"IN DEBT"
A Study of the Phenomenon of DepEd Schools Teachers' Borrowing from Loan Sharks

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ABSTRACT

Education had always been seen as an important goal of development. As such, societies recognize the need for the prioritization of such, by the state. However, aside from the results of education, it is necessary that the factors contributing to such shall also be valued, and that apparently includes the welfare of our public school teachers.

Last year’s shooting incident at Pangasinan National High School seem to challenge whether Philippine public school teachers are earning enough for a quality standard of living. Most of them are incurring debts, generally from formal loan sources such as government agencies, but cases such as that of the teachers killed from the said incident goes as far to borrow from loan sharks.

While information and the loans themselves from the formal legitimate lending sources are almost always easily available for public school teachers, some still borrow from loan sharks – either from five-six or those to which ATM cards are pawned, after even after affirming that such loan sources are their least preferred ones.

In part, social stigma is attached to particular loan sources, and structures surrounding being public school teachers shape these agents' decision, among others.

This paper hence explores the reasons public school teachers has in borrowing from loan sharks by illustrating what seems like a debt cycle, and further using Gidden’s Structuration Theory, to explain how the teachers as agent’s are constrained by the existing social structures and yet these same rules and structures are the medium by which they either reshape or reconstruct the same.
INTRODUCTION

“Paradoxically, society values the results of teaching more highly than it values teachers.” – Dixon, 1965

Literatures both in economics, sociology and politics have always rendered education as one of the basic goals of development, and hence present its significant value to every society. Several macroeconomic studies affirm the potential role of education in the economic growth of a country¹ and consequently the welfare of the 5 billion people living in developing countries of the world. Education is seen as an “intrinsic good in itself”², with it also seen a means of improving health and reducing fertility³. These studies show the importance of education and how governments, not only but most especially of the developing countries, should value its quality and the necessary factors contributing to it such as the welfare of those who provide it to students – the teachers.

In the Philippines, Article XIV Section 5(5) of the 1987 Constitution provides that “The State shall assign the highest budgetary priority to education and ensure that teaching will attract and retain its rightful share of the best available talents through adequate remuneration and other means of job satisfaction and fulfillment” (italics supplemented). This provision enshrined in the highest law of the land is supposedly a guarantee for teachers to receive adequate salaries and benefits necessary for a quality standard of living. Yet, an incident involving teachers of Pangasinan National High School and a police officer known as a loan collector, September 1 of last year⁴ seem to challenge whether this provision is being ensured by the state. While a PMA Cadet earns P21,000.00 a month, an entry-level teacher receives less, with P18,549.00 a month, Step 1 of Salary Grade 11 of the Salary Standardization Law III.

The shooting incident at Pangasinan National High School might be an isolated case, but it is not the case of the teachers’ borrowing from different lending sources

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⁴ Three teachers were killed after the police officer shot them when the latter had not been able to collect payments from the teachers for their loans. One of the teachers was said to owe the police officer as much as P200,000.00. (Bulatlat, Sept. 5, 2014)
which, according to Ms. France Castro of Alliance of Concerned Teachers and a
teacher herself, has been a way of life for most public school teachers.

Information on the existing available loan sources for public school teachers is
almost always easily available. Government lending agencies and private financial
institutions such as banks are the major classification of legitimate lending sources that
Philippine public school teachers know they can borrow from. Outside of these sources
however, there are also those what can be classified as “loan sharks”.

For the purposes of this study, the term “loan shark” includes (1) what is
colloquially known in the Philippines as “five-six” or “bumbay”, and (2) the lending
sources to which ATM cards of teachers are pawned. The basis for including the former
within the loan shark category is the very high rates of interests on loans – the
traditional loan shark; whereas the latter feeds on the human capital, the yet-to-come
‘fruits of labor’ of the teachers. Drawing on some related literature, while usurers rely
on material tangible properties for collateral, modern-day loan sharks relies primarily on
the prospective income or wages of salary-earners that they also become increasingly
known as “payday lenders”.

In cases where public school teachers find their incomes inadequate to cover all
their expenses, they either find part-time jobs to augment their salaries, or they resort to
borrowing and often fall victim to loan sharks.

Meanwhile, while there are a very few literatures specific to relating social stigma
with some particular types of loan sources, there is an overwhelming array of studies
which focuses on the social stigma associated with indebtedness and bankruptcy. Such
affirm the traditional stigmatization attached to heavy indebtedness as they are seen as

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5 Ibid., this was also mentioned by Ms. Castro during the Key Informant Interview with the researcher.
   “Warning: Predatory lender: A proposal for candid predatory small loan ordinances.” *Washington and
7 Ibid.
9 a few of these include Efrat, R. (2006). Bankruptcy stigma: Plausible causes for shifting norms. *Emory
   Bankruptcy Developments Journal* 22, 481-520.; Gathergood, J. (2011). Debt and depression:
   http://ssrn.com/abstract=2395350
deviant acts, and non-conforming to the social norm\textsuperscript{10}. There is, however, an observed decline in the social stigma attached with such and consequently a greater societal acceptability due to various factors\textsuperscript{11} such as a) the shifting of the blame, b) society’s changing perceptions on consumerism and debt undertaking, c) “norm entrepreneurs”\textsuperscript{12} prompting changes on societal norms and d) the “decline in norm enforcement mechanisms”, both internal and external ones\textsuperscript{13}.

