



The Credit Market for UP Pampanga's Non-Academic Personnel

Patrick De Leon¹

¹University of the Philippines Diliman – Extension Program in Pampanga, Clark, Philippines

Corresponding email: pcdeleon1@up.edu.ph

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Abstract. Like many public schoolteachers, government employees need credit primarily for personal or family consumption. Many rely on loan sharks who lend money with minimal requirements, but at a prohibitive 20% interest rate per month. This study investigated whether Pampanga the non-academic personnel had the same predicament. The specific objectives of the study were: (1) to identify their need or demand for credit and their sources or supply of credit, and (2) to determine whether there are adverse selection and moral hazard problems in their credit market. The primary data needed for the study were obtained through an online survey of 14 out of 16 non-academic personnel of UP Pampanga from September to 14-28, 2023. Despite receiving regular monthly salaries from UP and income from their part-time jobs or businesses, these employees were found to be in need of credit ranging from Php 45,001.00 to Php 60,000.00, and above for their personal or family consumption and productive investment opportunities. Financial institutions such as the GSIS and the UP-Credit Cooperative are their main sources of credit. These institutions lend for as low as Php 5,000.00 and as high as Php 60,000.00, and above at an interest rate of 1-5% per annum, and at 12-60 months maturity. With documents proving that they are not credit risks, these employees generally find the loan application process relatively easy. This finding suggests that adverse selection is not a problem in the credit market. Moreover, these employees considered themselves unlikely to deviate from their loan's intended purpose because all their family members were working and sharing household expenses, their goals had already been set, and they only bought the things they needed. Hence, there is no indication of a moral hazard problem in their credit markets.

Keywords: *adverse selection, credit market, moral hazard, non-academic personnel*

INTRODUCTION

Most public schoolteachers in the Philippines require credit. Their take-home pay was found to be only more than half of their gross income, and almost half of this gross income was used to pay debts (Mencias-Tabernilla, 2023). These intertwined problems of low net income and burgeoning debt seem to be general characteristics of public school teachers in the country (Ferrer, 2017; Ferrer, 2018; Mencias-Tabernilla, 2023).

The situation of government employees did not differ. According to the Department of Finance (2020), many government employees often rely on loan sharks who lend with minimal



requirements but at a prohibitive 20% interest rate per month. Despite the financial stress they experience, government employees still deliver satisfactory job performance (Gualdrapa & Palic, 2020). Moreover, the recurrent problem of moral hazard in the government is attributed to its weak compensation system (Alam, 2023). The situation is worse for government workers under job order and contract-of-service schemes. These workers comprise 28% of the total government workforce, but they have no security of tenure or social protection benefits (Mangaoang, 2021).

This study investigated whether the non-academic personnel of the University of the Philippines Diliman Extension Program in Pampanga (UP Pampanga) have a predicament similar to that of most public schoolteachers and government employees in the country. Given the research question, the specific objectives of the study were: (1) to identify their need or demand for credit and their sources or supply of credit, and (2) to determine whether there are adverse selection and moral hazard problems in their credit market.

The study covered only the non-academic personnel of UP Pampanga because their salary grades and monthly salaries were much lower than those of regular faculty or teaching personnel. Since the study had the modest objectives of identifying employees' need for and sources of credit and determining the existence of adverse selection and moral hazard problems in their credit market, the study used descriptive statistics only. In the absence of more concrete or quantifiable indicators of adverse selection and moral hazard, statistical tests or procedures such as paired sample t-tests, correlation, and regression analysis could not be performed in this study. Nevertheless, the absence of statistical tests or procedures may be considered a limitation of this study. Another limitation of the study is that only the point of view of UP Pampanga employees as debtors or loan applicants was considered. Conversely, the study was unable to obtain creditors' perspectives.

