial implications of personal life choices in terms of career choices and life-long learning opportunities</li> </ul>

Financial Responsibility (continued)		
	Basic requirements	Advanced competence
Understanding of consumer rights and responsibilities	<ul style="list-style-type: none"> <li>Understanding that consumers do have rights</li> <li>Understanding that consumers have a right to clear information about products both pre-purchase and ongoing post-purchase</li> <li>Awareness of and ability to access independent dispute resolution schemes for financial products</li> <li>Understanding of consumer responsibilities and the implications of not meeting them, including:               <ul style="list-style-type: none"> <li>Duty of disclosure for risk insurance</li> <li>Safeguarding of PINs for transaction banking</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Understanding and ability to check, before handing over money for an investment, that:               <ul style="list-style-type: none"> <li>Financial products should only be purchased from licensed financial businesses</li> <li>Advice should only be sought from persons employed by licensed advisory businesses</li> <li>Prospectuses must be lodged with ASIC</li> <li>Persons providing advice about financial products must disclose any commissions, important side-benefits and potential conflicts of interest</li> </ul> </li> <li>Awareness of 14-day cooling-off period for insurance</li> </ul>
Ability and confidence to access assistance when things go wrong	<ul style="list-style-type: none"> <li>Understanding that the finance sector is regulated</li> <li>Understanding of who one can call on to help with more complex issues (e.g. advisors; accountants)</li> <li>Awareness of where/whom to contact if things go wrong (e.g. consumer complaints department of financial institution; consumer association; financial counsellor; ombudsman)</li> <li>Ability to make complaints effectively</li> <li>Awareness of the distinction between financial advisors charging fee-for-service vs. taking commission, and understanding of its implications</li> </ul>	<ul style="list-style-type: none"> <li>Broad understanding of the level of regulation of the finance sector</li> <li>Understanding that regulation of the finance sector is no guarantee of the safety of all financial products</li> <li>Ability to assess and compare different sources of financial advice and information</li> <li>Understanding of the processes and procedures for resolving disputes</li> </ul>

Please note that other potential aspects of adult financial literacy (e.g. taxation; understanding of how and why government is financed; awareness and understanding of government benefits; understanding of how fees are calculated and how to minimise them) were agreed upon as being beyond the scope of the current project, and therefore not included in the framework.

Source: The Social Research Centre. (2008). *ANZ survey of adult financial literacy in Australia* (pp. 179-182). Australia: ANZ.

## Appendix 2

Te Kunenga ki Pūrehuroa

# Poverty Targeting: Money Attitudes and Behaviours of Women in the Philippine Gawad Kalinga (GK – Give Care) Communities Guide Questionnaire

	Yes	No		
<b>BUDGETING</b>				
Are you able to keep track of your spending?				
Do you think about ways to reduce spending?				
Can you get by in a financial emergency				
Do you have problems setting money aside for big purchases				
Do you prepare a weekly or monthly budget ?				
When and how did you learn how to budget?				
Do you need budgeting seminars or inputs?				
	Yes	No		
<b>SAVING</b>				
Do you have a dedicated savings account?				
Do you save regularly? Do you participate in group forced informal savings activity such as “Paluwagan”, “Butang”, “Bubu-ay”, “dawat-dawat”,etc.? Do you have a common fund in the community which can be utilised to help residents in times of distress, death, sickness and other emergencies? Are you a member of a cooperative? What type and where?				
Do you agree that the best way to save is to save regularly and starting young?				
Do you save before spending?				
Do you spend before saving?				
When and how did you learn how to				

