

SAVING BEHAVIOUR IN CEBU CITY

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Saving Behaviour in Cebu City

Contribution to the Livelihoods of Urban Poor Households



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Acknowledgements

This thesis documents all my information, experiences and data gathered during my master research concerning the saving behaviour and the related livelihood opportunities of urban poor households in Cebu City, the Philippines. The country is located in South East Asia, and categorised as a developing country in the Third World. It is the only country in this continent that performs the Catholic religion, due to the Spanish colonisation. The livelihoods of the urban poor households are tough and full of risks, such as diseases and demolition of the houses, but despite the hard reality for the people to live in, I met lovely, friendly and proud people, who were undertaking all sort of activities to improve their livelihoods. All the people in the fieldwork were willing to help me with my research and took the time to complete the questionnaires or the interviews. I would like to thank all the people who helped, assisted, and supported me in each possible way.

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Salamat!

Abstract

Despite the widespread believe that poor people are too poor to save money, the empirical findings on the fact that urban poor households are indeed capable to save their money has been the basic assumption in this research. Household saving is a crucial determinant of welfare, due to the lack of well-functioning credit and insurance markets in developing countries. Saving money can smooth unexpected variations in income and prepare households for emergencies. The capacity to save becomes one of the main factors of enhancing future income earning possibilities. Several themes have been discussed which are dealing with the micro saving and the livelihood framework in Cebu City, the Philippines. In the thematic-theoretical framework it became clear that there is no straightforward saving behaviour and neither is the livelihood approach the same for every poor household. It is a complex process, which involves several different concepts that all lead in differences paths to the actual saving behaviour and the livelihood situation. The core focus of this research was on these two key concepts, because the contribution of the saving behaviour and the related livelihood strategy are of crucial importance in the livelihood results and subsequently in the general livelihood situation of the research population. It can be said that the contribution of the saving behaviour and the related saving strategies to the livelihood situation has been rather beneficial for the urban poor households in the research population.

Contents

Abstract		4
Map of the Philippines		5
List of figures, tables and textboxes		8
Abbreviations		9
CHAPTER ONE	INTRODUCTION	10
CHAPTER TWO	THEMATIC - THEORETICAL FRAMEWORK	13
	2.1 Introduction	13
	2.2 Microfinance	13
	2.3 Micro saving	15
	2.4 Neoclassical behavioural theory	16
	2.5 Household model	19
	2.6 Livelihood approach	21
	2.6.1 <i>Financial capital</i>	24
	2.7 Micro saving and livelihood	25
CHAPTER THREE	REGIONAL FRAMEWORK	26
	3.1 Introduction	26
	3.2 National context: the Philippines	26
	3.3 Local context: Cebu City	31
	3.4 Panaghugpong	32
	3.5 Concluding remarks	33
CHAPTER FOUR	METHODOLOGY	35
	4.1 Introduction	35
	4.2 Research question and objectives	35
	4.3 Conceptual model	37
	4.4 Operationalisation	39
	4.5 Methods used	40
	4.6 Research relevance	43
	4.7 Limitations and reliability	43
CHAPTER FIVE	THE RESEARCH POPULATION	45
	5.1 Introduction	45
	5.2 The neighbourhoods	45
	5.3 Household composition	46
	5.4 Education	48
	5.5 Household's financial profile	48
	5.5.1 <i>Income and occupation</i>	49

	5.5.2	<i>Expenditure</i>	51
	5.5.3	<i>Saving</i>	51
	5.5.4	<i>Conclusion</i>	52
	5.6	Living conditions	52
	5.7	Urban social capital	53
	5.8	Concluding remarks	54
CHAPTER SIX	MICRO SAVING		56
	6.1	Introduction	56
	6.2	Saving institutions	56
	6.3	Demand for micro saving	61
	6.3.1	<i>Saving motives</i>	62
	6.4	Dealing with risk	63
	6.5	Policy issues	65
	6.6	Concluding remarks	66
CHAPTER SEVEN	SAVING BEHAVIOUR		68
	7.1	Introduction	68
	7.2	Actual household saving behaviour	68
	7.3	Variables and hypotheses	70
	7.4	Empirical findings	71
	7.5	Econometric model for household saving rate	72
	7.6	Concluding remarks	75
CHAPTER EIGHT	LIVELIHOOD SITUATION		77
	8.1	Introduction	77
	8.2	Urban livelihood	77
	8.3	Strategies	79
	8.4	Outcomes	84
	8.5	Ambitions	86
	8.6	Concluding remarks	87
CHAPTER NINE	CONCLUSION		88
CHAPTER TEN	REFERENCES		93
CHAPTER ELEVEN	APPENDICES		97

List of figures, tables and boxes

Figures

2.1	Interactions behind the household's financial behaviour	19
2.2	Theoretical framework of the econometric model	20
2.3	The livelihood framework	22
3.1	Contributions to GDP growth (2004 – 2008)	27
3.2	National saving rate (1985 – 2003)	28
3.3	Distribution of savings in the cooperative sector (2004)	29
3.4	Household saving rate by region (2003)	30
4.1	Conceptual model of urban poor households	38
5.1	Population pyramid Cebu City (2010)	47
5.2	Population pyramid the Philippines (2010)	47
5.3	Income groups amongst the urban poor households in Cebu City	49
5.4	Allocation of monthly expenses in Cebu City (2010)	51
6.1	Philippine financial system	56

Tables

3.1	Pasil Women Organisation – weekly record sales (2009 – 2010)	33
5.1	Employment rate in the Philippines (2009 – 2010)	50
5.2	Average income, expenditure and saving of families by region (2003 & 2006)	52
5.3	Average income, expenditure and saving of poor households by survey (2010)	52
5.4	Housing amenities of urban poor families in Cebu City (2010)	53
6.1	Loan types in Kamansi Cooperative	59
6.2	Deposit types in Kamasi Cooperative	59
6.3	Saving motives of urban poor households in Cebu City	62
6.4	Insurance coverage of hospitalised diseases	65
7.1	Summary statistics for the variables in the econometric model	72
7.2	Variables of the household saving rate	73
8.1	Classification of urban occupations in Cebu City (2010)	78

Boxes

2.1	Capitals commonly used by the urban poor in Cebu City	24
5.1	Changing livelihoods	54
8.1	The urban livelihood of Maria P. in Cebu City	78
8.2	Livelihood programs	83

Appendices

A.1	Map of Central Visayas	97
A.2	Map of visited barangays	98
A.3	List of interviewees	98
A.4	Questionnaire	99

Abbreviations

ADB	Asian Development Bank
BDO	Bank d'Oro
BSP	Banko Sentral ng Pilipinas
BSRP	Bayanihan Savings Replication Program
CCG	Cebu City Government
CCUVA	Cebu City United Vendors Association
CDA	Cooperative Development Authority
CEMVEDCO	Carbon Market Vendors Development Cooperative
CGAP	Consultative Group to Assist the Poor
CIP	Cebu International Port
DFID	Department for International Development
EFFA	Ermitta Fisher Folk Association
EPZ	Export Processing Zone
GDP	Gross Domestic Product
LGU	Local Government Unit
MCIA	Mactan-Cebu International Airport
MFI	Micro Finance Institution
NAPC	National Anti-Poverty Commission
NGO	Non-Government Organisation
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
PCFC	People's Credit and Finance Corporation
PDIC	Philippine Depository Insurance Corporation
PhP	Philippine Peso [PhP 1,000 = € 16.80 at August 8 th 2010]
PNB	Philippine National Bank
PWO	Pasil Women Organisation
ROSCA	Rotating Savings and Credit Association
SEC	Security and Exchange Commission
SEZ	Special Economic Zone
SHP	Self-Help Groups
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UPLIFT	Urban Program for Livelihood, Finance and Training
USAID	United States Agency for International Development

1. Introduction

In the last decades, global inequality between the developed and the developing world has been the focus theme amongst scholars, newspapers, international organisations and celebrities in order to raise public awareness of this worldwide problem. The major gap between the income levels around the world and the increasing poverty rate have been the leading factors on global campaigns intended to half those figures. The benchmark of a daily income less than \$2 per person is created in order to categorise the world's poor people. In 2002, the World Bank announced that 2.5 billion people are living at this benchmark of \$2 a day, which counts for two-fifths of the world population and 1.1 billion people of this category has to live on less than \$1 a day. (Collins et al. 2009) The worldwide poverty determined by the World Bank is also a daily grid for the people in this research, i.e. the urban poor households in Cebu City, the Philippines.

The Philippines, and specifically on one of the 7,107 islands [Cebu City, Cebu Island] was where my research started. After handing in my proposal, reading literature concerning the economy, the politics, the poverty and of course the micro saving parts, I was prepared to head off into the fieldwork. However, my initial expectations and my actual experiences could not stretch out further away from each other. Where – in my thoughts – all the urban poor people are identical, such as same income, same livelihood, same problems and so on, the reverse was true. There are in fact many various categories among the urban poor people; their income, livelihood, and household composition are all different from each other. The only thing those people have in common is that poor people have less money in comparison to the other citizens of Cebu City.

The second thought, that poverty and unhappiness are causal related with each other – people must be unhappy if they are poor, and if people are poor that makes them unhappy – turned out to be a another fallacy. Poor people do not have per definition a poor life; their networks of kinship, neighbours and friends are tight and interlinked in every aspect of their livelihood. The third fallacy is that poor people are too poor to save money. In the literature there are arguments, studies and experiences that even though people are poor, they still have the capacity and ability to save money and manage their cash flows, but it remains hard to believe. Even when I went into the fieldwork, and saw their houses, their businesses, in fact their lives, I could not imagine that those people have money leftover after consumption to save or deposit. But luckily, it turned out to be that most of the poor households in my research have an organised financial behaviour, and in fact do save money.