Framework

This study used the economic concepts of credit, adverse selection, and moral hazard as elements of the framework. Hence, a brief discussion of these and related concepts is warranted. Financial markets play an important role in an economy because they channel funds from people with a surplus of funds to those with a shortage of funds. They allow funds to move from people who lack productive investment opportunities to those with such opportunities. In so doing, they contribute to higher production and efficiency in the economy (Mishkin, 2004, p. 3). Financial market operations can be classified into direct and indirect financing. On one hand, direct finance allows borrowers to borrow funds directly from lenders by selling them securities or financial instruments. On the other hand, indirect finance requires a financial intermediary such as a bank for borrowing to proceed. Banks accept depositors' savings and offer loans to borrowers (Mishkin, 2004, p. 29).

The loan provided by a bank to a borrower is a form of credit. However, credit has a much wider definition and use. It is a system by which goods or services are provided in return for deferred rather than immediate payments (Black, Hashimzade, & Myles, 2012). Hence, sellers or banks may provide credit. Credit is important to some people and sectors of the economy because they lack adequate financial capital to finance their production and



marketing operations. This is the case for small farmers and micro or small entrepreneurs in the Philippines. Although formal credit sources such as banks exist in the country, most farmers prefer informal credit sources such as traders, processors, landowners, big farmers, and friends. and relatives because of their accessibility, ability to immediately release loans, and non-requirement of collateral (Pabuayon, Catelo, Rola, & Paris, 2013).

This study assumed that an UP Pampanga employee's need or demand for credit is affected by his or her monthly salary, monthly income from a part-time job or business, socio-demographic profile, and productive investment opportunities. On the other hand, his or her source or supply of credit is affected by the availability of financial institutions offering loans, persons, and other informal sources willing to lend, and the interest rate and terms of the loan.

Generally, credit markets contain asymmetric information. Asymmetric information is a situation in which a buyer and seller possess different types of information about a transaction. Asymmetric information results in market failure. There are two types of market failure arising from asymmetric information: adverse selection and moral hazard. The former occurs before the transaction, while the latter occurs after the transaction (Mishkin, 2004, p. 32).

Adverse selection is a form of market failure that occurs when products of different qualities are sold at a single price because of asymmetric information, such that too many low-quality products and too few high-quality products are sold. In credit markets, low-quality borrowers are more likely than high-quality borrowers to want credit, which forces the interest rate up, increases the number of low-quality borrowers, forces the interest rate further, and so on. On the other hand, moral hazard occurs when a party whose actions are unobserved can affect the probability or magnitude of a payment associated with an event (Pindyck & Rubinfeld, 2013, pp. 632-642).

When banks and other financial institutions or lenders treat UP Pampanga employees as credit risks and give them a hard time applying for loans or credit, we identify this situation as an adverse selection problem. Meanwhile, when these employees, after successfully obtaining a loan, spend the loan proceeds on things other than the intended purpose of the loan, there is a moral hazard problem.

METHODOLOGY

This study primarily used a quantitative research approach and survey research design. A quantitative approach was chosen because the study involved the determination of the amount of credit needed by the non-academic personnel of UP Pampanga, given their monthly salaries and incomes of part-time jobs or businesses, their preferred length of loan maturity, and interest rate. However, this study also determined the reasons for needing credit and whether they experienced adverse selection and moral hazard problems when obtaining loans. The latter required qualitative responses from the respondents. A survey research design was chosen for this study because in a survey, different types of data (e.g., factual,



perception, knowledge, attitude, and behavior) can be generated from the sample and used to make generalizations about the population (Portus et al., 2020, p. 46).

The primary data needed by the study were collected through an online survey of 14 out of 16 (87.5%) non-academic personnel of UP Pampanga. The study intended to cover 100% of the population of non-academic personnel in UP Pampanga ($N = 16$). However, only 14 employees were included in the study ($n = 14$) because two employees refused to participate. Hence, the units of analysis were the 14 employees who participated in the study. The online survey was conducted from September to 14-28, 2023. A week prior to conducting the online survey, the questionnaire was pre-tested on the staff of two offices: the Admission, Registration Management, and Scholarships (ARMAS) and the Records Management, Assessment, and Evaluation (RMAE).