save?				
Do you need tips, trainings, seminars on saving?				
<b>Environment Care</b>				
Do you recycle, reuse or reduce the use of plastic bottles, plastic bags and other non-biodegradable materials?				
Do you practice proper segregation of garbage ? Food waste and residual waste, etc.				
Do you maximise the use of water and conserve the use of light and power?				
How & When did you learn about environment care?				
Do you need environment care tips, trainings and seminars?				
<b>Health Awareness</b>				
Do you avail of free community services such as free clinics, health centers, wellness trainings, etc.?				
Do you keep yourself physically fit by exercising and managing and controlling your weight?				
When & how did you learn about health care?				
Do you need regular tips, trainings and seminars on health care?				
Do you attend nutrition trainings and apply the food planning, budgeting and cooking to family menu?				
Do you plant vegetables and other crops for healthy living and possible source of income?				
<b>LIVELIHOOD</b>				
Do you have a source of income?				
Are you engage in income generating activities ?(Trading, services, food production, selling, etc.)				
Are there available livelihood trainings in the community? Do you attend trainings for livelihood skills?				
Do you believe that the livelihood trainings can help you?				

How are you going to apply the livelihood trainings you attended?				
<b>CREDIT AND DEBT</b>				
Do you have an outstanding loan?				
Do you avail of pawnshop loans?				
Do you avail of “arawan” loans from the “Bombay” and other sources?				
Do you avail of grocery and department gift check loans?				
Do you have other debt/s?				
Do you buy things you can’t afford?				
Are you comfortable with level of your debt?				
Do you believe that there is no better way of saving than paying off debt early?				
Do you make more than minimum repayment of loan?				
How & when did you learn about credit awareness?				
Do you need continuing credit awareness, tips, seminars and trainings?				
What kind of trainings can you suggest?				
<b>PLANNING AND RETIREMENT</b>				
Do you have financial planning for retirement or old age?				
Have you thought about long-term financial plans?				
Do you have a Social Security System coverage (SSS, Pag-ibig, GSIS)?				
Do you have other Old-Age Pension Sources ?(Veterans, Private Insurance, etc.)				
How and When did you learn about Planning and retirement?				
<b>PROTECTING MONEY</b>				
Do you have insurance coverage? (life, accident and health, etc.)				
Do you believe in taking out insurance to be prepared for the unexpected?				
Are you a member of Philhealth?				
Do you consider risk and return when taking out insurance?				
Can you recognise a scam when somebody solicit donations,				

contributions, membership fees to avail loans and other benefits from fictitious organisations?				
How and when did you learn about protecting money?				
What specific concerns you have about protecting money?				
<b>INFORMATION AND ADVICE</b>				
Do you spend a lot of time thinking about information before making a decision				
Do you seek financial information and advice about loans, debts, savings and insurance from any of the following:				
Accountants				
Bank				
Family				
Friends				
Seminars/Educational Institutions				
Government Agencies				
Community services				
Internet websites				
Newspapers				
Work				
TV/Radio				
<b>Common Philippine Individual Expenses</b>				
Do you have a cell phone? How many units?				
How much do you spend in one month on buying a cell phone load?				
What is the practical use of cellphone?				
Do you buy lotto tickets? How many times in a week? How much is the average amount?				
Do you bet on “last two digits” or other lotteries? How much is the average amount in a week?				
Is gambling winning good or beneficial?				
How does it affect the daily budget of the family?				
Do you buy alcoholic drinks? Is it practical?				
Do you save and prepare for fiesta,				



\_\_\_\_\_ College level  
\_\_\_\_\_ Post Graduate  
\_\_\_\_\_ Vocational (Short Courses – Specify) \_\_\_\_\_

- Ethnicity

\_\_\_\_\_ Bisaya                      \_\_\_\_\_ Muslim  
\_\_\_\_\_ Tagalog                    \_\_\_\_\_ Bagobo  
\_\_\_\_\_ Ilokano                     \_\_\_\_\_ Mandaya  
\_\_\_\_\_ Ilonggo                    \_\_\_\_\_ Boholano  
\_\_\_\_\_ Others (specify)