The experience that not all poor people are indeed too poor to save money, I witnessed during the fieldwork in the centre of the *carbon market* downtown. Sitting outside in front of the main cooperative CEMVEDCO, waiting for the appointment with the chief; there was nothing else to do than people-watching. The sweltering heat was mixed with the various smells from the fish and meat market just around the corner, the garbage scent and the aromas of the different food stores. Despite the unbearable heat, the people around me were full of activity. Either the people were cooking, collecting the garbage, singing karaoke, guarding the motorcycles or – of particular interest for me –

walking in and out the cooperative. The entrance of the cooperative was highly secured with gate and guard, and without an invitation outsiders were not allowed to enter the building until the chief had arrived. The people who could go inside the cooperative were members and hold either a deposit account or a loan. The cooperative functions as a financial institution without a minimum threshold for deposits or the enormous bulge of paperwork for opening an account. Poor people benefit from this financial alternative, because their money is safely stored, despite the fact that they are too poor to become a commercial bank client. In other words, not all poor households are too poor to save money, which corresponds with the following quote:

Poor people can save and want to save, and when they do not save it is because of lack of opportunity rather than lack of capacity. (Rutherford 1999)

The case that poor households indeed save their money is the starting point of this research. Household saving is a crucial determinant of welfare, due to the lack of well-functioning credit and insurance markets in developing countries. Saving money can smooth unexpected variations in income and prepare households for emergencies. The capacity to save becomes one of the main factors of enhancing future income earning possibilities. (Rutherford 1999)

The problem statement is not *do* households save, but rather *why, when, where* and *to what extent* and how this particular saving behaviour of households contributes to the living conditions and the livelihood of the citizens in Cebu City. The main question that corresponds with this objective is as follows:

Which factors influence the households' saving behaviour and how does this behaviour contribute to the livelihood situation of Cebuano households?

In an ideal world, all of Cebuano's low-income residents should be having the ability and capacity to save money in order to become and remain self-controlled concerning the financial assets in their lives. Throughout deposits in a cooperative or a saving amount hidden inside a house, people are confident about the future and do not have to be excessively concerned about potential risk and emergencies. Saving money enables the poor households to handle unexpected variations in income or expenditure. This situation of self-control reflects upon the perceived quality of their livelihood. The focus of this research is specific on the interaction between the saving behaviour and the livelihood situation of the poor households in Cebu City.

With the purpose of giving a comprehensive response to the main research question, several sub questions are outlined in the methodology. The sub questions will be answered throughout this research and the chapters will be structured in the following way.

Chapter 2 provides the thematic and theoretical background information on the main topics of microfinance and micro saving, and the theories of neoclassical behavioural theory and the livelihood approach. The thematic as well as the theoretical part provides the theoretical knowledge on the main issues of the saving behaviour and the livelihood situation. Next, the regional context in chapter 3 will provide background knowledge on the historical events in the Philippines, which reflects upon the current state of

development in the nation. The regional inequality and the national saving rate will be discussed and furthermore, the local context of Cebu City and the affiliated urban poor association will be outlined.

Chapter 4 will be attending the integrated methodology of this research. The sub questions, the conceptual model and the operationalisation will be discussed. In addition, the methods used to conduct the research and its challenges will be addressed. Chapter 5 is concerned with knowing and defining the urban poor households in the research in order to give an overview of the main characteristics, such as family composition, occupation and income and expenditure patterns. Additionally, the living conditions and the changing urban social capital will be discussed. Chapter 6 provides the information on the supply and demand side of micro saving institutions, including the saving motives. Moreover, the issues on dealing with risk and the policy issues will be clarified.

Next, chapter 7 will provide the saving behaviour of the research population. The interaction in the household concerning financial decisions and the actual saving behaviour of the households will be outlined. Additionally, the econometric model will be calculating the different determinants of significant influence on the saving behaviour. Chapter 8 is concerned with the livelihood situation of the households in Cebu City. The urban livelihood, the livelihood assets within the strategies and the outcomes will all result in the contribution of the saving behaviour to the current situation of the households. Finally, the research main question will be answered in the conclusion and some prospective opportunities of micro saving will be made in the epilogue.

2. Thematic – theoretical framework

2.1 Introduction

When studying the saving behaviour and its contribution to the livelihood situation of urban poor households in Cebu City, it is important to reflect upon the microfinance and micro saving issues. The micro financial settings in the Philippines and Cebu City determines to what extent the saving behaviour of the research population can be developed into a contribution to the livelihood strategies and outcomes. In order to make analyses on the saving behaviour, the neoclassical behavioural theory is used as mechanism to determine the factors behind the behaviour and activities of the urban poor population. Next, even though the household model explains that the household composition is changed into individuals with their own resources and activities, the urban poor households remain to be used as research unit. The econometric household model is a framework of the factors and hypotheses related to the saving behaviour, which are derived from the neoclassical theory as well as the economic behavioural theory.

Moreover, the livelihood approach and framework are used as mechanism to describe the interaction between the types of capital, the vulnerability context, the institutions and the policies. This interaction creates the livelihood strategies and the actual outcomes. Due to its importance in this research, the financial capital within the livelihood approach will be additionally outlined. The themes and the theories combined are the basic framework in order to carry out further analyses in this research.

2.2 Microfinance

In the 1960s, scholars of informal credit, saving and capital accumulation, like Firth & Yamey (1964) established that individual economic action is both enabled and constrained by political and economic developments as well as social relations with family and neighbours and, cultural practices. Adams (1971) was one of the pioneers in writing disturbing studies and articles about the worldwide failure of cheap credit which was provided by formal farm credit organisations. These disturbing studies triggered the worldwide policies about the definition and actions related to *informal finance*.

In the 1980s, informal finance became an important topic in the studies of the Asian Development Bank (ADB) and papers on 'Informal Finance in Low-Income Countries'. The importance of informal finance evaporated, when in the 1990s the microfinance concept took over with the debates on realisation of sustainability in the financial institutions. (Lont & Hospes 2004) Nowadays, there are many literature studies about the facts and the impact of micro finance and it is considered as an important strategy to eradicate poverty. It is an instrument used in developing countries to provide basic financial services to poor households. The most familiar type of microfinance is micro credit, which provides small loans to poor households in order to use *own* capital to set up or to extend their business. The other types of microfinance are saving and insurance opportunities to the people who do not have access to the larger and more formal banking institutions. Through the help of microfinance, the people are able to have their own businesses, handle risks and smooth their expenditures.

In 1994, the National Credit Council (NCC) was established by the government of the Philippines with the purpose of creating national lending programs and developing a national microfinance policy competent of dealing with poverty issues. The People's Credit and Finance Corporation (PCFC) was established in 1998 as leading national microfinance institute with the focus on mobilising micro financial resources for the exclusive use of poor people and communities. The PCFC has in cooperation with the National Anti-Poverty Commission (NAPC) developed the national microfinance program. This program is composed by national and local government units and the private sector to assure the implementation of social reform and poverty alleviation programs. Through the development and promotion of microfinance, the livelihood and employment opportunities can be improved and thereby strengthen the capacity of the low-income groups to get involved in productive small businesses. The credit and saving mobilisation program is exclusive for the poor, which enables them to improve the household's asset base and expand the access to saving. (NAPC 2010)

Although, the implementation of the national microfinance programs throughout the Philippines has positive impacts on the livelihoods of poor people and communities, there are also some limitations of microfinance as the best poverty alleviation tool. The justification of the involvement of donors and governments in microfinance is that it is an effective and efficient financial mechanism to lift poor people out of poverty. Conversely, the intention of poor people to apply for a microfinance loan is to sustain their livelihood in order to avoid falling back into a lower poverty level, which is a different intention of poverty alleviation created by governments and donors. The poor people need loans to build up capital for the investment in small businesses. However, this assumption does not reflect upon the reality and conditions in the field. Not all poor people have entrepreneurial skills, which can imply that the loan cannot be used completely efficient. The provision of loans to poor people also implicates that the poor people have to pay back the loan and interest. When the business cannot be sustainable and beneficial to the households, the small loan of the MFI can grow into a large debt to the poor households, that may lead to lasting indebtedness. The poor people can benefit from microfinance when financial training is provided, which can improve the financial management skills of their current resources. (van Oosterhout 2006)

Furthermore, according to Zeller and Sharma (2000) poor people and households usually do not need loans to deal with poverty issues, but rather need access to saving and insurance services. The deposit service market is believed to be at least five times larger than the lending market. Nonetheless, microfinance and especially the microcredit remains a popular development mechanism among governments in developing countries, due to the immediate impact in development growth and governments can stay away from dealing with the more serious and complex social and economic aspects of the poor population. (van Oosterhout 2006)

The principle of monetary services is to assist households in managing their money, and *microfinance* – financial services for the poor – is no exclusion from that. An analysis into a micro financial service, such as saving, is basically an investigation into how the service helps poor households manage their money. (Rutherford et al. 1999)

2.3 Micro saving

Traditionally, microfinance and the related micro finance institutions (MFIs) have provided for the most part credit, i.e. microcredit to a rather narrow group of only entrepreneurial people. The persons who were involved in micro entrepreneurship and with a level of income more or less at the country's poverty line, were eligible for microcredit. However, nowadays there is an increasing acknowledgement that not all people – poor or not poor – are born to become entrepreneurs, and especially poor people who do not have the resources to achieve or develop management and entrepreneurial skills. Nevertheless, entrepreneurial skills or not, all people need to have the capability to make use of a diversity of financial services, including the option to save or deposit money. (CGAP 2009)

The financial service of micro saving or micro depositing money is used interchangeably in this research. Micro saving is defined as the money that a household does not consume, but sets aside on a daily, weekly or monthly basis. In comparison, micro deposit is the money that is held at a bank or financial cooperative account. Although, micro deposit and micro saving both have slightly different definitions, the reality in developing countries is that almost half of the households saves at home, and thus have their deposits stored somewhere in the house. In this case, micro saving is similar to micro deposit.

In developing countries and mostly in rural areas it is common to have saving in kind or non-monetised saving, such as life stock. Saving in kind are not treated in this research as alternative to the saving in money. Although the topic is not without importance, saving in kind are not common in the urban areas and is therefore not one of the focus points of this study. This research examines how, why and to what extent poor households save their *money*, and in the next section the different options for micro saving are outlined in order to provide an overview of the possibilities within micro saving for poor households.

Micro saving options

There are several different micro saving options available for the urban poor households, such as informal and formal institutions. Informal savings is saving outside a formal financial institution, and these informal mechanisms include saving at home and saving groups, such as Rotating Savings and Credit Associations (ROSCAs). In these saving groups each member deposits every month the same amount of money, and each time members have deposited their money, the total amount is given to one member. This cycle goes on until the last member gets the 'last' lump sum. There are some forms of club savings in the middle income groups in Cebu City, which means there are resources available to organise a saving group.

