

FINANCIAL CAPABILITY OF PUBLIC SCHOOL TEACHERS IN THE PHILIPPINES

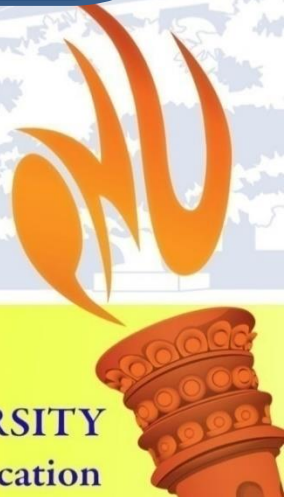
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Presentation Outline

- I. Introduction & Research Objectives
- II. Methodology
- III. Research Findings
- IV. Conclusions
- V. Policy Recommendation

Introduction

The Way WE WERE



Introduction

The Way WE WERE

- Despite the overwhelming evidence on research that financial literacy improves the lives of people, the result of survey on financial literacy around the world is **DEPRESSING**

(Lusardi & Mitchell, 2014; Colmar Brunton, 2009; Moore 2003; Lusardi, 2008; Lusardi-FINRA, 2013; Rooji, Lusardi & Allesie, 2011; Agarwalla et. al, 2012; Ibrahim & Alqaidi, 2013; World Bank, 2011; Atkinson & Messy, 2012) .

Introduction

The Way WE WERE

In the Philippines two recent survey on financial literacy was conducted by World Bank (2015) and Sunlife Financial (Solar FLARe, 2013).

- These surveys pointed out the **DISMAL STATE** of financial literacy among many Filipinos, with many struggling to understand basic financial concepts and their application to everyday life.



How did we come to this?

philstar
GLOBAL



‘Teachers unpaid loans sparked P’sinan school shooting’

Eva Visperas (The Philippine Star) - September 3, 2014 - 12:00am

LINGAYEN, Philippines – Authorities blamed unpaid loans of teachers for the shooting that left four persons dead and three others wounded at the Pangasinan National High School (PNHS) here last Monday.

Introduction

The Way WE WERE

This phenomenon of being **BURIED IN DEBT** among public school teachers in the Philippines, can be one of the indications of an **impaired financial capability** as reported by various surveys of financial capability in the country.

(SOLAR FLARe, 2013, Llato (ADB), 2015, World Bank, 2015).



Caught in a Debt Trap? An Analysis of the Financial Well-being of Teachers in the Philippines

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Abstract Since the Teacher Advancement for Optimum Well-being or the Project TAO Survey conducted in 2000 by the Philippine Senate, which made a comprehensive study on the well-being of public school teachers in the country, there's has been a dearth of researches that provide empirical data on the current status of the financial well-being of the public school teachers in the country that can inform public policy on the matter. Specifically, this research seeks to investigate the phenomenon that many public school teachers in the country are caught in a "debt trap." A survey was conducted in two regions, utilizing an adopted version of the instrument used by the Financial Industry Regulatory Authority (FINRA) Investors Education Foundation in the 2012 National Financial Capability Study (NFSC) in the United State and a four-stages stratified cluster sampling determined the 710 public school teachers-participants in the of which 239 are elementary school teachers and 471 are high school teachers. Descriptive statistics such as frequencies and percentages were computed to examine the respondents' household condition and income; their perception on their debt situation and the factors that made them vulnerable to onerous debt and usurious lending. Results revealed that the financial well-being of public school teachers is serious, characterized by burgeoning debt problem and low net income. Contributing to these problems included

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Research Objectives

The overarching objective of this research is to investigate the current status of the financial capability of public school teachers.

Specifically, the research:

- 1) Analyzed key measures of financial capability such as money management, ability to plan ahead and financial literacy among public school teachers;
- 2) Evaluate how those key measure varies among public school teachers in term of regional and school level assignment;
- 3) **Provide data and estimates that can inform public policy on the welfare and protection of public school teachers.**