Although there are a number of legitimate lending sources available, public school teachers, such as that of Pangasinan National High School, still resort to borrowing from loan sharks, such as that of the police officer. This is the context to where this study takes place. The material conditions, the structural and agential factors to which the phenomena of public school teachers’ borrowing occur, and the interconnection between structures and the teachers as agents shall be the focus of the study.

This paper aims to explore the reasons why public school teachers borrow from loan sharks instead of from legitimate sources. As such, it shall identify the possible lending sources available to public school teachers and discuss their accessibility and the nature of its loans. It shall affirm whether or not loan sharks are the last option for teachers and as such, if there is a social stigma that is associated with borrowing from the said loan source. It seeks to uncover if there are any implicit intentions the public school teachers have with regard to their choice of lender.

**ANALYTICAL FRAMEWORK**

There is a long standing debate in political science between structure and agency with regard to the explanation of social and political phenomena. Structuralists generally assume that the context determines the behavior of the actors. They emphasize the role of institutions and structure as limiting the extent to which political conduct can do so much to affect any outcomes.

\textsuperscript{10} Social stigma being defined as a “social devaluation” resulting from an individual action deemed deviant from existing social norms (Efrat, 2006; Sousa, 2014).

\textsuperscript{11} See note 11.

\textsuperscript{12} These include legislators, media, and attorneys involved in bankruptcy filings (Efrat, 2006, page 495)

\textsuperscript{13} Efrat. (2006, page 505)
On the other side of the debate, there are those who emphasize the role of political conduct in shaping structures. As such, an agent’s capacity as a decision-maker is said to be able to shape the course of events\textsuperscript{14}.

Several contemporary sociologists such as Anthony Giddens, Roy Bashkar and Margaret Archer formulated theories which refuse to recognize the dualism of structure and agency. They instead point to the internal relationship and interconnection between structure and agency. Anthony Gidden’s Structuration Theory notes, in particular, that social events are not determined by structure nor agency alone. It recognizes the limitations imposed by social structures to human agency but at the same time recognizes that human actions continually shape or reshape these existing structures\textsuperscript{15}.

Public school teachers are constrained by the social, economic and political structures and institutions that exist in relation to their decision-making. The meager salaries and benefits the state affords to them, among other material conditions, limit their capabilities and the choices available to them. As such, in times of financial distress, they either find part time jobs to augment their salaries, or if in immediate need of money, would resort to borrowing.

In relation to this, there are loan sources which bring with them a kind of social stigma. There are people who despise borrowing in general. But in particular, there are loan sources that are undesirable, as compared to those that have certain legitimacy, and are legally institutionalized. Belonging to this category of ‘undesirable’ loan sources are the loan sharks.

This stigma is further augmented by the factor of the social stature of teachers. Their being professionals and educated earns them a high regard in our society. And with this, they are easily vulnerable to judgments, especially from people outside the profession, and in relation to their choices of lending sources. As such, social stigmatization of debt is one of the structures which constrain public school teachers as agents in undertaking actions that might challenge existing social norms.


The core concept of Gidden’s Structuration theory, termed as the “duality of structure” refers to the dual character of structures as both “the medium and the outcome of the conduct it recursively organizes”\textsuperscript{16}. Applying to the present issue, while the existing structures constrain what public school teachers can do, they also enable particular actions. Teachers as human beings are purposive agents who have reasons for their activities and are “able, if asked, to elaborate discursively upon these reasons”\textsuperscript{17}.

While many can say that there are better options as loan sources than loan sharks, teachers still borrow from them. The research, hence, explores how the teachers as agents are constrained by the rules and structures, yet at the same time, these rules are the medium by which they either reconstruct or reproduce structures, including the social stigma that is associated with borrowing in general, and in particular, by public school teachers borrowing from loan sharks.

**METHODOLOGY**

**Research Design**

With the primary objective of looking at the factors behind teachers’ decisions on their choices of loan sources, the study employed the interpretivist paradigms of phenomenology and ethnomethodology.

In an attempt to explain why teachers borrow from loan sharks, the teachers’ perceptions of the existing social structures shall be interpreted to arrive at a sociological explanation. The phenomenological approach puts the view of the subject on the foreground\textsuperscript{18}, being “activity centres” of their own situations\textsuperscript{19}. Understanding of the researcher, however, would have as basis the existing knowledge determined by own life situations and as Hitzler and Eberle\textsuperscript{20} correctly puts it, meaning-interpretation.

\textsuperscript{16} Giddens, 1984 as cited by Hay, 2002, see note 17.
\textsuperscript{18} Flick, Kardorff & Steinke
\textsuperscript{19} Schutz, 1962 as cited by Hitzler and Eberle in Flick, 2004, see note 20.
\textsuperscript{20} in Flick, 2004, ibid.
could be “no more than an approximation” to the self-explanation of the research subject.

Ethnomethodology, for another, gives attention to the “routine foundations of everyday activities”\(^{21}\) as is phenomenology. The prefix “ethno-” is used to refer to what the members of a society “know, think and do in dealing with everyday circumstances”\(^{22}\), and as such, people are an essential requisite to the study. Some approaches might rely on pure texts and document analyses, but not ethnomethodology. Moreover, it focuses on the ‘taken-for-granted’ activities that are almost considered as “norms”, finding out answer and explanations to the main question of why people do what they do. It attempts to “penetrate” everyday perspectives so as to give sociological explanations to them.