- No. of Years in the GK Community

\_\_\_\_\_ 0 to 5 years                \_\_\_\_\_ 11 to 15 years  
\_\_\_\_\_ 6 to 10 years              \_\_\_\_\_ 16 to 20 years  
\_\_\_\_\_ Others (specify)

- Income Level

\_\_\_\_\_ 0 to 5,000                    \_\_\_\_\_ 15,001 to 20,000  
\_\_\_\_\_ 5,001 to 10,000            \_\_\_\_\_ 20,001 and up  
\_\_\_\_\_ 10,001 to 15,000

\*\*\* Thank you for the generous participation.\*\*\*

## Appendix 3



### MASSEY UNIVERSITY

10 December 2009

Gilda Ramirez  
Apartment 11  
Norfolk Pines  
437B Albany Highway  
**NORTH SHORE CITY 0632**

Dear Gilda

**Re: Poverty Targeting: Financial Literacy Levels of Women in the GK Communities of the Philippines**

Thank you for your Low Risk Notification which was received on 9 December 2009.

Your project has been recorded on the Low Risk Database which is reported in the Annual Report of the Massey University Human Ethics Committees.

The low risk notification for this project is valid for a maximum of three years.

Please notify me if situations subsequently occur which cause you to reconsider your initial ethical analysis that it is safe to proceed without approval by one of the University's Human Ethics Committees.

Please note that travel undertaken by students must be approved by the supervisor and the relevant Pro Vice-Chancellor and be in accordance with the Policy and Procedures for Course-Related Student Travel Overseas. In addition, the supervisor must advise the University's Insurance Officer.

**A reminder to include the following statement on all public documents:**

*"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research.*

*If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O'Neill, Director (Research Ethics), telephone 06 350 5249, e-mail [humanethics@massey.ac.nz](mailto:humanethics@massey.ac.nz)".*

Please note that if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to provide a full application to one of the University's Human Ethics Committees. You should also note that such an approval can only be provided prior to the commencement of the research.

Yours sincerely

John G O'Neill (Professor)  
**Chair, Human Ethics Chairs' Committee and  
Director (Research Ethics)**

cc Dr Grant Duncan  
School of Social and Cultural Studies  
**Albany**

Assoc Prof Peter Lineham, HoS  
School of Social and Cultural Studies  
**Albany**

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Massey University Human Ethics Committee  
Accredited by the Health Research Council

Te Kunenga  
ki Pūrehuroa

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[www.massey.ac.nz](http://www.massey.ac.nz)

## ***Poverty Targeting: Money Attitudes and Behaviours of Women in the Philippine GK Communities***

### **INFORMATION SHEET**

#### **Dear Respondents,**

I am Gilda A. Ramirez, a staff of the Bangko Sentral ng Pilipinas, Davao Regional Office. I am currently enrolled in the Master of Public Policy programme of the Massey University – Albany Campus, New Zealand. In partial fulfillment of the requirements leading to the Master of Public Policy degree, I will conduct a research on the money attitudes and behaviours of women in the Philippine GK communities as a factor in poverty alleviation. With due respect, I am inviting the women and volunteers of the GK communities to participate in this research. Your participation will be a major factor in the success of the research.

Financial literacy is identified as one of the factors that can help in the reduction of poverty in our country. The research will look into the basic and financial literacy capacities of the women of the GK communities and whether the literacy levels impact on the social status and quality of life of the families in the communities. Data on the financial literacy levels of the women of the GK communities will be gathered to become baseline profile of financial literacy status of a specific group of marginalized women in the Philippines. The baseline data can be utilized to evaluate existing government policy issues and as basis of the information required to meet the needs, concerns and preferred sources on the money management literacy of a group of women in the Philippines.

Your participation will be your cooperation in the individual interview that will be conducted. At least seven (7) women and three (3) volunteers of the GK community will be requested to participate in the interview. The researcher will explain to each participant the interview proceedings and will request each one to sign a consent form. The interview will be for a minimum of thirty (30) minutes but not to exceed one (1) hour..