FINANCIAL CAPABILITY FRAMEWORK

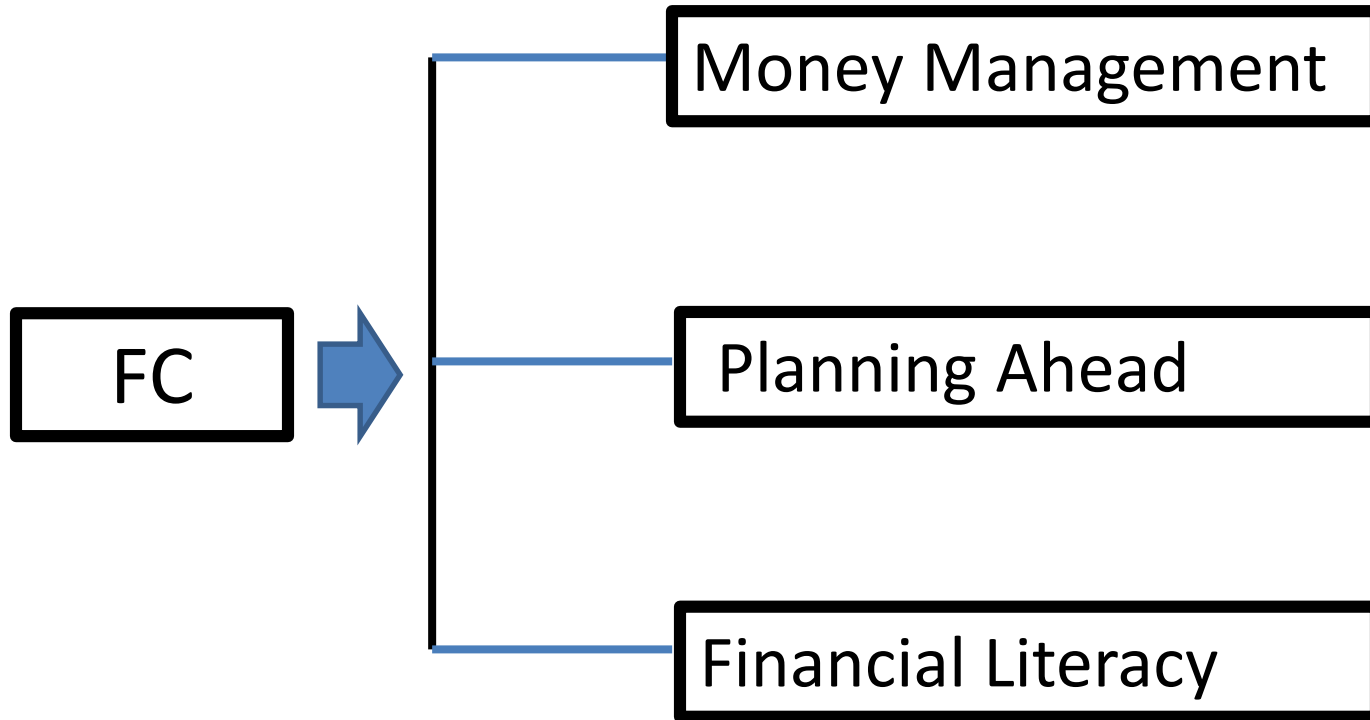
“an internal capacity to act in one’s best financial interest, given socio-economic environmental conditions.

It encompasses the knowledge (literacy), attitudes, skills and behaviors of consumers with regard to managing their resources, and understanding, selecting, and making use of financial services that fit their needs.”

WORLD BANK (2013)



FINANCIAL CAPABILITY FRAMEWORK



Methodology

A **SURVEY** has the ability to measure attitudes, beliefs, and knowledge (Fraenkel & Wallen, 2006 as cited by Otter, 2010)