The frequency of the phenomenon of public school teachers’ borrowing both from formal and informal lending sources renders such actions as almost the ‘norm’ among them. It becomes part of their way of life that it is taken-for-granted and refused to be problematized. Garfinkel, pioneering the modern ethnomethodological approach of qualitative study, rejects the idea that social facts determine the certainty of everyday life. He proposes instead that the “concerted activities of daily life” results to the continuing creation of social facts.

With these guides, the researcher used a case study design which is defined by Gerring\(^{23}\) as “an intensive study of a single unit for the purpose of understanding a larger class of (similar) units”. The design is used so as to be able to rigorously and comprehensively understand a specific social activity. For this study, it is the experiences of the Philippine public primary and secondary school teachers on borrowing from loan sharks (either one of the two: “five-six” or pawning of ATM, or those who have tried both) that is used as the case in order to understand the interplay of agential and structural factors in their choice of lending sources.

In utilizing the discussed research approaches and study design, the researcher used the mixed method design. Both qualitative and quantitative methods are employed

\(^{21}\) Flick, 2004  
\(^{22}\) Garfinkel as cited by Bergmann  
in the study. The qualitative inquiry provides a deeper understanding on the results from the quantitative portion of the research. Similarly, the quantitative part is a supplement to the data obtained from the qualitative portion of the study.

**Data Collection**

The case chosen by the researcher was that of a public high school in Rizal. Its classification as a national high school was considered since majority of the public high schools in the country are of this type. The geographical proximity of Rizal to Metro Manila while still being a province, moreover, allows for the representativeness of social classes. The choice of the specific school, however, was on the basis of the accessibility of the area to the researcher. This is to account for the limitations, both financial and time constraints, which circumscribe the whole research process.

The primary data collected include (a) the socio-demographic profile of all the teachers in the said public high school; (b) the experiences of these teachers with borrowing; (c) the teachers’ perceptions of borrowing in general; (d) the teachers’ perceptions of borrowing from informal lending sources especially “five-six” and those that involve the pawning of ATM cards in particular; and (e) the key informants’ reasons for borrowing from “five-six” and/or pawning of ATM cards.

For the quantitative part of data collection, the researcher employed a self-administered survey. Since the school only has 36 teachers, everyone was chosen as respondents for the survey.

The questionnaire is composed of three parts. The first part determines some necessary background information about the respondent particularly their socio-demographic profile. The second part inquires into the respondent’s experiences with borrowing, encompassing all lending sources that are possibly available to public school teachers. There is an option labeled “Others” to allow the respondents to write if there are any other loan sources they know of. The third part is about the teacher’s perceptions of borrowing in general, and borrowing from “five-six” and pawning of ATM card in particular.

In order that a deeper understanding of the survey responses would be attained, especially on the loan experiences and perceptions part, a form of qualitative inquiry
was employed. Face-to-face individual key informant interviews were conducted, both with a total of eight teachers and with an expert.

The teacher informants were chosen through snowball sampling. The researcher started with one teacher who fulfills the criteria of having had experience/s of borrowing from ‘five-six’ and pawning of ATM card. The said informant was then asked by the researcher to refer her to other teachers who could possibly allow an interview with the researcher about the same subject.

On the other hand, the expert interview was with Ms. France Castro, Secretary-General of Alliance of Concerned Teachers Philippines. Ms. Castro and the organizations’ familiarity, high level of knowledge and awareness of the present subject matter render them credibility as key resource person.

Secondary data in form of related literatures from academic journals, news articles and credible online sources were reviewed which provided the context for this research. Notes were written on a computer file and arranged by theme and relevance to the specific purpose of this research. On this, however, there are only a few scholarly literatures published (that which talks about public school teachers and borrowing), specifically for the Philippine case.

**Data Analysis**

The raw data obtained from the survey was subjected to descriptive statistical analysis. Frequencies of responses in absolute numbers and percentages were used to determine the prevailing experiences and perceptions of the teachers with regard to borrowing loans. It forms part of the quantitative results of this study.

For the qualitative analysis, the interviews that were audio recorded as per consent of the informant were transcribed verbatim. It was then subjected to qualitative data analysis by coding and categorizing. As for the interviews where the informant refused to have the interview audio recorded, the researcher rigorously took notes while talking with the informant. The notes then served as transcripts for such interviews. Generally, relevant data including some emerging new concepts and themes were extracted from the interview transcriptions then consolidated in individual coding matrices, containing categories assigned, the data obtained for every category then some remarks about such. Every matrix was then subjected to cross-case analysis.
Ethical Considerations

A primary concern for the conduct of this research is the sensitivity of the topic. The interviews were foreseen to probably bring inconveniences to the interviewee. As such, the researcher tried to maintain a friendly, conversational approach during the interview. More importantly, as much as possible, terms with hints of offense or insensitivity were avoided.

Another possible risk involved, though a long shot, is that if the legality of some loan sources that are almost ‘institutions’ now for having survived until today, were questioned, any actions by the authorities against these loan sources might result to their closure. Hence it would narrow the options of teachers to where they could borrow.