Unfortunately, those kind of saving groups or club savings do not exist amongst the urban poor in Cebu City, which implies that the people do not have enough resources and income to organise a club saving cycle. However, poor people can save money at relatives or neighbours and saving can be done by informal sector deposit collectors, which are people who charge a payment to hold the saver's money for a period. This specific type of micro-saving is especially popular in Africa, where women rather pay some money to store their money somewhere safe, than to have the potential risk of robbery. Informal saving strategies are often suitable for poor households, but may be

undependable and insecure, which places a risk on their financial resources. (Rutherford 1999)

Financial institutions include saving banks, non-government organisations (NGOs) and financial cooperatives, with the latter two functioning as microfinance institutions (MFIs). Saving banks are saving-based and have their outreach mainly amongst rural poor households, which are not eligible to become a commercial bank member. According to the CGAP, an MFI is an organisation that provides financial services, such as credit, deposit and insurance to clients who are poorer and more vulnerable than traditional bank clients. Financial cooperatives and NGOs are the most important components of MFIs. A cooperative is a non-profit financial institution that is owned and operated by its members, and provides financial savings and lending services. Usually, a cooperative is also saving-based, which means that the cooperative funds their loan portfolio with deposits from members as opposed to external funding. (CGAP 2009) An NGO is an officially constituted organisation created by natural persons, which are operating independently from any government. The orientation of an NGO can vary between service, empowerment or charitable directed, and is mostly active in developing countries. In this research the NGOs consist of various foundations, which are focussing on the financial aspects, integrated support and crisis intervention for poor Cebuano households. (CGAP 2009)

Although each formal institution has a different saving account portfolio, the basic accounts are more or less similar amongst each other. All formal institutions have a demand deposit, in which the deposit may be withdrawn at any time by the client. Another account is a contractual savings, in which the client commits to regular deposits of fixed amounts for a year and after the maturity date, the client can withdraw the total amount inclusive the interest earned. This specific account is used as fund for the loan portfolios of other clients.

Following the completion of the section about the thematic framework of microfinance and micro saving, the second part of this chapter is concerned with the theories of the behavioural studies and the livelihood approach of poor households.

2.4 Neoclassical behavioural theory

The major assumption in the neoclassical economic theory is that individuals are rational human-beings who respond and interrelate in an expected behaviour to changes in incentives. According to Pollak (1998) there are three determinants of individual behaviour, specifically individual preferences, opportunities and constraints. The characteristics of the preferences are assumed to be constant and exogenous to influences of opportunities or constraints. Next to the rationality, individuals are assumed to be aware of all the knowledge available and have access to perfect markets. These assumptions predict that the behaviour of individuals is constant, stable and unaffected by other variables, which is relatively easy to insert in economic models. Thereby, the economic utility – the satisfaction of an individual – is considered as a function of consumption and economic models use saving as a residual – i.e. the leftover after the consumption decision. In other words, individuals can only obtain satisfaction or happiness when they consume, not when they are saving money. (Beverly et al. 2008)

However, according to Attanasio and Banks (2001) saving is a fundamental dynamic phenomenon and households or individuals save money at a given moment in their life in order to consume later on. In all modern theories about saving behaviours there is the recognition that saving is dynamical and provides economic utility, but there is still no agreement on which is the most relevant theory to explain and describe household financial behaviour.

At the end of the 50s and the beginning of the 60s, the neoclassical economic research was based on two broad hypotheses for the saving and asset accumulation of individuals. Ando and Modigliani (1963) are the pioneers of the life-cycle hypothesis and Friedman (1957) is the instigator of the permanent income hypothesis. The common thought in the life-cycle model is that individuals save money because of the desire to smooth their consumption in the face of income fluctuations, with retirement as greatest income change in life. (Attanasio & Banks 2001) The permanent income model is commonly known as a model in which individuals and households are able to save and borrow without limits to smooth their consumption. The key constraint is however that the fluctuations in income should not notably affect consumption compared with changes in constant parts of income. (Rosenzweig 2001)

In both models, the biggest concern of individuals and households in their lifetime are the long-term consumption opportunities, which are explained in the models in terms of expected future income. The assumption that saving is used to smooth consumption, is the basis of both models expectations that saving will decrease if the current income drops below the average expected lifetime income. (Beverly et al. 2008) And vice versa, if the current income exceeds, individuals and households will save their money that is leftover after consumption or repay their debts.

The life-cycle hypotheses describe the reflection of consumption and saving of an individual at a certain stage in their lifetime, with age as the most common factor. As mentioned above, retirement is the largest income fluctuation in a lifetime and thereby the primary motivation for postponed consumption. Young households are assumed to have a negative savings rate, due to their relatively low level of earnings and relatively high level of initial expenditure. This results in the life-cycle hypothesis that the saving rate will be lower, if a household has more young dependents. In the second stage of the life-cycle, households tend to have a positive saving rate, due to their repayments of debt and the beginning of saving for their retirements. Leading to the end of the life-cycle, the retirement stage, households and individuals are expected to consume and spend their previously saved money, i.e. dissave. (Beverly et al. 2008) According to the life-cycle model, the differences in saving behaviour between households are created by age differences and the various stages of life, which ultimately result in a reversed U-shaped graph pattern across ages and time.

Whereas the life-cycle and the permanent income model have played a central position in the breakdown of saving behaviour, scholars from various disciplines – economical, sociological, psychological and geographical – have extended the existing theories with augmented determinants of saving behaviour. These new determinants are outlined in the next section concerning the behavioural economic theory in order to understand the social interaction of the saving behaviour without population dynamics used in the former discussed theory.

Behavioural economic theory

The behavioural economic theory strives to obtain knowledge about the behaviour and activities of individuals and the cognitive and affective processes which are the basis of this behaviour. (de Pater & van der Wusten 1996) Because an individual does not have the capacity to absorb and transfer all the information, experiences and data; the access and usability of information is limited. Furthermore, there are nowadays unlimited possibilities to get access to information and data, through internet, which are not included in the neo-classical theories. Because of the overload of information, it is difficult for an individual to filter the information needed for a specific objective. (Johnston et al. 1994)

The saving and asset accumulation theories of sociological and psychological scholars believe that the determinants of the neoclassical economic theories regarding the saving behaviour are outdated. According to these scholars the savings behaviour is not only shaped by population dynamics, but the variable factors, such as level of income, saving motives, ambitions and family composition are also of influence on the household saving behaviour. The most important assumption in these theories is that the saving-related preferences and ambitions are not permanent or fixed variables, but are subject to change and an explanatory variable how motives and ambitions are created. (Beverly et al. 2008)

In studies of behavioural economists there are some general human features acknowledged which influence financial behaviour. According to Thaler (2000) those characteristics include *lack of self-control* (individuals prefer current to future consumption), *limited intellectual abilities* (individuals cannot handle too many available choices), *inertia* (individuals tend to keep doing what they are currently doing). Furthermore, households tend to interpret the *standard* option as the best option for them, even though it might not be the case. As mentioned above, these human features including the tendencies can make households behave irrational and make inconsistent decisions with their own priorities or long-term consumption goals or if people suffer from inertia they dissent their financial decisions. (Lusardi 2002)

The awareness of these characteristics and tendencies and the influence on financial behaviour can lead to adjustments in their behaviour. People can make compensations for the fact that they have a lack of self-control and could join a financial institution, that requires weekly saving or to control their excess spending habits by composing *pre-devotion constraints*. Even if people are unaware or are reluctant to face the fact that they have flaws in their behaviour; saving or investment programs can turn out to be an effective way to overrule those flaws.

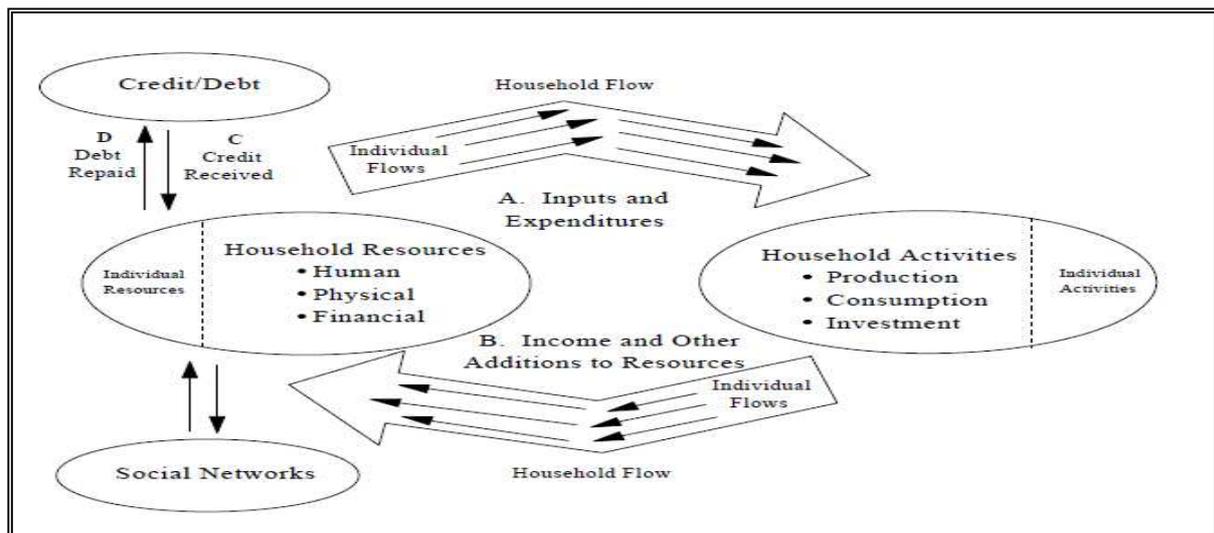
In the following part, the household model and the econometric model for household saving will be explained and described with the purpose of providing a clear understanding of the research unit used and the dynamics behind the econometric model.