Participants and Sampling

Region		Level	
NCR	499	Elementary	239
IV-A	211	Secondary	471
Total	710		710



Research Findings

The Road to Many Broken Promises



A. Money Management

The **ability to manage money on day-to-day basis**



A. Money Management

FINANCIAL CAPABILITY OF THE PUBLIC SCHOOL TEACHERS IN THE PHILIPPINES



MONEY MANAGEMENT



SATISFACTION WITH PERSONAL FINANCE

BUDGETING

NOT SATISFIED: **27.1%**

NEUTRAL: **52.6%**

SATISFIED: **8.3%**



MANAGING INCOME AND EXPENSES

47.2%
DO NOT
HAVE
A WRITTEN
BUDGET



39.3%
HAVE
A WRITTEN
BUDGET

DIFFICULTY MEETING DAILY EXPENSES

A. Money Management

MANAGING INCOME AND EXPENSES



48.5%: **SPENDING** > INCOME

32.1%: **SPENDING** = INCOME

15.5%: **SPENDING** < INCOME

DIFFICULTY MEETING DAILY EXPENSES

AN OVERWHELMING MAJORITY (78.2%)
OF THE TEACHER-RESPONDENTS
ARE HAVING
DIFFICULTY
MEETING THEIR
DAILY EXPENSES



A. Money Management

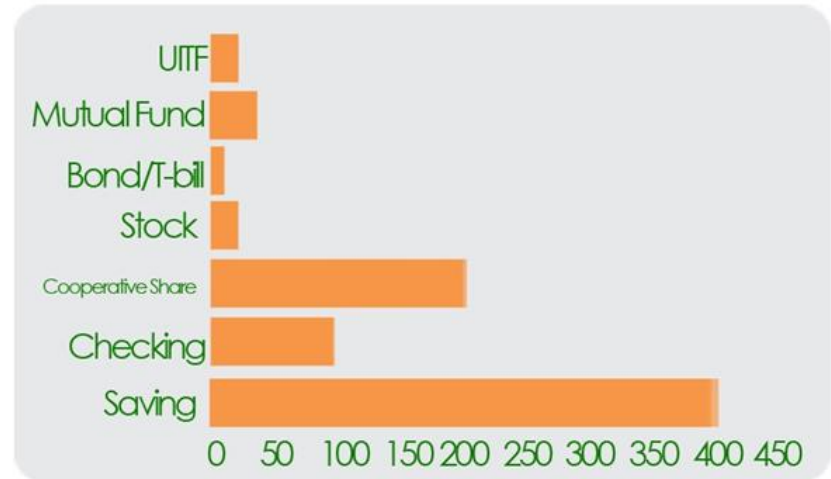
SAVINGS

23.2%
SAVING
REGULARLY



21.4%
NOT
SAVING

INVESTMENT OPTIONS



B. Planning Ahead

- Life can be viewed as a series of events that are both certain and uncertain.
- Financial planning** therefore is vital to cope with these certainties in life.



Copping with Emergency



PLANNING AHEAD

More respondents reported not having emergency fund in case of sickness, job loss, economic downturn or other emergencies (**54.9%**) than those with sufficient emergency fund (**39.2%**)



54.9% don't have emergency fund

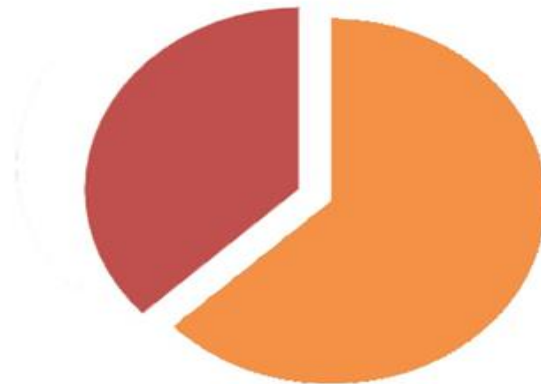
39.2% have sufficient emergency fund

B. Planning Ahead



PROVISIONING FOR THE FUTURE

20% have availed of an education plan



63% with financially dependent children



43.7% has not availed of an education plan

C. Financial Literacy

- The core component of the financial capability survey was a battery of;

C.1 SELF-ASSESSMENT QUESTIONS on financial literacy and competence,

C.2 QUIZ-STYLE QUESTIONS designed to yield an independent and objective assessment of the respondent's financial literacy