Permission to conduct the study and the online survey was provided by the UP Pampanga Director on August 16, 2023. The list of UP Pampanga non-academic personnel, their email addresses, salary grades, and monthly salaries were provided by the unit's Administrative Officer on August 30, 2023. Meanwhile, the list and description of the loans that the UP Pampanga non-academic personnel are entitled to apply for were given by the Chief of the Development and Benefits Division, Human Resource and Development Office (HRDO) of UP Diliman on September 8, 2023. Since two of the 14 non-academic personnel who agreed to participate in this study were actually Pampanga Provincial Government employees but assigned to UP Pampanga, a similar list of loans for which they are entitled to apply was obtained from the Human Resource Management Office (HRMO) Head of the said local government unit on September 12, 2023.

All 14 UP Pampanga non-academic personnel provided free and informed consent on the first page of the online survey questionnaire. On the same page, the anonymity of respondents' identities and confidentiality of their responses were guaranteed by the author. The author kept the identities of the respondents anonymous and their responses confidential throughout the study. The author also asked for ethical clearance from the UP Pampanga Director and Coordinator for Research and Extension. However, they clarified that ethical clearances could only be issued once the UP Diliman Research Ethics Board was finally constituted.

The questions on the Google Form or online survey questionnaire were grouped into five categories: (1) socio-demographic profile of respondents; (2) the need for credit (alternatively, the demand for credit); (3) the sources of credit (alternatively, the supply of credit); (4) adverse selection; and (5) moral hazard. The respondents' monthly salaries, including monthly incomes from part-time jobs or businesses, sociodemographic profiles, and productive investment opportunities, were used to determine their need or demand for credit. When a respondent considers his or her monthly salary and monthly income from a part-time job or business sufficient for personal or family consumption and productive investment opportunities, his or her need for credit will be small. Conversely, when they feel that their salary and income are insufficient for personal or family consumption and productive investment opportunities, their need for credit will be large. In addition, a respondent with more dependents but fewer earning family members will find their need for credit large. By



contrast, a respondent with fewer dependents and more earning family members will find their need for credit small.

Meanwhile, the availability of financial institutions offering loans, persons, and other informal sources willing to lend and the interest rate and terms of the loan were used to determine the employees' sources or supply of credit. There will be more sources or supply of credit if many financial institutions and informal sources are willing to lend. Meanwhile, a high loan interest rate and a long loan maturity serve as incentives for financial institutions to offer more credit. They earn less from loans if the interest rate is low and the maturity is short.

Following the discussions of Mishkin (2004) and Pindyck and Rubinfeld (2013) on asymmetric information in credit markets, the ease or difficulty of applying for a loan is used as an indicator of adverse selection in a credit market. The respondents used the following Likert scale scores and their adjectival equivalents: 5 = very difficult, 4 = difficult, 3 = neither difficult nor easy, 2 = easy, and 1 = very easy. To reiterate, these Likert scale scores are self-reported and do not involve creditor participation.

On the other hand, respondents' likelihood or tendency to deviate from the intended purpose of their loan was used as an indicator of moral hazard. Again, this was a direct application of Mishkin's (2004) and Pindyck and Rubinfeld's (2013) concepts of asymmetric information in credit markets. The respondents used the following Likert scale scores and adjectival equivalents to rate their likelihood of deviating from their loans' intended purposes: 5 = very likely, 4 = likely, 3 = neither likely nor unlikely, 2 = unlikely, and 1 = very unlikely. In both cases, respondents were asked to briefly explain their ratings.

Responses were encoded and summarized on a spreadsheet. The means or averages of the quantitative data were computed and the modal or most frequent qualitative responses were noted. Both were used to achieve the objectives of this study.

RESULTS AND DISCUSSION

The Study Site and the Respondents

UP Pampanga, officially named the UP Diliman Extension Program in Pampanga, was the study site. It is popularly known as UP Clark because it is located in the Mabalacat City portion of the Clark Freeport Zone. Its exact location or address is N3687, the Ramon Magsaysay Avenue Extension, Clark Freeport Zone, Mabalacat City, and Pampanga. It is one of the 26 degree-granting units of the UP Diliman. UP Pampanga started in 1979 as part of the UP-Extension program in San Fernando. It was created through the efforts of two Pampanga governors, Estelito Mendoza and Juanita Nepomuceno (University of the Philippines Diliman Extension Program in Pampanga, 2023).