*You are under no obligation to accept this invitation. If you decide to participate, you have the right to:*

- *decline to answer any particular question;*
- *withdraw from the study (three days from the interview date);*
- *ask for the recorder to be turned off at any time during the interview;*
- *ask any questions about the study at any time during participation;*
- *provide information on the understanding that your name will not be used unless you give permission to the researcher; and*

- *be given access to a summary of the project findings when it is concluded.*

Rest assured that your responses will be kept confidential. Should you have any questions, please feel free to contact the researcher. My contact details:

Phone No. : 63-82-2244880  
Email Address : [giewarawan@gmail.com](mailto:giewarawan@gmail.com)  
Mailing Address: Bangko Sentral ng Pilipinas, Davao Regional Office, E.  
Quirino Ave., Davao City, 8000

Should you have any concerns about the research project you wish to discuss with my research supervisor, his contact details are as follows:

Name of Supervisor : Dr. Grant Duncan  
Phone No. : 64-9-4140800 (extension 9086)  
Email Address : [L.G.Duncan@massey.ac.nz](mailto:L.G.Duncan@massey.ac.nz)

*This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. I, as the researcher, am responsible for the ethical conduct of this research.*

*If you have any concerns about the conduct of this research that you wish to raise with the Massey University research ethics committee, please contact Professor Sylvia Rumball, Assistant to the Vice-Chancellor (Ethics & Equity), telephone 06 350 5249, email address [humanethics@massey.ac.nz](mailto:humanethics@massey.ac.nz).*

My sincere appreciation for your cooperation and am looking forward to work with you in this research project.

*Cheers*

**Gilda A. Ramirez**

## Appendix 5

### Letter Request for Access to Community

#### **The Management**

Gawad Kalinga  
Project Management Office  
Davao City/Cebu City/Makati City

Sir/Madame:

The undersigned is a student of the Massey University – Albany Campus, under the Master of Public Policy programme. In partial fulfilment of the requirements of the degree, I will conduct a research study on the money attitudes and behaviours of the women in the GK communities as a factor in alleviating poverty in the Philippines.

This is to seek permission for access to the community and conduct individual interviews of at least seven (7) GK women residents and three (3) volunteer workers on a scheduled date that will be arranged by your office convenient to the prospective participants. Financial literacy is identified as one of the factors that will empower the poor towards becoming effective economic and human development agents in nation building. In our Philippine culture, women play a major role in the financial decision making in every family. The financial literacy levels of women in the GK communities will become baseline data that can serve as basis of policy actions on the conceptualising, planning, implementing and monitoring of a financial literacy programme in the Philippines.

Your help and assistance in the conduct of the study in the GK community will facilitate a systematic research work. With due respect, I look forward to work with you and the women of the GK community in this project.

Respectfully yours,

**Gilda A. Ramirez**

## Appendix 6

### **Poverty Targeting: Money Attitudes and Behaviours of Women in the Philippine Gawad Kalinga (GK – Give Care) Communities**

#### **CONSENT FORM**

I have read the Information Sheet and have had the details of the study explained to me. My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I agree/do not agree to the interview being sound recorded.

I wish/do not wish to have my recordings returned to me.

I agree to participate in this study under the conditions set out in the Information Sheet.

Signature : \_\_\_\_\_ Date : \_\_\_\_\_

Full Name – Printed : \_\_\_\_\_

## Appendix 7

**Poverty Targeting: Money Attitude and Behaviours of Women in the Philippine  
Gawad Kalinga (GK – Give Care) Communities**

**AUTHORITY FOR THE RELEASE OF TRANSCRIPTS**

*This form will be held for a period of five (5) years*

I confirm that I have had the opportunity to read and amend the transcript of the interview(s) conducted with me.

I agree that the edited transcript and extracts from this may be used in reports and publications arising from the research.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Full Name - printed** \_\_\_\_\_

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