More importantly, there is a risk of social stigma as this research purposively inquires on the existence of such with regard to teachers’ borrowing in general and borrowing from loan sharks in particular. In recognition of this risk, the researcher ensures anonymity of the respondents.

On the flip side of the coin, while there are no immediate direct material benefits in participating on this research, increased awareness on the issue might result to formulation of possible solutions or measures at least to address the problem. These can include increase in salary of our public school teachers, formulation of policies aiming to protect teachers from loan sharks, and maybe offering loans that are more accessible, with low or no interest.

In light of these possible risks and benefits, the research participants had their autonomy in choosing or not to participate in the study. As such, printed free prior informed consent forms were handed by the researcher to prospective participants a few days before the actual data gathering period. The objectives of the study were laid out in the information sheet, along with the potential risks and benefits. It was assured that participation is voluntary and that their confidentiality and anonymity is ensured. Questions were welcomed and answered by the researcher.

For the survey respondents, giving their names was optional. Everyone was represented by respondent numbers and no personal identifiers were used. Also, as an additional measure for the protection of their anonymity, the respondents were given an
option to fold the survey questionnaire then maybe staple it before handing it back to the survey administrator. Most of the respondents actually did such.

As for the key informant interviews, only the researcher and the key resource person who started the snowball sampling knows the identity of the informants. The interviewees were aware of this. Also, codenames were used in the transcripts, the coding matrices, and all the files for this research. No personal identifiers were used for the presentation of study results. Consent was also assured in the audio recording of the interviews.

Furthermore, it was assured to the research participants that data obtained will only be used for the purposes of this study.

RESULTS AND DISCUSSION
Profile
DepEd Public School classroom teachers’ positions range from: Teacher 1, Teacher 2, Teacher 3, and Master Teacher 1 until Master Teacher 4. Administrative positions, on the other hand, begin from Head Teachers 1 through 3, Principals and until including Supervisors and Superintendents. For this study, however, focus is only on the classroom teachers.

For the present case, of the 36 teachers, 34 had consented for the survey. Majority of them are Teacher 1. The data are as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percent</th>
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<tbody>
<tr>
<td>SST1 (Secondary School Teacher 1)</td>
<td>31</td>
<td>91</td>
</tr>
<tr>
<td>SST2 (Secondary School Teacher 2)</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>SST3 (Secondary School Teacher 3)</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100</td>
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</table>

As for the salary, every teaching level corresponds to a specific Salary Grade in the Salary Standardization Law III (SSL3) being that public school teachers are employees of the government. An entry-level teacher (regular/permanent Teacher 1) receives a basic salary of P18, 549.00 a month. This corresponds to the Step 1 of Salary Grade 11 of the SSL3.
Every salary grade has steps 1 through 8. Step increments for teachers are based on years in teaching, that is, for every three years in service corresponds one step increase within the present salary grade. A promotion from Teacher 1 to Teacher 2 and so on are through application and evaluation by DepEd which takes into consideration the years in teaching, school teaching performance, seminars attended, and degree of educational attainment. A Teacher 2 starts with a salary of P19, 940.00 a month (SG12 Step1) whereas a Teacher 3 earns at least P21, 436.00 (SG12 Step1).

Demographic profile of the survey respondents are as follows: nine are female that are single, 4 are male that are single, 21 married female and no married male. Age ranges from 24 years to 48 years. Years in teaching at public school/s ranges from two to 18 years.

<table>
<thead>
<tr>
<th>Table2. Sex*Civil Status Cross Tabulation</th>
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<tbody>
<tr>
<td>Civil Status</td>
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<td>Single</td>
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<td>Sex</td>
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<td>Male</td>
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<tr>
<td>Female</td>
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<tr>
<td>Total</td>
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<tr>
<th>Table3. Years in Teaching as a Public School Teacher</th>
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<tr>
<td>Years Bracket</td>
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<tr>
<td>---------------</td>
</tr>
<tr>
<td>1 to 4 years</td>
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<tr>
<td>5 to 9 years</td>
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<tr>
<td>10 to 14 years</td>
</tr>
<tr>
<td>15 to 18 years</td>
</tr>
<tr>
<td>Total</td>
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**Loan Sources Available to Teachers**

As previously mentioned in the introductory parts of this research report, loan sources available to teachers are categorically grouped to: (a) government agencies, and (b) private lending agencies. Through the data collection process, however, the categories were modified to differentiate between (b.1) private lending agencies which signed a Memorandum of Agreement (MOA) with DepEd or the national government and (b.2) other registered lending agencies such as credit card companies. There are also (c) Personal loan sources which primarily pertain to individuals such as friends,
relatives, colleagues and such. Lastly, there are the (d) Loan sharks i.e. what is colloquially known as “five-six” and those to which ATM cards are pawned.

Government loan sources known to teachers include Government Savings and Insurance System (GSIS) and Home Development Mutual Fund (Pag-IBIG). The Department of Education also offers loans from its Provident Fund, the funds collected by the agency from its share of income from private lending agencies with MOA with them, according to Ms. France Castro of ACT.