2.5 Household model

Socialists, economists, anthropologists and feminists all use various meanings of the term *households*. Though, in the past twenty years the different views merged together along with three major developments in the household analysis. The basis of this reform lays in the acceptance of several studies and scholars that households composition and interaction changed into individual members pursuing ways to improve their own situation and can no longer be seen as an harmonious unit reaching out for an optimal balance. The non-harmonisation weakens the traditional solidarity-based principles of a household in terms of decisions conform the overall financial situation. (Chen & Dunn 1996)

The first major shift is using the household model which includes the possibility of cooperation, bargaining and evasive behaviour. The second one consists of a shift away from looking at households as bounded units and towards their existents within wider networks and structures. The last movement has been the acceptance of several variations within the household composition and structure in societies and throughout time, which lead to another subject of discussion: the precise definition of a household, which clearly differs between and across each country. (van Oosterhout 2006)

Figure 2.1 Interactions behind the household's financial behaviour



Source: Chen & Dunn, 1996

Figure 2.1 shows the mechanisms behind the household financial behaviour and the intra-households financial flows. The set of resources, activities and their interaction can be defined as the households' economic portfolio. In this model the poor people have their own assets, such as stocks, labour, and financial resources, which can be used for consumption, to produce new income or an increase in their assets. (van Oosterhout 2006) *Household resources* (human, physical and financial) are available for use by the households in a given period of time, but can either be held jointly or separately by members of the household. Furthermore, resources can be self-owned and can be accessed by borrowing or through social networks. External linkages can temporarily help households to increase their resources, the number of activities or smooth their interest payment with these additional incomes. Household activities (production,

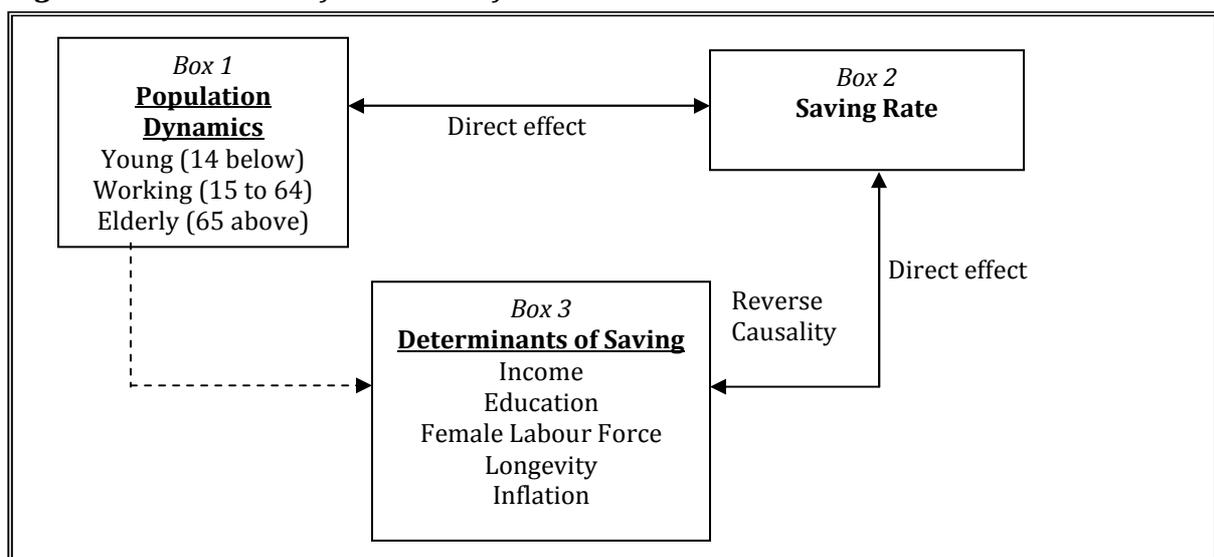
consumption and investment) are undertaken in a given period of time by the household and can either be a joint or an individual activity.

The household composition of the urban poor in Cebu City is quite similar to the mechanism behind the household financial behaviour displayed in figure 2.1. It is often the case that when the oldest son is married, the new family members become a part of the household, due to the lack of financial resources. The new members also contribute to the households activities and resources. However, despite of the interaction between the household members the parents remain to be the head income earners and settle the most important decisions within the financial behaviour. With this situation keeping in mind and the fact that most data are measured in terms of households as one unit, the research unit chosen in this research is the household as one entity. The household saving in the following part is the research unit used in the econometric model for calculating the determinants of household saving.

Econometric model for household saving

In this section the theoretical framework of the econometric model is discussed. The construction of the econometric model for household saving is represented in figure 2.2. The boxes identify the potential descriptive variables based on the lifecycle model and the behavioural economic theory as suggested by the available literature. (Bersales & Mapa 2006) The population dynamics in box 1 estimate the direct effect on the saving rate in box 2 and with a reverse causality also the effect of the saving rate on the population dynamics. The similar effect holds for the direct relation between saving rate and the other determinants of saving, which are the level of income and education, the rate of females in the labour force, the longevity and the inflation rate. Next, the dotted line between box 1 to box 2 indicates an indirect effect of the population dynamics on the determinants of saving, which means that a high percentage of young dependents, or elderly can have a negative influence on the level of income or education. However, in order to keep the econometric model simplified, there is no causal relationship between box 1 and box 3, which means that in this model the level of income or education do not have any effect on the population dynamics.

Figure 2.2 *Theoretical framework of the econometric model*



Source: Bersales & Mapa 2006

In the next part of this chapter, the livelihood approach will be described with the intention to provide an overview of the various elements, which are included in the livelihood framework. The livelihood asset of the financial capital is outlined in detail, because of its importance in the saving behaviour of the urban poor households.

2.6 Livelihood approach

Many families do not earn a regular, fixed income and their survival in order to meet the basic needs depends on more than cash inputs. In other words, poverty means more than having little or no access to capital assets. Being poor includes amongst others the informal means of employment, exclusion from the main development flows, survival, low quality of basic service provision and the exposure to externalities, such as illnesses. Although poverty means more than income alone, in this study poverty is discussed from a financial perspective, which means that income, asset building and potential risk are the key determinants of poverty. The reason for using this definition of poverty is that even the low value of earned income for urban poor money requires management of the money and creates a related financial behaviour. The livelihood strategies are financially oriented and the potential outcome of these strategies, like higher income, improved health and education for the children can only be defined and discussed with the use of financial poverty determinants. (van Oosterhout 2009)

The capabilities and entitlement approach of Sen (1981) was one of the first poverty analyses beyond income levels. Poverty was reconceptualised in terms of well-being, whereby capabilities stand for the range of options that a person can achieve and entitlement is socially defined as the acquisition power of an individual. The increased understanding of the different components of poverty has been leading to the development of the livelihood concept. (Gifford 2004)

The terminology of the concept *livelihood* has been interpreted and defined in various ways, such as *sustainable livelihood*, *livelihood strategies* and *livelihood approaches*. The different terminologies are not so much contrasting as well that the concepts have differences in focus, corresponding to diverse questions, objectives and research. All the different concepts refer one way or another to the behaviour of households with regard to the organisation of capital and capabilities, which are directed towards the development of material living conditions. (Lont & Hospes 2004) The livelihood approach and the related analyses of deficiency and vulnerability have a rural origin, but with a few adjustments the approach is also appropriate for urban analyses. The adaption of typical relevant urban features, such as commercialisation, health and social risks, and dealing with civic institutions are needed in order to shift the contents of the livelihood framework towards the urban environment. (Verrest 2007)

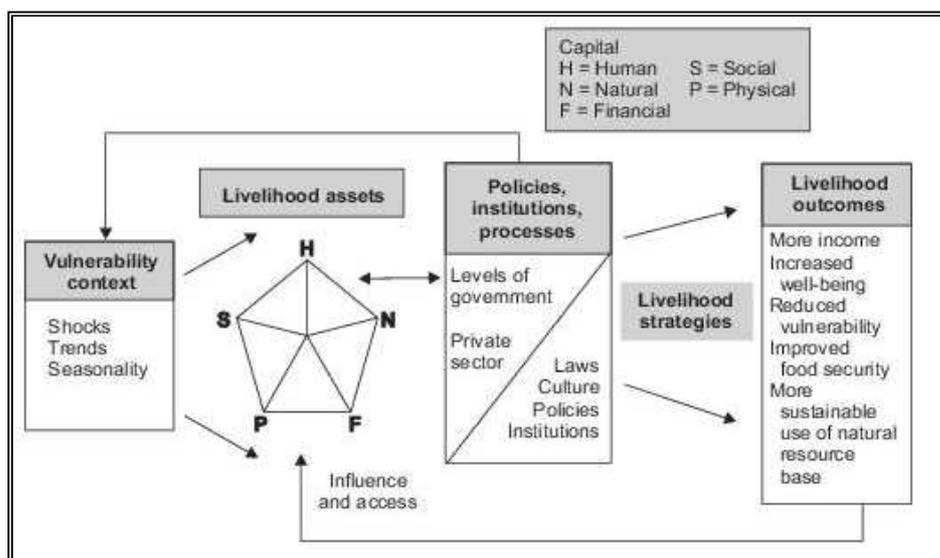
The commercialisation means that the urban livelihood is revolved around the cash economy and the dependence on unreliable urban labour markets pressures the urban poor to achieve a sufficient income that meets their needs. Health and social risks can be caused by improper basic needs provision or lack of safety standards at work, and dealing with bureaucratic local government units (LGUs) are more likely to happen in urban areas. Within an urban livelihood, households are constraint by rules, laws and regulations of enterprises, employment, basic services and land use, which can have a large impact on the urban poor resulting in higher vulnerability. (Wratten 1995)

However, regardless of the division of urban and rural livelihoods, the traditional livelihood approach was meant to focus on the poor in general, emphasising that the poor have resources, options and strategies and, that they are decision-takers. (Farrington 2001)

Livelihoods are defined as *the capabilities, assets [including material and social resources] and activities required for a means of living. A livelihood is considered as sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the futures, while not undermining the natural resource base.* (Gifford 2004: 70)

The livelihood framework in figure 2.3 helps to understand the factors, objectives, capacity and priorities that constrain or develop livelihood opportunities, and thereby shows how they are connected to each other. Every household has differences in the level of access to the livelihood assets and therefore households have to make decisions, choices and trade-offs between the types of capital. In the following section the livelihood framework will be discussed. (Serrat 2008)

Figure 2.3 The livelihood framework



Source: DFID 1999

The framework's centrefold is the concept of livelihood assets which consist of the five types of *capitals*, and are viewed as the building blocks of the livelihood strategies of poor households. The first capital is *human capital*, which can include labour, skills, experience and knowledge, and the second is *natural capital*, such as land and water. Next, the *financial capital* is money in a savings account or at home, a loan or credit and the *social capital* is about the quality of relationship among family, neighbours and others. The last one is *physical capital* which can be houses, food stocks, transportation and energy. (de Haan 2006) In this way many diverse resources, which households use to build and protect their existence, enter the picture. The livelihood scheme will help to improve the understanding of the living situation of the poor households, and it will become clear that studies of poverty can no longer be abridged to pure economic and financial analyses. (Lont & Hospes 2004) The inset of this research is therefore a

combination of both disciplines, which will be interrelated with each other. On one hand the econometric and the financial aspects which include the income and saving variables and on the other hand the saving behavioural theories and livelihood approaches, which include the perceived quality of living conditions and livelihood situations.

The vulnerability context contains the insecurity in the well-being of individuals and households related to the changes in the external situation. The external environment includes shocks (illnesses and conflicts), critical trends (demographic, economic and governance) and the last one is seasonality, such as prices and employment opportunities. The capital assets can both be destroyed as well as be created as a result of the external environment. (Serrat 2008) The further details concerned with the vulnerability aspects of the urban poor households will be outlined in section 6.4.

