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PCED | Philippine Center for
Economic Development

present a seminar on

**Hyperbolic Discounting and a Technology-induced Informal Credit Institution:
The Case of Debit Card Pawning in the Philippines**

by

Prof. Nobuhiko Fuwa

University of Tokyo

16 August 2017, Wednesday

4:00-5:00 p.m. – Rm 303

Abstract:

This paper focuses on a recent example of an institutional innovation in the Philippines' informal finance sector: an emerging credit arrangement called "ATM *sangla* (pawning)," literally meaning debit card pawning. ATM *sangla* is an informal loan arrangement where the borrower's ATM (debit) card is used as the collateral, where the lender uses the card to withdraw the repayment (principal and interest) from salary deposits on every payday until the entire amount is repaid. Using our unique survey data of factory workers in an industrial estate near the Metro Manila area, we find that slightly less than half (42%) of our respondents actually utilized ATM *sangla* at least once, with the average loan amounting to the average monthly salary. We find that roughly one-third of our respondents are hyperbolic discounters, where they tend to hold higher loan balances with ATM *sangla* transactions than those whose preferences are time-consistent. Our results show that the hyperbolic discounters are naïve, rather than sophisticated, suggesting that the emergence of ATM *sangla* may have encouraged them to over borrow to finance luxury expenses.

About the author:

Nobuhiko Fuwa is a professor at the Graduate School of Public Policy, the University of Tokyo. His research interests are in the field of development economics (including poverty, agricultural and rural development, gender, inequality, field experiments, and impact evaluation of policy interventions). He has previously been affiliated with East-West Center (USA), the World Bank (USA), International Rice Research Institute (Philippines), the University of the Philippines School of Economics (as a visiting research associate), and Waseda University (Japan). In the Philippines, he has conducted longitudinal village studies in Pangasinan, Laguna, Nueva Ecija and Iloilo, as well as policy related work with the World Bank Manila Office (most of them coauthored with Arsi Balisacan).



He received B.A. (Political Science) from Waseda University, and M.S. and Ph.D. (Agricultural and Resource Economics) from the University of California, Berkeley.

Free and open to the public

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