The respondents in this study were 14 of the 16 non-academic personnel of UP Pampanga. Twelve of these 14 are UP Diliman employees, while two are actually Pampanga Provincial Government employees but permanently assigned to UP Pampanga. Their positions range



from Administrative Aide 1 to Administrative Officer IV. Their salary grades (SG) range from SG 1-1 with a monthly salary of Php 12,999.80 to SG 15-8 with a monthly salary of Php 39,367.00. The mean length of service for UP Pampanga was 11 years. Their mean age, on the other hand, is 40 years. Half of the participants were single, while the other half were married. Their mean number of children was 1.6 or. Thirteen of them resided in Pampanga, while one lived in Quezon City. Nine of them had a bachelor's degree, whereas five had a master's degree.

The Respondents' Need or Demand for Credit

Twenty-one percent of the respondents had a monthly salary that ranged from Php 35,001.00 to Php 40,000.00. Fourteen percent of them received a monthly salary that ranged from Php 30,001.00 to Php 35,000.00, and another 14% of them received Php 15,001.00 to Php 20,000.00. The rest of the respondents' monthly salaries are listed in Table 1.

Table 1. Monthly Salary Ranges of the Respondents

Salary Range (Php)	Number of Employees	Percentage
15,000.00 and below	1	7
15,001.00-20,000.00	2	14
20,001.00-25,000.00	1	7
25,001.00-30,000.00	1	7
30,001.00-35,000.00	2	14
35,001.00-40,000.00	3	21
40,001.00-45,000.00	1	7
45,001.00-50,000.00	1	7
50,001.00-55,000.00	1	7
55,001.00-60,000.00	0	0
60,001.00-65,000.00	1	7

Nine of the 14 respondents (64%) did not have part-time jobs or businesses. However, five out of 14 (36%) said they did. Two of these five (40%) earned approximately Php 5,001.00 to Php 10,000.00 monthly from their part-time jobs or businesses. Another two out five (40%) earn at least Php 35,001.00 a month, and one out of five (20%) earns Php 15,001.00 to Php 20,000.00 a month. Table 2 summarizes the monthly incomes of the five respondents with part-time jobs or businesses.

Table 2. Monthly Income of Five Respondents from their Part-Time Jobs or Businesses

Monthly Income Range (Php)	Number of Respondents	Percentage
5,001.00-10,000.00	2	40
15,001.00-20,000.00	1	20
35,001.00 and above	2	40

Given their regular monthly salaries from full-time jobs and monthly incomes from part-time jobs or businesses, 13 out of 14 respondents (93%) expressed a need for credit. Only one of the 14 respondents said that they did not need one. Five out of 13 (38.5%) of those who



expressed a need for credit indicated Php 60,000.00 or above as the amount they needed to borrow, while three out of 13 (23%) said they needed credit in the range of Php 45,001.00 to Php 50,000.00. Table 3 shows the amount of credit required by the remaining respondents.

Table 3. *The Amount of Credit Needed by the Respondents*

Credit Needed (Php)	Number of Respondents	Percentage
5,000.00 and below	1	7.7
20,001.00-25,000.00	1	7.7
25,001.00-30,000.00	1	7.7
30,001.00-35,000.00	1	7.7
45,001.00-50,000.00	3	23.0
55,001.00-60,000.00	1	7.7
60,001.00 and above	5	38.5

Six out of 13 respondents (46%) said that they needed credit for their families' consumption, three out of 13 (23%) for their own personal consumption, and another three out of 13 (23%) for productive investment opportunities. Table 4 summarizes the respondents' reasons for needing credit.

Table 4. *The Respondents' Reasons for Needing Credit*

Reason	Number of Respondents	Percentage
Family's consumption	6	46
Personal Consumption	3	23
Productive Investment Opportunity	3	23
Other (e.g., Emergency)	1	8

Generally, respondents would avail loans if their interest rates were low. If the interest rate on loans were in the range of one to five percent per annum, seven out of 13 (54%) would borrow a mean amount of Php 121,000.00. If the interest rate on loans was in the range of six to ten percent per annum, four out of thirteen (31%) would borrow a mean amount of Php 125,000.00. Finally, if the interest rate was in the range of 11% to 15% per annum, only two out of 13 (15%) would borrow a mean amount of Php 200,000.00. The rest of the respondents found an interest rate ranging from 11% to 15% prohibitive. Table 5 summarizes the ranges of interest rates and the amount of money that the respondents would borrow.