C. FINANCIAL LITERACY

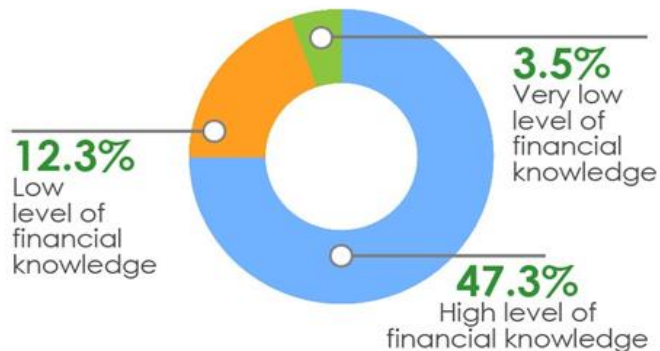


FINANCIAL LITERACY



SELF PERCEPTION OF FINANCIAL KNOWLEDGE

Over-all level of awareness and understanding of financial knowledge



19% Good in dealing with day-to-day financial matters

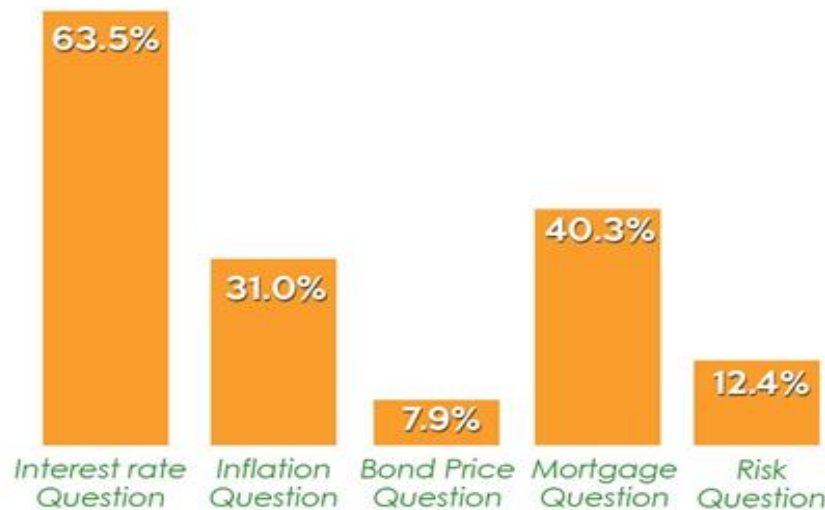
35% Not good in dealing with day-to-day financial matters



C. FINANCIAL LITERACY

RESULT OF FINANCIAL LITERACY QUIZ

With an overall mean score of **1.7** the results reveal a **low level** of financial literacy among the respondents. This is even lower than the result of 2012 Financial Capability Survey of FINRA among Americans which used the same questionnaire and reported a mean score of **2.9**, and the World Bank (2015) survey in the Philippines which reported a mean score of **3.2** in a 7-item quiz.



Majority of the teacher-respondents were able to answer 1 to 2 questions only, Less than **1%** obtained a perfect score and **15.3%** were not able to answer any of the questions correctly



Suppose you had Php 100 in a savings account and the interest rate was 2% per year. After 5 year, how much do you think you would have in the account if you left the money to grow?

- A. More than Php 102
- B. Exactly Php 102
- C. Less than Php 102
- D. Don't Know

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

- A. More than today**
- B. Exactly the same**
- C. Less than today**
- D. Don't Know**

If interest rates rise, what will typically happen to bond prices?

- A. They will rise**
- B. They will fall**
- C. There is no relationship between interest rate and bond prices**
- D. Don't Know**

A 15-year loan typically requires higher monthly payments than a 30-year loan, but the total interest paid over the life of the loan will be less.

A. True

B. False

C. Don't know

Buying a single company's stock usually provides a safer return than a stock mutual fund.

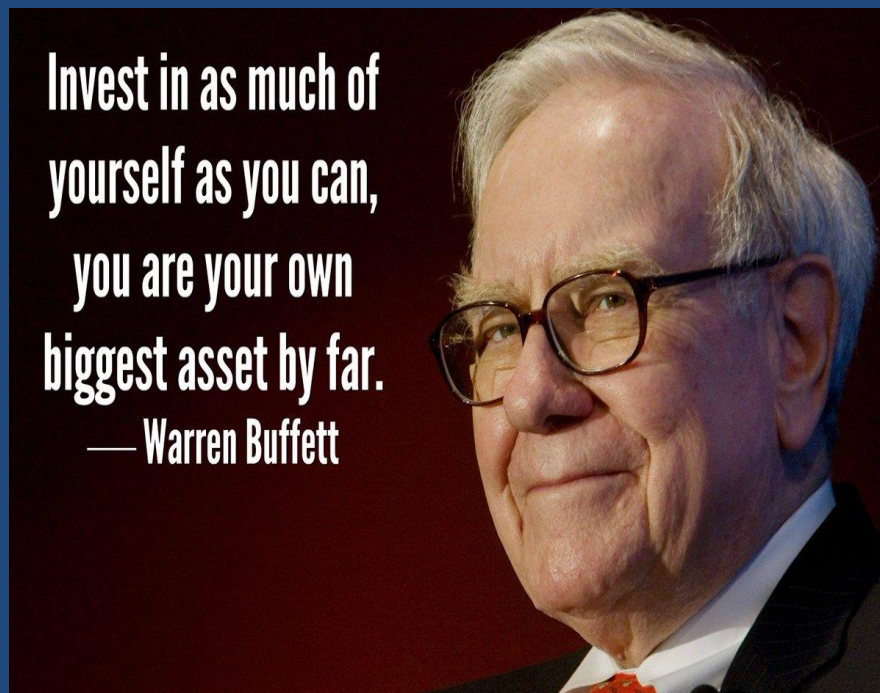
A. True

B. False

C. Don't know

Conclusions

All By Myself



Conclusions

1. Results shows that the financial capability of public school teachers is far from what is desired

also reflected the negative trend on financial capability nationally (Llanto, 2015)

and all over the world.