These private agencies with MOA with the government include banks and savings and loan associations. The informants have enumerated the following included within the category: Manila Teachers Savings and Loan Association, and banks such as RCBC, Rural Bank of Cainta, UCPB and City Savings Bank. They were also talking about Landbank possibly entering the scene by buying out teachers’ loans from other banks. “May mga bago ngayon, even ang Landbank tila mag-ooffer na. Iba-buy out na yu’ng loans ng mga teacher sa mga iba pang bangko.” says informant.

For another, some schools, unions and organizations have their own teachers' cooperatives which offer loans to its members. The case for this study does not have one, however.

Ms. France Castro added another element into our present definition of the term “loan sharks”. According to her, these are loan sources which are not able to enter into the system because they could not comply with the requirements and qualifications set by the DepEd and the national government.

**Formal Loan Sources: Accessibility of Information**

Every informant knows the available loan options and sources that they can access – primarily from government agencies and private agencies with MOA with the government.

There are different ways to which information about existing loans offered by government agencies such as GSIS, Pag-IBIG and DepEd reach teachers. Mostly, they are passed through words of mouth among colleagues. Another is through in-service trainings of teachers. Aside from discussing their obligations i.e. monthly contributions to and benefits from the aforementioned government agencies, the loan privileges offered are also discussed during these trainings every summer and semestral breaks.
Also, liaison officers of every school bring in information from the DepEd Division Office about available loans, especially the new and seasonal ones such as calamity loan.

Private agencies and banks, on the other hand, send agents or representatives, or the managers themselves to orient the teachers and discuss the available loans that they offer.

**Nature of Formal Loan Sources**

Government loan sources and private agencies with MOA with the government are legitimate and legal lending sources. As such, application for loans are mostly requiring of several documents aside from the application form. Co-makers and their signatures are also required. Others such as banks require the signature of principals as an assurance that the teacher still continues to render service.

The length of transaction for these formal loan sources (before the loaned amount could be released) range from three days to two weeks, depending on the agency and the kind of loan applied for.

"Pag kasi sa bangko o kaya Pag-IBIG o kaya sa ibang government lending institution, maraming papel ang kailangan. So kung ngayon mo kailangan 'yung pera, ngayong araw na 'to, hindi pwede. Kasi ano pa 'yun, minsan pinakamadali is three days tapos pinakamatagal two weeks", says an informant.

With regard to the amount that can be borrowed, there is a wide range offered. Terms and monthly amortization depend on such amount. Informants noted however that banks generally offer higher amounts of loan compared to government agencies.

Another difference is that government agencies do not allow early renewal of loans whereas banks do. This means that the borrower must finish the term of his/her outstanding loan first, that is, be able to pay the full amount plus interest, before he/she can borrow the same loan again from the government. With banks, on the other hand, a borrower may renew his/her loan even if the term of the previous loan is not yet finished. The outstanding balance from the previous loan would just be paid using the ‘renewed’ loan, and then whatever is left would be the ‘take-home loan’ of the borrower.

Mode of payment for these loans is through salary deduction every month. In relation to this, the national government has set a limit to the maximum salary deduction a government employee can have. The net take-home pay (basic pay minus all
deductions) must not be lower than P3, 000.00. These are all reflected in monthly payslips of teachers.

Among all known loan sources for the teachers, according to them, government agencies set the lowest interest rates. This does not differ greatly from other legitimate loan sources however, especially banks with MOA with the government. In fact, an informant said that the Memorandum of Agreement signed by the two parties binds the private lending agencies to the interest rates limit set by the government. At present, the number is at nine percent.

A prominent negative attribute of government lending agencies, however, is that there are inefficiencies. One is that the GSIS at times does not automatically deduct from the salaries the payment for the loan/s. The term of the loan then extends way beyond its expected duration. And as such, interests count continuously even for the months no deductions were made. There are also a lot of issues with their record-keeping, according to some informants. Also, only regular/permanent teachers can access such loans. Substitute teachers and volunteers cannot apply for government loans.

**Loan Sharks: Five-Six**

As was stated earlier, loan sharks are those that are not able to enter into the system because they could not comply with requirements and qualifications set by the government. As such, they lack legitimacy. They do not have any MOA with the DepEd or the national government. Lenders and borrowers are in an individual interaction, not an agency or institution.

In terms of length of transaction, “five-six” lenders immediately release the money that is borrowed from them. Also, there are no documents required and most of the transactions are done only through verbal negotiations. With regard to interest rates, informants classified “five-six” as that which sets the highest interest rate. The number is at automatic 20 percent.

Unlike the formal loan sources, the mode of payment for “five-six” is daily handing of cash to the lender, some set it to weekly, and rarely that payments are made monthly. Also, both parties or at least the lender probably keeps a list to which they tally the payments made. Aside from interest rates, sometimes penalties are also imposed for delayed payments. One informant experienced such, paying five pesos for every day that a payment is delayed. The computation for such delays is even cumulative, in that if you haven’t paid for three consecutive days for example, the penalty would sum up to P30.00 [Day 1 penalty (P5) plus Day 2 Penalty (P10) plus Day 3 Penalty (P15)].

Another attribute is that since they do not have anything to do with the monthly salary of the teachers, loans from five-six are not reflected on the payslips of the teachers, or any official records of salary and loans of teachers. This is the same with those to which ATM cards are pawned.