The policies and institutions are located in the middle of the framework and have a causal relationship with the livelihood assets, which means that both factors can influence each other. The policy-related fields are also involved in the livelihood strategies and can have an effect on the final livelihood outcomes. The level of government where the urban poor households in this framework have to deal with is the local government unit (LGU), and with laws and policies the LGU wants to ensure an environmentally friendly, financially dynamic, pro-active and self-reliant city government and thereby creating well-informed and participative barangays and communities. With the aim of making Cebu city the most liveable city of all, the residents have to pursue the rules laid down by the LGU. (CCG 2010) The policy-related fields are vital for the citizens because it can bring a people-centred focus into policy making with the purpose of providing a multi-dimensional understanding of poverty and helping to assess the impacts of existing policies on the livelihoods of the urban poor. (Schütte 2004) The institutions located in this framework are concerned mainly with the formal financial institutions, which are providing financial services and support to the urban poor communities, such as deposit accounts. The further details on the institutions in the livelihood framework will be described in section 6.2 on the financial saving institutions.

The livelihood strategies and outcomes are dependent on the access to livelihood assets, constrained or created by the vulnerability context and can be transformed by the policies and institutions related with the livelihood of the urban poor households. The livelihood strategies aim to achieve livelihood outcomes, and those households with more assets tend to have more options available and the ability to switch between multiple strategies to secure their livelihood. The ability to escape from poverty is dependent upon the level of access to assets, and different assets are required to achieve different livelihood outcomes. The potential outcomes of livelihood can include more income, increased well-being and improved food security. This livelihood approach framework encourages to think outside the box and looking at the contexts and relationships, which makes development activities more process-oriented.

Although the framework is evident and process-oriented, it still remains static and too general to implement it in this study. In order to apply this framework into this study, box 2.1 will mention the capitals commonly used by the urban poor households in Cebu City.

Box 2.1 – Capitals commonly used by the urban poor in Cebu City

Financial – Saving and income derived from wage labour, and access to credit and deposit for livelihood development provided by cooperatives and foundations.

Human – The capacity to work and having an occupation. Experience, skills, health and knowledge in determining the quality of labour, and education and other skills for improving the value of labour.

Natural – Less important for the urban poor, because the government owns the land, but water is an important livelihood capital, mostly provided by common basic need projects.

Physical – Housing is the core capital for living and productive purposes, such as rental of rooms and small enterprises. Economic and social infrastructure, such as transport, health and education facilities. Production equipment for cooked food for sale.

Social – Networks of support and reciprocity between family members and within neighbourhood communities. Informational about livelihood opportunities and constraints.

Source: the intention is adapted from de Haan 2006, pp.144

Financial capital is the key asset in the livelihood strategies of the urban poor households in Cebu City and in the following paragraph the financial capital will be further described.

2.6.1 Financial capital

The urban poor in Cebu City are involved in a variety of complex livelihoods within the financial economy, where money is the essential asset for endurance. The achievement of social and economic development is facilitated throughout the access to a saving, credit and insurance services. Consequently, different types of financial capital and intermediation are crucial methods for survival and livelihood development strategies of the urban poor. The financial services and the related financial capital can minimise unforeseen risks and smooth economic shocks. (UNCDF 2008) The increase in urban population has led to an increase on land pressure and an increased dependence on the money economy and labour markets. Access to the financial sector can offer a variety of services and products, which can provide the instruments needed to protect, expand and increase the level and sources of income. This means that money is the fundamental factor in the constitution of urban poverty. The access to financial capital can create the opportunity for the poor households to make their own decisions and choices that can lift them eventually out of poverty. That is the utmost important reason why everything in the urban poor livelihood is monetised, because money is the way out of poverty. (Gifford 2004)

An example that the urban centre is revolved around money is that the basic needs in a neighbourhood are provided on common base, which means that everyone who makes a call to the toilet or fills the water bottles have to pay PhP2 each time to the *owner* of the facility. The common basic needs provision is a livelihood strategy, with a rotation schedule of *owners* of the particular facility. Every week one household in is charge of the basic need facility, earns 70% of the net profit, and the other 30% is to pay for

maintenance and repairs. This particular livelihood strategy which is common in every poor neighbourhood guarantees the access to financial and natural capital.

As described in box 2.1 financial capital includes savings from income derived from wage labour, and access to credit and deposit for livelihood development provided by cooperatives and foundations. Money is therefore one of the key resources for the urban poor households and scarcity of money leads to an inability to meet basic needs and to connect in financial relations. The lack of money and the corresponding consequences of no access to financial and natural assets is reflected in the relation between micro saving and livelihood.

2.7 Micro saving and livelihood

The interaction between micro saving and livelihood is the core theme of this research, but it is noteworthy to mention that the attention given to saving and credit arrangements in livelihood studies is very little or biased. According to Lont and Hospes (2004) livelihood studies as well as microfinance studies have not paid much attention to the saving and credit arrangements and neither limited to one kind of operation (saving), nor one kind of regulatory situation (formal or informal), one type of institution (MFI or NGO) or to one type of capital (financial). This so-called missed opportunity has been discovered and integrated as far as possible in this study. The core pillars of this chapter are micro saving and livelihood, with special focus on the transaction of micro savings, saving behaviour, and the financial capital.

The involvement of micro saving and saving behaviour in the livelihoods of the urban poor needs some renewed investigation and encouragement between the saving transactions, relations and interactions. First of all, saving in general stand for a wide variety of monetary and non-monetary transactions, which means that not only bankable transactions are included, but the saving at home or at relatives as well. Secondly, every saving transaction is part of a financial and non-financial bundle and each bundle is socially regulated by family members and financial agencies, such as cooperatives. The third relation implies that saving arrangements make use of a combination of capitals, such as economic, financial, social and cultural resources. And last, the saving transactions can connect the providers of financial services and the poor clients into small and regional communities and networks in order to make decisions and selective use of various savings resources and opportunities. (Lont & Hospes 2004)

The following chapter will provide an overview of the regional framework of the national context of the Philippines and the local context of Cebu City. The economic features, the regional inequality as well as the saving performance in the country and the region will be described. Moreover, the participation of the Panaghugpong (the urban poor association) and the related livelihood project will be clarified.

3. Regional Framework

3.1 Introduction

The acquirement of the thematic and theoretical knowledge on how microfinance is evolved in the past, with the micro saving case in particular, and the theories about the saving behaviour and the link with the livelihood approach is described in the previous chapter. Subsequent to obtaining the general knowledge about micro saving and livelihood, this chapter will provide an outline on how past events have resulted into important reforms, such as the political decentralisation in the country. These reforms contributed to the current development position of the Philippines, the Central Visayas and Cebu Island. Moreover, the declining saving performance in the Philippines and the poverty issues and inequality across the regions will be mentioned.

In addition, the demographical and economical features of Cebu City are given in order to provide the background information of the local context in which the research is completed. Last, the involvement of the Panaghugpong and its related livelihood project of the Pasil Women Organisation (PWO) is described. The combined contents of the previous thematic-theoretical chapter and the upcoming regional section create the fundamental framework, in which the context of this study is carried out.

3.2 National context: the Philippines

The Philippines is an archipelago located in South East Asia and comprises 7,107 islands. The islands have a total land area of 300,000 km² and are subdivided into three main island groups, to wit Luzon in the North, Visayas in the middle and Mindanao in the South. Most of the 95 million citizens are concentrated on the twenty largest islands and 65 per cent of the population is categorised as urban. (NSO 2008) Furthermore, in 2006 32.9% of the population is falling below the poverty line, which means that 6.9 million households are living on \$1 or \$2 a day. (CIA 2010)

The governmental structure of the Philippines consists of numerous local government units (LGUs) for the purpose of administration and development planning. Political parties at the local level are generally extensions of political parties engaged in national politics. (UNESCAP 2002) The regions are the largest political unit and are subdivided into municipalities and cities, which on their turn are composed of *barangays* (the smallest unit). The provinces have harmonised characteristics, with variations in geography, ecology, natural resource endowment, economy, ethnicity (110 groups) and culture, and above all there are 170 spoken languages. (NSO 2008)

Local government in the Philippines has its roots in the colonial administration of Spain, which lasted for over 300 years. In 1565, the establishment of Cebu City started the local government system. Three centuries under Spanish government were characterised by a highly centralised regime. The Spanish General in Manila governed the provinces and cities in the entire country. In 1893, a Spanish law allowed Filipinos to vote for their local officials. (UNESCAP, 2002) After Spain, the United States came into power in the early 1900s and 'Philippinised' the local government administration. In the Commonwealth period (1935 – 1940) the women were also allowed to vote for local

officials. The post war years (1946-1971) aimed to strengthen local elections in the country. In the 1960s, the country was regarded as the second wealthiest in Asia, next to Japan. However, the leadership of Ferdinand Marcos proved to be disastrous, by transforming the market economy into a central-planned economy. The country suffered from slow economic growth and recession, and only since the 1990s with a program of economic liberalisation the economy began to recover. (UNESCAP, 2002)

Growth performance in the Philippines

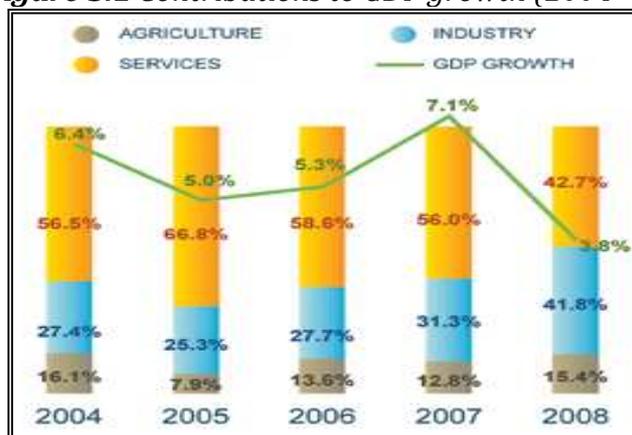
In the past five decades the economic growth per capita of the Philippines has been slightly dramatic in comparison with other Southeast Asian countries. This process has slowed the progress of poverty reduction and the income inequality remains high. In 2003, one-third of the population was considered poor and the Gini coefficient per capita income – measurement of income inequality – was around 45%. (ADB 2007)

In the 1950s, after political independence, the Philippines started their industrialisation process. Despite the average annual growth rate of 4.4% of Gross Domestic Product (GDP) between 1950 and 2006, the rate has never been equal throughout the years. Through several internal and external shocks, such as earthquakes and the Foreign Debt Crisis, the economy contracted in 1984-1985, 1990 and 1998. (Cabalfin & Yap 2008)

The three sectors on the supply side of the economy (agriculture, industry and services) grew steadily until the 1970s, but several economic shocks and crises since the beginning of the 80s declined the growth rates. The amount of agriculture to real GDP is expected to diminish, which is in line with the course of economic development. In normal circumstances, industry would have taken over the gap in GDP created by the declining agricultural sector, however this was not the case in the Philippines.

