

## REGIONAL ECONOMIC STUDIES PROGRAMME WEBINAR

### Webinar Series 2020-2021: Financial Transformation, Credit Markets and Household Debt in Southeast Asia

#### Does a New Informal Credit Arrangement Improve Poor's Welfare? The Case of Debit Card Pawning in the Philippines

Date : Thursday, 17 December 2020

Time : 4.00 pm – 5.15 pm (Singapore time)

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#### About the Webinar

This presentation focuses on a recent example of a new credit arrangement in the Philippines' informal finance sector: an emerging credit arrangement called "ATM sangla (pawning)," literally meaning debit card pawning. ATM sangla is an informal loan arrangement where the borrower's ATM (debit) card is used as the collateral, where the lender uses the card to withdraw the repayment (principal and interest) from salary deposits on every payday until the entire amount is repaid. Using our unique survey data of factory workers in an industrial estate near the Metro Manila area, we find that slightly less than half (42%) of our respondents actually utilized ATM sangla at least once, with the average loan amounting to the average monthly salary. We find that roughly one-third of our respondents are present-biased discounters (myopic individuals), where they tend to hold higher loan balances with ATM sangla transactions than those whose preferences are time-consistent. Our results show that the present-biased discounters are naïve, rather than sophisticated, suggesting that the emergence of ATM sangla may have encouraged them to overborrow to finance luxury expenses. This presentation is based on a paper co-authored with Nobuhiko Fuwa (University of Tokyo), Eduardo Lucio (University of Queensland), Sharon Faye Piza (World Bank), and Yasuyuki Sawada (Asian Development Bank).

#### About the Speakers



**Kei Kajisa** is a professor of Development Economics at School of International Politics, Economics, and Communication, Aoyama Gakuin University. He was a senior scientist at the International Rice Research Institute (IRRI) in the Philippines (2006-2012) and a consultant at the World Bank (1999-2000). He earned a Ph.D. in Agricultural Economics at Michigan State University in 1999. He has been conducting a large number of household and community surveys in Asia and Africa on agricultural development and the transformation of rural communities. His latest publications include a journal article titled

"The effect of volumetric pricing policy on farmers' water management institutions and their water use: the case of water user organization in an irrigation system in Hubei, China" (World Bank Economic Review, 2017) and a book titled "Changes in rice farming in the Philippines: Insights from five decades of household-level survey" (Los Baños (Philippines): International Rice Research Institute, 2015).



**Ed Lucio** is currently a Data Scientist at ASB Bank Ltd. in Auckland, New Zealand where his focus is on the field of predictive modelling, big data, experimental design, and impact evaluation. Prior to moving to New Zealand, Ed held various roles in Financial Sector Supervision and Policy Research at the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), and several roles in the area of Consumer Lending and Market Risk management in one of the largest Universal Banks in the Philippines. His past research areas include research methods for longitudinal data and household surveys, missing data, microfinance and experimental economics, and homelessness and inclusive housing.

## **About the Discussant**



**Nina Anchugina** is a Deputy Director and Senior Research Fellow at the Centre For Social Data Analytics (CSDA), Auckland University of Technology, New Zealand. Her research interests are in Decision Theory, Mathematical Economics - particularly intertemporal preferences. Nina has published her work in a number of international journals, including Theory and Decision and Mathematical Social Sciences. In her current research, Nina leads translational predictive risk modelling projects with human services agencies as well as taking a lead role on operations and strategy for CSDA. Having previously worked in banking and energy sector, Nina also has strong industry background complemented by her academic research interests.