**Loan Sharks: Pawning of ATM**

Turning now to such agencies requiring the pawning of ATM card as collateral for loans, as with the five-six, money is also immediately released, though sometimes it takes a few days to process an application for loan.

Because the government sets a cap to the maximum amount of deduction a teacher can have, there would always be at least P3,000.00 left on a teacher’s monthly salary, deposited on his/her ATM card. The loan shark feeds on this. So if the teacher for example, reaches his/her limit on government deductions, and he/she cannot borrow from the government agencies and/or private agencies with MOA with the government; he/she can still turn to pawning of ATM card. “Kumbaga huling baraha mo ‘yan eh”, an informant says.

The mode of payment would be salary deduction, but of course not reflected in the official salary and loan records of the teacher as a government employee. The transaction is only between the lender and the borrower. If there is any amount left from the monthly salary of the teacher, after all the deductions including the monthly amortization to the agency to which the ATM card is pawned, then that would be received by the teacher from the latter. The agency would be the one to withdraw the amount and hand it to the teacher. “Ang tawag namin do’n ay sukli. Kumukuha na lang kami ng sukli. Gano’n, minamax-out ang laman ng sweldo mo”.
In such an arrangement the, the ATM card is in the first place handed to the lender, together with the PIN number.

In terms of interests, these agencies have higher interest rates than the formal lending sources. Such interest rates, however, are not as high as that of the five-six lenders. Hence, some informants seem to prefer pawning of ATM card over borrowing from five-six.

**Frequency of Teachers' Borrowing**

Of the 34 survey respondents, 88.2 percent (30 out of 34) have accessed loans of any kind since they entered public school teaching. Only 4 have not tried even once. The loan sources to which most of the teachers borrow are primarily those of the legitimate kind, enumerated earlier.

As for those who have accessed loans from loan sharks: teachers who have tried borrowing from “five-six” at least once since they entered the profession, the number is at eight out of 34 respondents, or 23.5 percent. Whereas those who have tried pawning their ATM card at least once since being public school teachers are at 15 out of 34 respondents, or 44.1 percent.

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<tr>
<th>Loan Source</th>
<th>Have Tried?</th>
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<td></td>
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<td>Any loan source in general</td>
<td>30</td>
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<tr>
<td>“Five-six”</td>
<td>8</td>
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<tr>
<td>Pawning of ATM card</td>
<td>15</td>
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**Reasons for Borrowing**

Reasons for borrowing based from the interviews include the following:

a) Newly hired teachers wanted to afford their “privilege”. An informant, when asked what his/her first loan was borrowed for answered, “Wala lang, excited akong mangutang. Privilege. Kasi di’ba, Wow, makakapag-loan na ‘ko (Laughs).”

b) To please parents, bought things for the house and fixed what needed to be fixed. This is also a reason for the very first loan a teacher borrowed.

c) To buy gadgets needed for teaching, such as laptop.


d) For personal expenses during the months when newly-hired teachers are yet to receive their salaries (delayed salaries from three to six months since regularized)
e) For payment of equity of house, including downpayment
f) For monthly amortization of house
g) To finance Masteral and Doctoral Studies
h) To support children in their studies, especially in college
i) Payment of utilities such as water and electricity bills
j) To cover basic expenses.
k) For emergency situations such as immediate medical needs.

While most of these reasons led teachers to borrow from government agencies, almost all except maybe the first three were also reasons stated why they borrowed (those who have tried) from five-six and/or have pawned their ATM card.

From the results of the research, there seems to exist a debt cycle in the case of most public school teachers. Once an event arises where they needed and chose to incur debts, they seem to enter into a cycle where debts are becoming unendingly necessary to survive.

Since teachers primarily borrow loans from government agencies, loans are being paid through salary deduction. Setting aside the question of whether or not the basic pay for teachers is appropriate or not, the allocation of a portion of their salaries every month for the payment of loans make the take-home pay less and less adequate in covering even the basic expenses.

Having entered into the cycle, loan options are gradually being exhausted until teachers go as far as to borrow from loan sharks. This is considering that most of them consider such loan sources as a last option due to various factors such.

Once a teacher has reached his/her limit of allowed salary deductions, pawning of ATM card is seen as an extension of his/her loan options, being that such an arrangement seem to resemble that of formal loan sources. Payments are also through salary deductions, but the lender directly withdraws the payment from the borrower’s ATM card every month when salaries are deposited therein.
While five-six loans are also an extended option for teachers, they are less desirable due to very high interest rates and the inherent social stigma associated with such. This social stigma is shaped and augmented by various factors including the high social regard for teachers, their having a stable job and hence regular income, the number of other available legal loan sources, and the rarity of such a social activity.

Therefore, in general though not in all cases, public school teachers borrow from loan sharks not because they are preferable loan sources but because they come to a point in the debt cycle where there are no other available options left but these informal loan sources. This is evident with the following case of a key informant “Ma’am Dudes”.

The Case of “Ma’am Dudes”

One of the key informants, codenamed “Ma’am Dudes”, is currently a Secondary School Teacher 1 (SST1), earning a basic salary of P 19,302, Step 5 of Salary Grade 11 of the SSL3. There is also a monthly allowance of P 2,000 called P.E.R.A. Monthly gross compensation hence totals to P21 302.00.