The amount of industry was growing as result of the import substitution policies established in the 1960s and 1970s. These policies were focusing mainly on the domestic market, which resulted in a high rate of effective protection to local industries against import from foreign countries. However, in the 1980s the share of the industry sector, including the biggest subsector industry, began to decrease. In the period 2001 - 2006 the share was only one-third to GDP, which is a major difference in comparison to the 45% share of industry to GDP in Thailand, Indonesia and Malaysia. In 2006, the service sector share to GDP was 58.6% as shown in figure 3.1, with trade (16.9%) as biggest subsector. (Cabalfin & Yap 2008)

Figure 3.1 Contributions to GDP growth (2004 – 2008)



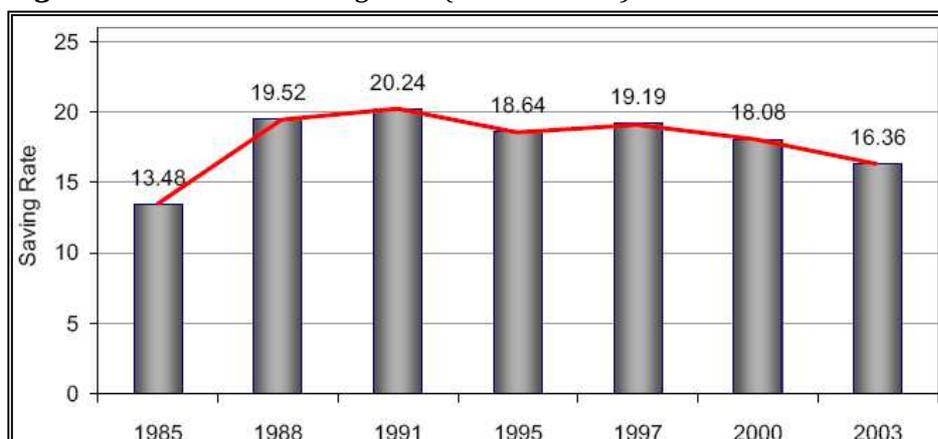
Source: NSCB 2008

During the global recession in 2008 - 2009, the economic expansion growth diminished, as displayed in figure 3.1. The GDP growth decreased to 3.8% in 2008, due to the diminishing contribution of the service sector to the GDP. However, the Philippines battered the recession better than its regional neighbours, because the nation has a lower reliance on international trade and the high levels of national consumption. In addition, the economy was fuelled with the remittances from the 4.5 million Overseas Filipino Workers (OWF). The remittances and the implementation of monetary and fiscal incentives led to the recovery of the consumer spending by households in 2009, and impelled the World Bank (WB) to adjust the growth forecast of the nation upwards from 1.4% to 3.1% next year. Despite the growth rate, poverty deteriorated due to the high population growth rate and the inequality of the income distribution. The diminishing fiscal deficits and increased spending on infrastructure and basic needs services are positive incentives for the prospects of the economy, but on the other hand the nation's economy has some long term challenges in reserve. To offer resistance to the challenges, the Philippines must sustain the development flows in order to improve the trade, the employment opportunities and reduce the poverty. (CIA 2010)

Saving performance in the Philippines

The household saving rate nationwide in 2003 is 16%, which is displayed in figure 3.2. However, the saving rate of the Philippines is much lower than the recorded household saving rate in Thailand (30%) and Taiwan (49%) in the same year, and the average household saving rate of the Philippines remains to decline. (Bersales & Mapa 2006) A possible cause for this decline is given in the ADB paper of Terada-Hagiwara (2009) which explains the households' declining saving rate in the Philippines. In 1999, 7 out of 10 workers in the labour force were covered by the social security system, which is an increase of 20% in the coverage since 1989. By means of an impact study on the saving and consumption behaviour of households in the Philippines, the results suggest that households reduced the saving and enlarged the consumption when the social security coverage was extended to a larger part of work force. However, most urban poor households in Cebu City are not covered by social security and need to sustain or improve their saving behaviour in order to secure themselves in case of work loss.

Figure 3.2 National saving rate (1985 - 2003)

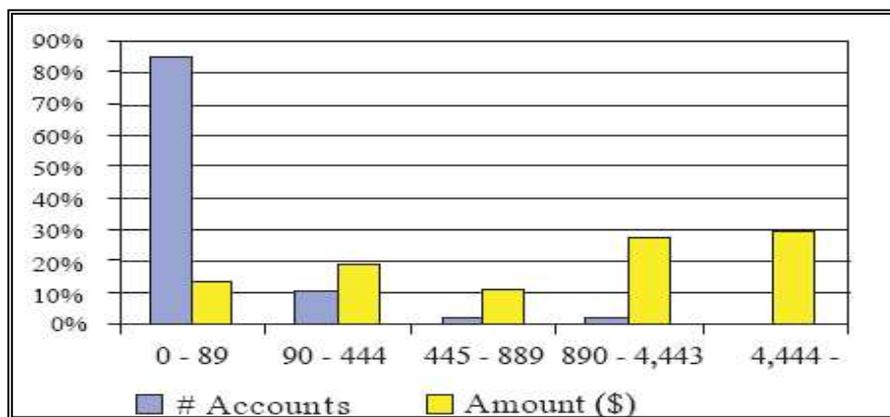


Source: FIES 2003

The urban poor households in this research save in various forms, such as informal saving at home and formal saving at cooperatives. In September 2004, the total amount

of savings in the Philippine banking system was \$46.2 billion and were held in 27 million bank accounts. In general, depositors have one or two accounts, which would result in 15.5 to 27 million persons or 16 to 32 per cent of the population with a deposit account. (Gardiol et al 2005) The total deposit accounts is composed by seventy-three per cent of the accounts with an average of \$266, which together results in 2% of the total savings volume. However, only 1% of the accounts have an amount of \$35,502 or more, but results in a contribution of 59 per cent to the volume. (BSP 2005) As displayed in figure 3.3, the distribution of saving in the cooperative sector in 2004 is similar to the distribution of savings in the banking system, with a large size of amounts with low values and a small size of amounts with high values as contributors to the total volume of the savings. However, the amounts deposited into cooperative accounts are much lower, due to the lower levels of income of the cooperative clients. More than eighty per cent of the accounts are smaller than \$90 and only 0.3% have an amount of \$4,444 or more on their deposit account. (PDIC 2004)

Figure 3.3 Distribution of savings in the cooperative sector (2004)



Source: PDIC 2004

Poverty and regional inequality

Regional economic activity is highly uneven and concentrated mostly at Metro Manila, Central Luzon and Southern Luzon. The production in these three regions of the total of 16 regions in the Philippines are accountable for 55 per cent of national GDP, due to their socio-economic and geographical favourable factors. As far as the poverty rates across regions, the before mentioned ones have an estimated rate of 13 per cent in comparison with the 34 per cent poverty incidences in the 13 other regions.

The historical concurs of Spain, North-America and Japan created a highly diffused country. Most laws, writs and other rules did not extend further than Metro Manila, Luzon and the major urban cities in the Visayas and Mindanao. Policy-makers in the Philippines had a difficult task to promote regional development in such a diverse setting and implement the most optimal centre-region structures. (Balisacan and Hill 2003) The policy-makers at the national and regional levels nowadays have the challenge to better connect the more dynamic and economic favourable clusters with the less developed regions and thereby connect and re-connect the clusters to the international economy. Although decentralisation and globalisation are well-explained and implemented concepts, the counterpart is that without remedial policy administration and free internal resource mobility, these concepts are more likely to increase regional disparities. Policy-makers must have the capability to realise well-

functioning national and regional governments and the interaction between core regions; all in order to reduce poverty and decline the regional inequality across the Philippines.

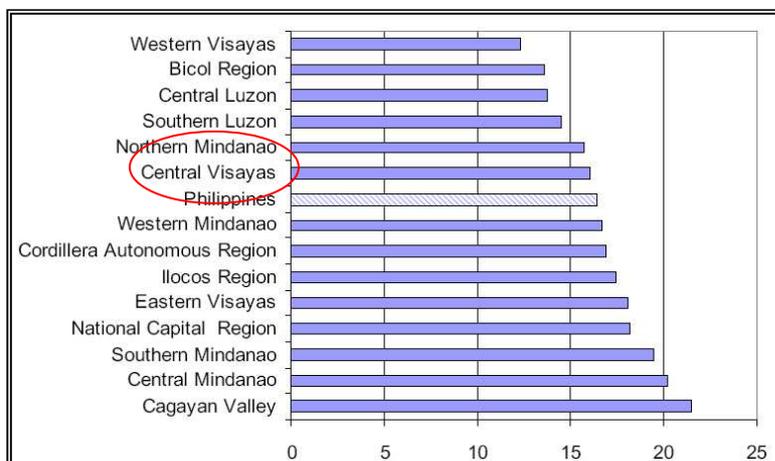
The Central Visayas

The four provinces of Bohol, Cebu, Negros Oriental and Siquijor compose all together the Central Visayas of the Philippines, which are positioned in the centre of the nation’s islands. (Appendix A.1) According to van Helvoirt (2009) the economic position of the Central Visayas – the diversified economy dominated by industry and services – can be explained by geographical characteristics of the region. First of all, compared with the overall land of the Philippines, this region is scarce on land base which results in limited agricultural productive land. Almost two-third of the land is covered with mountains and hilly areas, and with the growing population of the islands, the inhabitants had to search for alternative non-farm income activities.

The second reason for the major bias towards industry and trade is their location between the two largest islands of the Philippines, respectively in the North, Luzon Island and in the South the position of Mindanao. This strategically position of the region provides the opportunity for inter-island trade by sea. Since 1990, the trade and service sector were booming and the contribution accounted for 50 per cent of the regional GDP in comparison with the steadily declining growth rate of agricultural sector towards 12 per cent. Last, the region’s position in the global economy is considerably higher compared with the neighbour regions in relation with their regional shares in national exports and Foreign Direct Investment. (van Helvoirt 2009)

Although the position in the global economy is higher compared to the neighbour regions, the household saving rate in 2003 is 16.1%, which is slightly below the average in the Philippines displayed in figure 3.4. The neighbour Western Visayas is the lowest performing region, and Eastern Visayas has a higher saving performance with 18.1 per cent. However, the regional and national household saving rate are not evident to this research because of the difference in sample frame, but is provides an understanding in the position of Central Visayas in relation with the household saving rate across the nation.