Table 5. *Interest Rates and the Amounts the Respondents Would Borrow*

Interest Rates (% p.a.)	Amount to Borrow (Php)	No. of Respondents	Percentage
1-5	121,000.00	7	54
6-10	125,000.00	4	31
11-15	200,000.00	2	15

Meanwhile, respondents preferred shorter maturities for loans. As much as possible, they want to pay off their loans early. Four out of 13 respondents (31%) preferred a maturity of 12



months, five out of 13 (38%) preferred 24 months, and three out of 13 (23%) preferred 36 months. Table 6 shows the loan maturities preferred by the remaining respondents.

Table 6. *Loan Maturity Preferred by the Respondents*

Maturity (Months)	No. of Respondents	Percentage
12	4	31
24	5	38
36	3	23
48	0	0
60	1	8

In sum, despite receiving regular monthly salaries from their full-time jobs and monthly incomes from their part-time jobs or businesses, most of the respondents still needed credit in the range of Php 45,001.00 to Php 60,000.00 and above for their family's consumption, personal consumption, and productive investment opportunities. However, if the interest rates were low, such as 1-5% per annum, the majority of them would borrow around Php 121,000.00, at short maturities, such as 12, 24, and 36 months.

The Respondents' Sources or Supply of Credit

Nine out of the 14 respondents (64%) had already applied for loans from banks and other formal financial institutions, while five out of 14 (36%) had not yet experienced loan applications. Five of the nine respondents (56%) borrowed Php 60,001.00, while two out of nine (22%) borrowed Php 20,001.00 to Php 25,000.00. Table 7 shows the amounts borrowed by the remaining respondents.

Table 7. *Amount Borrowed by the Respondents from Banks and Other Financial Institutions*

Amount Borrowed (Php)	No. of Respondents	Percentage
5,000.00 and below	1	11
15,001.00-20,000.00	1	11
20,001.00-25,000.00	2	22
60,001.00 and above	5	56

Three out of nine (34%) applied for loans at the GSIS, two out of nine (22%) at the UP-Credit Cooperative, and two out of nine (22%) at private banks. Meanwhile, one out of nine (11%) applied for a loan from the Provident Fund, and another one out of nine (11%) from loan apps, such as GCredit, Maya, Tala, and JuanHand. Table 8 summarizes the formal loan sources for the nine respondents.



Table 8. *Formal Loan Sources of Nine Respondents*

Formal Loan Source	No. of Respondents	Percentage
GSIS	3	34
UP Credit Cooperative	2	22
Private Bank	2	22
Provident Fund	1	11
Loan App	1	11

Six out of nine (67%) were charged an interest of 1-5% per annum, while three out of nine (33%) were charged 6-10% per annum. Three out of nine (34%) had a loan maturity of 60 months, two out of nine (22%) had 36 months, and two out of nine (22%) had 12 months. Table 9 presents the loan maturities of the remaining nine borrowers.

Table 9. *Loan Maturities of the Nine Borrowers*

Maturity (Months)	No. of Borrowers	Percentage
12	2	22
24	1	11
36	2	22
48	1	11
60	3	34

Nine out of the 14 respondents (64%) had not yet borrowed money from informal sources, while five out of 14 (36%) had already done so. Of these five, two (40%) borrowed Php 5,000.00 and below, one (20%) borrowed an amount in the range of Php 5,001.00 to Php 10,000.00, one (20%) borrowed at a range of Php 10,001.00 to Php 15,000.00, and another one (20%) borrowed Php 60,000.00 and above. All five borrowed from family members or relatives. Two of the five borrowed from friends and one from a coworker. In general, these five respondents borrowed from informal sources because they were approachable or accessible, able to immediately provide the amount they were borrowing, and required no collateral. These reasons were similar to those reported by Pabuayon et al. (2013).