She had been a public school teacher for the past 16 years, continuously. Before that, she taught at 3 private schools, in a total of 11 years. When asked why she had not been able to get promoted to teaching positions of SST2 and SST3, given the long service she had been rendering as a public school teacher, Ma’am Dudes shared that she is not able to finance further studying due to the inadequacy of her salary given all the expenses the family is incurring and the debts she is paying.

Ma’am Dudes is married for 25 years now. Her husband previously did not have a stable job until in 1999 Ma’am Dudes had been able to invest in buying a tricycle. Since 2007, her husband also has been a part-time school guard (under School Education Fund from the municipal government). They have five children, two are currently studying in a public high school, one is in college, one working as a private school teacher (have graduated from college only this 2013), and the eldest is married and not working.

Looking at the payslip of Ma’am Dudes, the total deductions she have amounts to P17, 311.47. Aside from the automatic deductions for GSIS, PhilHealth, Pag-IBIG Fund and the BIR withholding tax, her deductions are for payment of loans: one for the Pag-IBIG DECS Housing Loan, two for the Rural Bank of Cainta, another two for City
Savings Bank. Her Net Pay for a month hence amounts only to P3, 990.00. But there is still an “undeducted obligation” to City Savings Bank (3 years payment, from 2015 to 2018, of P1, 162.50 per month). Such is undeducted as of today because Ma’am Dudes had already reached the government-set P 3000 limit of minimum net pay for a month.

Also, outside of the formal loan sources, Ma’am Dudes’ ATM card is pawned to a lending agency since 2007, which was the year the eldest child of Ma’am Dudes entered college. Today, Ma’am Dudes pays a total of P4, 000.00 a month to the said lending agency. This becomes possible even if Ma’am Dudes net pay for a month only amounts to P3 990.00 because according to her, the agency deducts the remainder from the other benefits coursed through her ATM such as Mid-Year Bonus, Year-End Bonus, Clothing Allowance, Performance-Based Bonus, etc. Her payment for the agency is set to terminate at 2016, if she would not renew loans any longer, and only then will she be able to redeem her ATM card.

As such, Ma’am Dudes does not receive any salary amidst teaching like all teachers do and even more by making school reports then transmitting them to the Division Office as the school’s liaison officer, and also as one of the senior teachers at the school. Their household at present relies on whatever her husband earns from driving a tricycle and being at duty as a guard every night. When earnings are not enough to cover basic expenses or when needs arise, the family (either Ma’am Dudes or her husband) borrows from informal lending sources.

Exploring further on the reasons why Ma’am Dudes had been to this level of indebtedness, she enumerates instances where she have had to incur debts which are: first and foremost a) to cover basic expenses for her first five months as a public school teacher due to delayed salaries, b) another five months delay in salary when transferred to national item from a provincial item, c) basic household expenses when Ma’am Dudes husband is yet to have a stable job, d) for the downpayment of the tricycle, e) for monthly payments of the tricycle, e) the housing loan for downpayment, and all other emergency financial needs; and at the past years, f) to finance the college studies of her children, both in tuition and everyday allowances; and for the school expenses of her children in high school as such.
To make sense of these data, there is a clear picture of the debt cycle to which Ma’am Dudes finds herself in. She herself, and all other key informants recognize this phenomenon, saying in different instances of the interview how circumstances led them to incurring debts continuously, and even using debts to pay for other outstanding debts, in order to be able to renew loans from formal loan sources.

The structure which is the formal lending institutions closes itself on the public school teachers as a choice when the event comes where they have been exhausted due to the other structures which are the material conditions, the economic conditions and the circumstances the teachers find themselves in. They as agents, have to find other means in order to survive and as such, find loan sharks as an extended option of their loan sources.

**Structure-Agency Interconnection**

At this point, it is apparent that many structural factors affect teachers’ decisions on borrowing in general and in particular to resort to loan sharks. In the face of these structures, however, teachers as agents have their own justifications for their conduct as decision-makers.

It is stated that the Structuration theory recognizes the “duality of structure”: it is both a “medium and an outcome of the conduct it recursively organizes”. As such, in dealing with the issue at hand, it is necessary to look at some structural outcomes which can be attributed to teachers’ decisions on borrowing.

First, the frequency of teachers’ borrowing in general becomes a factor to the decrease, if not dissolution of the stigma associated with such. It was previously mentioned that the rarity of an act makes it less acceptable. Conversely, since teachers see accessing of loans (mostly legitimate ones) as common among them, there is greater acceptability for such an act. In the case of pawning of ATM card, it is gradually becoming common among teachers, and as such, stigma is less as compared to borrowing from five-six. Agent’s decision to borrow loans reconstructs the structure making such an act more acceptable and less stigmatized.
Second, though the possible technical macroeconomic explanation should not be discounted since the subject is concerned with economic and financial situation, increased competition among various loan sources can be attributed to the teachers’ demand for the loans. Increased competition then benefits the teachers since adjustments are being made to the amount that can be borrowed, requirements, interest rates and terms of loans by different loan sources.