Figure 3.4 Household saving rate by region (2003)



Source: FIES 2003

Cebu island

Cebu Island is located at the centre of the Central Visayas. The characteristics of the island are its stretched out shape, mountainous landscape, unproductive soils and high population rate in Metro Cebu. The metropolitan agglomeration of seven cities and six municipalities is after Metro Manila the second largest urban area in the Philippines. (van Helvoirt 2009)

The urban economy of Cebu Island contributes to 80 per cent of the regional GDP and therefore dominates the economy of the Central Visayas. The island's economic position compared to Bohol and Negros Oriental differs significantly, because of their export-oriented manufacturing, trade and services sectors rather than the agricultural sector as leading activity. Metro Cebu, also known as the *Queen City of the South* has several main gateways, including Cebu International Port (CIP), Mactan-Cebu International Airport (MCIA), Special Economic Zones (SEZs) and Export Processing Zones (EPZs) in order to service inter-island and international trade services. Nowadays it is the largest commercial, service, education, socio-cultural and religious centre of the Southern Philippines. The importance of strong linkages with the global economy is best visible in the fact that the large manufacturing sector produces almost the entire value of exports from the Central Visayas.

3.3 Local context: Cebu City

The name Cebu is derived from the word *Sebu* (animal fat) because long before the Spaniards invaded, Cebu City was a small fishing village ruled by Rajah Humabon. Cebu City is located at the eastern coast of Cebu island, and the city has the highest density of Metro Cebu. The city had a total population of 799,762 citizens as of August 2007, which is an increase of 11.3 per cent in comparison with the census count of 718,821 citizens as of May 2000. The increasing population growth and the related growing urbanisation level of the city leads to the increasing usage of city's land for housing, industrial and commercial practises. The total number of households was 177,197 in 2007, which is an increase of 20.1 per cent since 2000, and the average household size in 2007 was 4.5 persons, which is slightly lower than the average household size of 4.8 persons in 2000. (NSO 2009)

Cebu City is sub-divided into 80 barangays (the smallest unit of government), located either in North or South District of Cebu City. In 1995, most of the population (88%) lived in the 49 barangays which are located in the North District, at the coastal region. These are classified as urban barangays and cover only 17% of the city's land area. Subsequently, most of these inhabitants are labelled as urban poor households. The other 12% of the population are living in the 31 *rural* South barangays and these neighbourhoods cover 83% of the land area. (Etemadi 2000)

After Metro Manila, Cebu City is the biggest growth centre in the country. Although, in general terms a local economy is based on its agriculture, mining or manufacturing, neither of these components contribute on a large scale to the economy of Cebu City. In fact, the trade and service activities are the largest determinants of the level of the economy and its related employment. The dominant role of the trade and service activities are established in the city, due to its strategic location in Central Visayas, between the main islands of Luzon in the North and Mindanao in the South, and the infrastructure consisting of a seaport and an international airport. The seaport is the

distribution centre of the Philippines, and almost all manufactured products produced elsewhere in the nation are channelled through the city into the world. The large activity of trading attracts the establishment of financial institutions and other supporting business activities in the city; and affiliated with these practices is the increase in the tourism industry. The presence of many facilities for recreation, entertainment and shopping malls made it possible for the tourism sector to increase. In addition to the trade and tourism sectors, the city is also the centre of health and education for the people living in Southern Philippines, which all benefit of the high quality of the hospitals and universities located in Cebu City. (van Helvoirt 2009)

The drawback of the fact that Cebu City is the second biggest growth centre in the Philippines and that the economy mainly consists of trade and tourism is that the urban poor households of the research population are not involved in these type of sectors. The poor households are not benefitting from the growing economy, because there are no professions available for them. The urban poor households are struggling on the labour market and are reliant on the clientele as food vendor or tricycle rider and demand of employment as standby-employee in the construction sector. Because the availability of employment is limited, the households need to develop coping strategies in order to sustain and maintain their livelihood. This means that most poor household can not depend on one source of income and have to create a multi-stranded livelihood with a diversification of financial resources. (Rigg 2003)

3.4 Panaghugpong

The Urban Poor Association, Panaghugpong, is the link between the households in the research fieldwork and the research. All the households, cooperatives and foundations needed for the interviews and questionnaires are affiliated with the Panaghugpong Sa Mga Kabus Taga-Dakbayan [the short Visayan name is *Panaghugpong*]. Panaghugpong considers them self as a non-government people's organisation as federation of the urban poor, with a progressive and participatory development character. The organisation's main aim is to provide efficient response to the basic social needs of the households to attain better quality of life. Furthermore, their goals are to minimise poverty, to provide equal opportunity for all households and have respect for the human rights. The Pasil Women Organisation described below is one of the projects set up in cooperation with the women in the barangay Pasil in order to earn additional money to either sustain or improve their livelihoods.

Pasil Women Organisation

The Pasil Women Organisation (PWO) is founded in cooperation with *Panaghugpong* in Augustus 2009 and is established with the purpose of earning additional income for the households. It is a livelihood project for the women living in barangay Pasil, who are selling rice and corn at a higher price to non-members of the PWO. The forty female members are working at a rotation schedule and every week one member is in charge of the repurchase, distribution and the product sale. 5% of the profit has to be paid to the treasurer. After the treasurer's fee, the woman in charge earns 70% of the net profit, 15% of the net profit will be deposited at the PWO account and the other 15% is profit for the *Panaghugpong*. The PWO has an account with the Kamansi cooperative and is used as group investment. New purchases of rice and corn can be paid from this account and the surplus (nowadays PhP15,000) will be divided at the end of the year amongst the members.

Table 3.1 displays the weekly record sales and the average net profit is PhP605 per women, which is around €10. Although it is a small amount, because the women work only one week a year at the shop, the money is spend to cover unexpected costs or to buy something luxurious, like fast food.

TABLE 3.1							
PASIL WOMEN ORGANISATION – WEEKLY RECORD SALES (2009 – 2010)							
	Retailer Nr.	Profit in PhP	Treasurer	Net profit	Retailer	PWO	Panaghug-pong
Share			5%		70%	15%	15%
2009							
Week 46	#1	985	49	936	655	140	140
Week 47	#2	924	46	878	614	131	131
Week 48	#3	847	42	802	563	120	120
Week 49	#4	1219	61	1158	810	173	173
Week 50	#5	1041	52	989	692	148	148
Week 51	#6	1054	53	1001	701	150	150
Week 52	#7	877	44	834	583	125	125
Week 53	#8	797	40	757	530	113	113
2010							
Week 1	#9	725	36	689	482	103	103
Week 2	#10	706	35	671	470	100	100
Week 3	#11	1001	50	951	666	142	142
Week 4	#12	889	44	845	591	127	127
Week 5	#13	847	42	805	563	121	121
Week 6	#14	833	41	792	554	119	119
Average		910	45	865	605	129	129

Source: PWO 2010 and author's research findings

The organisation provides also three times a week rice and corn to all the children of the affiliated households. This project is a good example of a small initiative, which is very important for their livelihood and functions as a safety net for the members. The Pasil women can also borrow money from the shared investment, which the women have to repay as soon as the money is earned without any interest payment. The reason that the money can be lent without rules, agreements or collateral is the social capital within the neighbourhood; everyone knows each other and trusts each other. Thereby, the women can use the account to deposit their money in order to earn interest and make additional money available for other members to borrow.

3.5 Concluding remarks

In this chapter it became clear that the Philippines has had some drastic fluctuations in the economy, due to reforms, economic crises and the colonisation by different nations. Although the nation battered the current recession better than the neighbour countries – because of the low reliance on international trade – the poverty and the inequality rate remains high. The Philippines has a national saving rate around the 16%, which is lower than the rates in Thailand and Taiwan. In 2004, the Philippine banking system has a total private saving amount of \$46.2 billion, which reflects upon an average of 21 million people holding a bank or cooperative account.

Cebu City is after Metro Manila the biggest growth centre in the Philippines, with trade and service activities as main contributors to the GDP growth. The dominance of trade and services is mainly based on the strategic position of the island within the nation and its international harbour and airport. However, the drawback of the dominance in these sector types is that the urban poor population is not benefitting from the growing economy. The job opportunities for the urban poor are mainly based on the domestic clientele for food vending and tricycle transport, and has little to do with the tourist business and the trade sector.

The Panaghugpong is the urban poor association which provided the connection between the research and the fieldwork visits and appointed an assistant for the research. In cooperation with the Panaghugpong the selection of the neighbourhoods, households and other key figures in the research was made. Moreover, the introduction to the Pasil Women Organisation was made in order to observe, experience and understand the livelihood projects in Cebu City. The methodology used, such as observations, will serve as the basis for the following chapter.

4. Methodology

4.1 Introduction

The contents of this chapter is concerned with the methodology of this research, which means that the analysis of methods and processes that have been applied in this study will be discussed. First, the objective, the main question and sub questions will be described with the aim of providing an overview of the structure in which the following chapters will be outlined. Next, the concepts of the conceptual model of the urban poor households and the procedure in which the elements of the conceptual model are operationalised will be described. The important components is the operationalisation include the saving model and the hypotheses. In addition, the methods used are qualitative and quantitative methods for the analyses of the saving behaviour and the livelihood situation of the urban poor households. Amongst the used methods are the questionnaire, with the households randomly stratified selected and the semi-structured interviews with cooperatives and foundations affiliated with the research population. Moreover, the challenges in the achievement of the research and the related level of reliability are described in the last part.

4.2 Objective and questions

Research on saving behaviour confirmed the existence of savings practices among the poor. Despite a widespread belief that poor Filipino people do not save, the report [Philippines, Country-Level Savings Assessment 2005] found evidence that saving capacity does exist among low-income households. Rapid growth in deposits at various institutions which have made efforts to reach poor clients also reinforced the idea of a significant saving demand of the poor.

There are many different factors that can play an important role in the decision-making process of financial behaviour. It is interesting to investigate what the different factors are and what their influence is on the households' saving behaviour. Muhammad Yunus (founder of the Grameen Bank) and others have built institutions designed to bring the kinds of livelihood opportunities and risk management tools that financial services provide to the doorsteps of poor people.

The literature study in chapter two is concerned with the neoclassical behavioural theory and the livelihood approach and with the use of the literature study the following research objective has been developed:

To analyse the question if and to what extent urban poor households save in Cebu City, the Philippines and to examine the underlying reasons and factors which are important with the intention of understanding the different financial decisions that households make. Furthermore, the contribution of this particular saving behaviour to the livelihood situation of the poor households in Cebu City will be analysed.