(Colmar Brunto, 2009; Moore, 2003; Lusardi, 2008; Lusardi, 2013; Van Rooji et al., 2011; Agarwalla et. al., 2012; Ibrahim & Alqaydi, 2013; World Bank, 2011, Atkinson & Messy, 2012).

Conclusions

2. The respondents' negative perception of their financial condition reflect the fact that they are having difficulty managing properly their finances.

- Only a few have written budget
- Many spends more than what they earn
- Majority are having difficulty just to meet daily expense
- Saving regularly is not a habit

Conclusions

3. The respondents' negative perception of their financial condition may also reflect the fact that they are having difficulty managing properly their finances.

- The low incidence of the participation of the respondent-teachers in high yielding accounts
- For many of them, is a great challenge to cope with financial emergency and to provide for the education of their children.

Policy Recommendations

What Matters Most



Policy Recommendations

A **REVIEW** of existing laws and policies are needed to address the short term financial needs of teachers.

- A. Health Emergencies
- B. Education of their Children
- C. Housing Needs
- D. Financing High interest loans
- E. Usurious lenders targeting teachers

**“Right now, teachers
owe P170
Billion...something has
to be done.”**

**-Leonor Briones
Secretary, DepEd**



Policy Recommendations

The **IMPLEMENTATION** of the inclusion of financial education in pre and in-service training program of teachers has to be implemented NOW and not later.

- a. Republic Act. 10922 An Act Declaring the Second Week of November Every Year as Economic and Financial Literacy Week
- b. RA no. 10679 or “An Act Promoting Entrepreneurship and Financial Education Among Filipino Youth.



**“FINANCIAL FREEDOM
IS A MENTAL,
EMOTIONAL AND
EDUCATIONAL
PROCESS.”**

- ROBERT KIYOSAKI

Thank You!

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Financial Capability of Public School Teachers in the Philippines

ABSTRACT: *The overarching objective of this research is to investigate the current financial capability of public school teachers in the Philippines. The current study focused on the three key measures of financial capability: money management; ability to plan ahead; and financial literacy. This research followed a descriptive design and utilized survey as its method. Frequencies and percentages were computed to examine the three key measures of financial capability of the respondent-teachers. Data gathered were also compared in terms of regions and school levels. The survey was conducted among public school teachers in two regions: Region IV-A and the NCR (National Capital Region). Results shows that the financial capability of public school teachers is far from what is desired and merely reflects the negative trend on financial capability nationally and all over the world. Contributing to this findings are the respondent-teachers' deficient money management skills, low incidence of financial planning, and inadequate knowledge on basic financial concepts as reflected in their dismal performance in the financial literacy quiz. Integrating financial education in the teacher education curriculum and in-service training of public school teachers can be an effective means not only to enrich the academic training of future teachers, but also to empower them to secure a more wealthy and prosperous future for themselves and for their family. While the current study provided server insights on the current level of financial capability of the public school teachers in terms of its three key measures, further research is necessary to validate these findings.*

KEY WORDS: *Financial Capability; Financial Literacy; Financial Planning; Money Management; Public School Teachers.*

INTRODUCTION

Despite of the positive effects of financial literacy on the welfare of the people (Stango & Zinman, 2009; Atkinson & Messy, 2012; Hung, Yoong & Brown, 2012; and Lusardi & Mitchell, 2013), result of financial literacy survey around the world is depressing (Lusardi, 2008; Brunton, 2009; Van Rooij, Lusardi & Alessie, 2011; WB, 2011; Agarwalla

et al., 2012; Atkinson & Messy, 2012; Ibrahim & Alqaydi, 2013; Lusardi, 2013; and Lusardi & Mitchell, 2014). All of these researches indicated a disturbing trend of low literacy in specific countries around the globe.

Multi-country reports on financial literacy also resonate the same conclusion (Atkinson & Messy, 2012; Lusardi, 2013; and OECD/ INFE, 2013). In the Philippines, two recent

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