The informal lenders did not charge three of the five (60%) borrowers any interest but they charged 1-5% interest per annum on the other two borrowers (40%). Three of the five borrowed from informal sources (60%) were not given any maturity date for their informal loans. They were allowed to pay whenever they could (e.g., pay when able). Meanwhile, the two who had been charged 1-5% interest per annum were allowed to pay within 12 months. None of the respondents borrowed money from the loan sharks. Hence, they could be exceptions to most government workers who borrow money from loan sharks, as reported by the Department of Finance in 2020.

In sum, formal financial institutions, such as the GSIS and the UP-Credit Cooperative, are the respondents' main sources or suppliers of credit. These institutions lend as low as Php 5,000.00, and as high as Php 60,000.00. They charge interests as low as 1-5% per annum and offer loans maturing at 12-60 months. Meanwhile, family members or relatives, friends, and coworkers were informal credit sources identified by the respondents. Only a minority of



the respondents borrow money from them. This is despite the fact that they rarely charge an interest in the money they lend.

This study found that respondents were generally unaware of the many formal sources of credit for government employees. Examples of these untapped formal credit sources are the EC Credit Salary Loan and Negosyo Credit Program for Government Employees. The former is offered by the Development Bank of the Philippines (DBP), whereas the latter is offered by government-owned and controlled corporations (GOCCs) and government financial institutions (GFIs) through cooperatives or employee associations. DBP's EC Credit Salary Loan is offered exclusively to government employees. Loan proceeds can be received within five banking days. The borrower can repay the loan through salary deductions, but his or her employer must have a tie-up with DBP. The minimum loanable amount is Php 10,000.00, whereas the maximum is Php 1,000,000.00. The loan can be amortized in 12, 24, 36, and 48 months (Development Bank of the Philippines, 2023). The first-time or new borrowers are charged 12% to 15% interest per annum depending on their choice of loan maturity. Repeat borrowers or those who are renewing their loans, on the other hand, are charged 10% to 12% interest per annum (C. Calma, personal communication, August 30, 2023). On the other hand, the Negosyo Credit Program for Government Employees of GOCCs and GFIs is a credit program for the livelihood projects of government employees or their families. This is not meant for consumption (Business Diary Philippines, 2022).

The respondents of this study were also unaware of their eligibility for the UP Computer Loan and UP Soft Loan. According to the Development and Benefits Division of UP Diliman's Human Resource and Development Office, the UP Soft Loan is intended for house construction or renovation of UP employees. Since the respondents are unaware of these loans, they usually borrow from the GSIS for house construction or renovation and from the UP-Credit Cooperative for computer purchase.

Finally, it should be noted that the two Pampanga Provincial Government employees who were permanently assigned to UP Pampanga and were included in this study's 14 respondents had fewer formal sources of credit. They do not have the option to borrow from the UP-Credit Cooperative or Provident Fund. They could only borrow from the GSIS, private banks, and GFIs such as the Pag-IBIG Fund.

Absence of Adverse Selection

The respondents who had already applied for a loan from the GSIS, UP Credit Cooperative, and other formal financial institutions gave their experience a mean Likert scale score of 2.22, which had an adjectival equivalent of easy. They found the loan application process easy because loan applications are available online. This was mentioned by eight of nine respondents (89%). In addition, the processing, approval, and release of loans were fast. Six out of nine respondents (67%) claimed that they were able to receive loan proceeds in just three days. Since the respondents generally found their loan application easy, this implies that adverse selection is not a problem in this particular credit market – the credit market for UP Pampanga's nonacademic personnel. They are government employees and have



documents at their disposal, such as Certificate of Employment with Compensation and Income Tax Return, that can prove their creditworthiness.

Nevertheless, five out of nine respondents (56%) had problems with documentary requirements, while two out of nine (22%) had difficulty finding comakers willing for their loans. Two out of nine (22%) had no problems with their loan applications. All nine respondents realized that they needed to prepare documents needed for their loans early. They also realized that they need to be prudent with their finances to convince others to be their loan comakers.