A concrete example shared by one informant is the case where RCBC was gradually replaced by the Rural Bank of Cainta which was also gradually replaced by UCPB, which was also replaced recently by the City Savings Bank, as preferable loan sources. The first bank, RCBC only offer loans up to a maximum of P50,000.00. When Rural Bank of Cainta entered, it offered loans of up to P100,000.00. Then came UCPB allowing a maximum loan amount of P200,000.00. City Savings Bank, on the other hand, loans out amount up to P500,000.00 and even a million peso. Aside from the increasing amounts loaned out, documents required to be filled up and submitted become less and less. Also, at first, co-makers were strictly required, this gradually changed into less number of co-makers, until some loan sources do not require any co-maker at all. The same is the case with the requirement of the principal’s signature. The City Savings Bank does not require such at present whereas other older banks do. Also, the interest rate limit set by the government for those lending institutions with MOA with them have gone down from 17-20 percent in the past into only 9 percent per annum at present.

Hence, as the informant explains, “Pag parami sila nang parami, pakonti nang pakonti [ang requirements], tapos palaki nang palaki [ang pwedeng hiramin]”. The range of loan source options for teachers is also widened, while interest rates become standardized.

Moving on, many of the loans borrowed by teachers seem to have something in common. They are mostly used for various forms of long-term investment. One major example is the accessing of housing loans offered by Pag-IBIG. Most teachers have paid downpayment and equity, and continually paying monthly amortization for the ownership of a house and lot through Pag-IBIG. Also, some continuous incurring of
debts are spent for the studies both of teachers themselves, but more so for their children. Most of the informants have these as a reason for their pawning of their ATM card, especially if their children are already in college. Every tuition payment is sourced out through loans, then renewed for the next time, and then renewed again, as much as their salaries can handle.

This means that the salary earned by teachers, if ever enough to cover basic expenses, personal and household including utilities such as water and electricity bills, they are far from enough in supporting the studies of their children.

And as was said, continuously incurring debts extract even the future salaries of teachers. This is an entry into the cycle of debt. Hence, it can be said that even at the expense of the needs of the present and immediate future, teachers would want to secure the future of their children. This in turn, can change the material conditions in which their household is into.

CONCLUSIONS AND RECOMMENDATION

This paper attempted to answer the general research question of why public school teachers borrow from loan sharks instead of from legal sources. As such, through a rigorous research process, this paper presented that public school teachers borrow from loan sharks not because they are preferable loan sources but because they come to a point in the debt cycle where there are no other available options left.

This is supplemented by the results answering the specific research questions such as a) what are the possible lending sources available to public school teachers and how accessible are these lending sources, and what the nature of the loans is. It was presented that there are various loan sources available to teachers, government, non-government and private lending institutions. Information on all these moreover, are almost always easily available.

There are also personal loans referring to borrowing from friends, relatives or colleagues, mostly without any interest. And there are the loan sharks: five-six lenders
as the traditional loan shark and the agencies to which ATM cards are pawned as the modern ones.

In relation to such, another specific question answered is b) whether loan sharks are the last resort for teachers. Consequently, it aimed to investigate on c) how the teachers see the act of borrowing from loan sharks and whether there is a social stigma associated with such. In this regard, it was discussed that among the loan sources identified, the formal ones i.e. government agencies and partner lending agencies, are the most preferred by teachers, not considering other factors such as the amount of loan needed and the possible time constraint if money is urgently needed. The low interest rates and legitimacy of the said loan sources are the primary factors to this.

On the other hand, loan sharks are almost always at the bottom of the list of preferred loan sources by the teachers. Aside from the high interest rates of five-six loans, and the handing of a private personal property and supposedly confidential details in pawning of ATM cards, there is the social stigma attached in particular to these loan sources.

This social stigma is shaped and augmented by various factors including the high social regard for teachers, their having a stable job and hence regular income, the number of other available legal loan sources, and the rarity of such a social activity.

Material conditions such as the salary level the state afford to our teachers, the delay of such for three to six months for newly-hired teachers, the once-a-month distribution, and the social stigma attached to borrowing from loan sharks are some of the structural factors that affect teachers decisions associated with borrowing.

Lastly, the research inquired into the d) intentions of teachers, if any, from borrowing from loan sharks. As agents, they have their own reasons and justifications for their social actions. Long-term investments are prioritized such as a secured housing and a secured future for their children, even if they would have to continuously incur debts at present. They anticipate that these investments would pay-off in the future. “Karamihan n’yan mga teachers for sure kapag sila ay nakapagtapos na ng mga anak, tatapusan na nila lahat ng kanilang mga utang”, Ms. France Castro commented.

Also, agents’ social actions in relation to borrowing have implications to the structure itself. The commonality of the act of borrowing by teachers is a factor which
gradually dissolves the social stigma that is initially present. Also, to their benefit, their range of loan options is widened, and the terms of available loans are changing.

While this study had been able to somewhat shed light on the present situation of our public school teachers in relation to borrowing in general and to borrowing from loan sharks in particular; it still recognizes that a more comprehensive study is needed in order to account for the wide range of factors affecting the decisions of public school teachers on what loan sources to choose. Also, the debt cycle, that is the continuous incurring of debts making the salary then largely inadequate to cover even the most basic expenses, is an interesting point to study. This seemed to largely affect many other aspects of life of a teacher, including their perceptions of their salary level, and of borrowing by public school teachers.

In such undertaking, it would be helpful to consider the necessary economic factors, aside from the social and political ones in order to come up with a more comprehensive research.
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