In general, the respondents in this study have a much better situation than farmers and agrarian reform beneficiaries. Lending to farmers, especially agrarian reform beneficiaries, remains unattractive because of the high credit risks involved. Banks had difficulty complying with Presidential Decree No. 717 (PD 717) despite alternative modes of compliance such as the purchase of bonds, treasury bills, and other securities (Agricultural Credit Policy Council, 2003).

No Indication of Moral Hazard

Six of the nine respondents (67%) who availed loans from formal financial institutions claimed that they used loan proceeds for their intended purpose. Only three out of nine (33%) admitted that they deviated from the loan's intended purpose. When asked how likely they were to deviate from the loan's intended purpose if they would apply for another loan, the respondents gave a mean Likert scale score of 1.9, the adjectival equivalent of which is unlikely. They consider themselves unlikely to deviate from their loan's intended purpose because: (1) all their family members are working and sharing household expenses, (2) their goals have already been set, and (3) they only buy the things they need. Three of the nine respondents (33%) mentioned each of the three reasons. Hence, there is no indication of a moral hazard in this credit market for UP Pampanga's non-academic personnel.

Meanwhile, the respondents identified three main problems after receiving their loan proceeds. These are (1) high transaction fees for loan amortizations or installment payments, (2) managing the loan proceeds, and (3) abuse of relatives. Three out of nine respondents (33%) mentioned each of these problems. A respondent expounded on the third problem as follows: "Ang hirap sa ibang kamag-anak, kapag nalaman na may pera ka, aabusuhin ka. Hihiram ng pera na walang bayaran" (The problem with some relatives is that, once they know you have money, they will abuse you. They borrow money and never pay.) To address these problems, the respondents suggested: (1) applying for a loan only when needed, (2) learning proper budgeting, and (3) declining the advances of abusive relatives firmly but politely.

Summary and Conclusion

This study has four conclusions. First, UP Pampanga's non-academic personnel generally have a need or demand for credit, despite receiving regular monthly salaries from their full-time jobs and monthly incomes from their part-time jobs or businesses. The amount of credit



they need ranges from Php 45,001.00 to Php 60,000.00, and above. They need this primarily for their families' consumption, personal consumption, and productive investment opportunities. Second, their sources or supply of credit are primarily formal financial institutions, such as the GSIS and UP Credit Cooperative. These formal financial institutions lend as low as Php 5,000.00 and as high as Php 60,000.00 and above. They charge interests as low as 1-5% per annum and offer loans maturing at 12-60 months. Family members or relatives, friends, and coworkers are informal sources of credit, but only a few UP Pampanga non-academic personnel borrow money from them. Third, UP Pampanga's non-academic personnel generally find the loan application process at formal financial institutions relatively easy. This is because they are government employees with documents that prove that they are not credit risk. This finding suggests the absence of an adverse selection problem in the credit market. Fourth and finally, UP Pampanga's non-academic personnel consider themselves unlikely to deviate from their loan's intended purpose because all their family members are working and sharing household expenses, their goals have already been set, and they only buy the things they need. Hence, there is no indication of moral hazard in the credit market.

Recommendations

The study recommends making UP Pampanga employees aware of formal sources of credit, such as DBP's EC Credit Salary Loan and the Negosyo Credit Program for Government Employees of GOCCs and GFIs. They should also be made aware of their eligibility for UP-Computer loans and UP soft loans. The responsibility of informing UP Pampanga employees about these formal sources of credit and loan packages falls in the Development and Benefits Division of UP Diliman's Human Resource and Development Office. Information can be cascaded through the Administrative Officer of UP Pampanga.

The study also recommends extending the formal credit sources and loan packages of UP employees to the two Pampanga Provincial Government employees permanently assigned to UP Pampanga. This extension of formal credit sources and loan packages would be possible if they were granted eligibility by financial institutions such as the UP-Credit Cooperative and the Provident Fund.

Finally, the limitations of this study should be addressed in future follow-up studies. More concrete and quantifiable indicators of adverse selection and moral hazard should be developed. Once these quantifiable indicators are available, statistical tests can be conducted. Future studies should also present creditors' point of view on the occurrence of adverse selection and moral hazard problems in the credit market for UP Pampanga's non-academic personnel.



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