In accordance to this objective, the following quantitative research question is designed with the aim of determining the relationship between the saving behaviour and the livelihood situation of the urban poor households in Cebu City.

Which factors influence households' savings behaviour and how does this behaviour contribute to the livelihood situation of Cebuano households?

The quantitative research question within the descriptive study aims at investigating which factors have a significant influence on the household's saving behaviour and how the particular saving behaviour contributes to the livelihood situation of urban poor households in Cebu City. This research reports data of case series within the urban poor population of Cebu City and in order to answer the main research question, the following sub questions have been formulated:

1. What is the socio-economic profile of the households?

This question aims at providing the main characteristics of the respondents with the purpose of knowing and defining the poor households. Amongst others, the geographical context, the income and expenditure patterns, the household composition, the occupations and the educational level will be described.

2. What is the supply and demand of micro saving?

In the thematic-theoretical framework a brief overview is given of the different informal and formal micro saving institutions. Additional to this framework, this question will answer the detailed knowledge concerning the supply and demand of micro saving. The demand for micro saving options is important to investigate in order to match the supply and demand with the intention of improving the livelihoods of poor households. Furthermore, the policy issues concerned with micro saving and the possible risks that can overcome poor households will be treated along this question.

3. How do poor households handle their financial saving decisions?

This sub question aims to provide the answer and knowledge of the saving behaviour of poor households. What are their reasons to save at a certain micro saving institution, how much are the households actually saving and at what frequency do the households save their money.

4. What are the differences between Cebuano household with respect to their saving decisions?

This questions aims to provide the knowledge concerning the determinants of the saving behaviour and which factors are influencing the behaviour. Furthermore, in providing the answer an econometric model will be used to calculate the significant influence that certain factors can have on saving behaviour. The households will be divided in the total group of respondents and the households who are actually saving with the purpose of measuring the differences in household behaviour.

5. What is the effect of saving on the livelihood of urban poor households?

This particular sub question aims to provide an answer to the second part of the main research question, namely the contribution of the saving behaviour to the livelihoods of poor households. The livelihood situation and various livelihood projects will be outlined. The examination of the effect that saving can have on a household's financially state will be described by means of the perceived quality of the livelihoods and possible improvements.

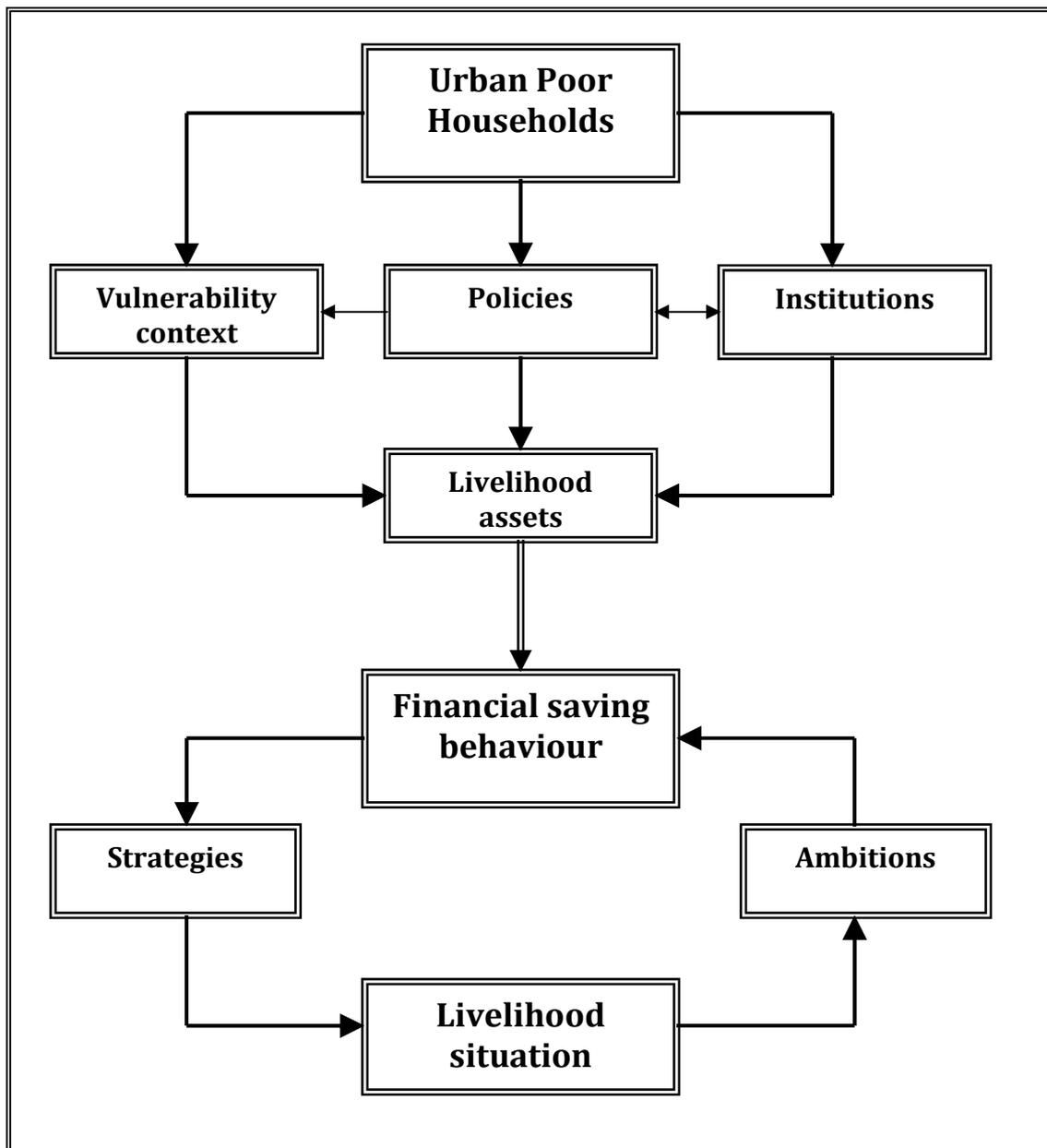
4.3 Conceptual model

The conceptual model is created as a schematic overview of the main concepts in this research based on the information described and discussed in the thematic-theoretical framework. The core concepts are the urban poor households, the financial saving behaviour and the livelihood situation, which corresponds with the main research question. The thematic-theoretical framework, the regional context and the methodology combined are the pillars of this research. The information on the different concepts can be slightly overlapping, because the concepts are all related and interlinked with each other. In this section, the different concepts and the relations within this conceptual framework will be described.

The factors behind the financial saving behaviour can be translated into the livelihood assets of the urban poor households. These factors create the basis of the conceptual model and present the main collection of influential elements that would be assumed to produce and develop the financial saving behaviour. The livelihood assets are influenced by the vulnerability context, the policies and the institutions and are going to be analysed in order to specify which factors are affecting the financial saving behaviour in the case series of the urban poor households. However, at first it is important to describe the relations between the factors behind the financial saving behaviour.

In figure 4.1, the first concept is the *urban poor households*, which is translated into the research population and functions as the research unit in the measurements. The households are linked with the factors behind the financial saving behaviour, because these concepts are affecting the household either positive or negative. The level of access to the institutions can be beneficial if the households have the capacity to become a client, on the other hand the level of vulnerability can be unbeneficial if risks occur with a constant interval ratio. And the third one, the policies can have a direct effect on the vulnerability context either positive, like the provision of basic needs or negative, such as the demolition of houses. Thereby, policies have a causal direct relation with the institutions, which translates into government policies that are beneficial for financial institutions and financial institutions that are beneficial for the poverty reduction results of the local government.

All these factors have a direct effect on the level of access to the livelihood assets of the urban poor households. The livelihood assets include all the financial and non-financial resources and activities performed and accessed by the members of the households. In turn, the livelihood assets of the urban poor households are the factors and variables that can have a significant or valuable influence on the financial saving behaviour. The saving behaviour is the actual behaviour and decisions of the families in relation with saving, and which include the places of deposit, the motives to save money, the frequency and the amount. By means of the results gathered from the analyses and the calculations on the impact and effect of the factors behind the financial behaviour the first part of the main research question (i.e. *Which factors influence households' savings behaviour?*) will be answered.

Figure 4.1 Conceptual model of urban poor households

The established financial saving behaviour with the related livelihood aspects are the basis for the development of livelihood strategies in order to sustain or improve the livelihood situation, which is displayed at the bottom of the conceptual model. The livelihood strategies are a combination of livelihood assets, such as labour and social capital. The specific saving strategy can enable urban poor households to generate livelihood outcomes, such as the increase in income or the ability to pay for the education of the children. The results of the strategies collected from the analyses are being used with the aim of answering the second part of the main research question, i.e. *how does this behaviour contribute to the livelihood situation of Cebuano households?*

The last relation in the conceptual model is the feedback effect from the livelihood situation through ambitions back to the financial saving behaviour. This feedback relation aims at the situation of outcomes that are not achieved by means of the specific

saving behaviour, but remain to be ambitions for the urban poor households. The household can rethink the assets used in the saving strategy and can choose to change the livelihood strategy with the intention of improving the access to a particular assets (such as labour). And so increase the income, which is needed for the achievement of the ambition. In review, the conceptual model is not static, which suggests that the concepts can fluctuate and change in affectedness depending on the processes that can take place. However, the empirical tests and analyses on the impact of the factors behind the saving behaviour are static, due to the specific point in time in which the information is gathered, and the ambitions and change in saving behaviour are potential feedbacks in the future.

4.4 Operationalisation

In this research the urban poor households are defined as the research population living in the Northern neighbourhoods of Cebu City and are categorised as being poor. The urban poor households are either capable to save money or not, which is dependent on the access level to livelihood assets and the influences of the vulnerability context, the micro saving policy issues and the financial saving institutions. The characteristics of the households surveyed during the fieldwork are filled in the questionnaire. By means of the different answers of the questions on the socio-economic features and the household composition, an understanding is provided of who the urban poor households are. This concept reflects the overall concept of households, which are standing at the basis of the different factors influencing the financial saving behaviour and the related livelihood situation.

The vulnerability context is defined as the potential risks and shocks, such as diseases which could occur in the lives of the urban poor households. The policy issues are defined as the policies developed by the local government unit in order to upgrade and expand their self-reliance for well-functioning responses to their needs and problems. The institutions are the financial saving options available for the research population with differences in levels of access. These three types of determinants for the household saving rate are qualitative analysed through semi-structured interviews with the chiefs of cooperatives and foundations and literature study on policy issues.

In comparison, the analyses of the livelihood assets are conducted in the quantitative design of the econometric model. The concept of livelihood assets include the economic, demographic and social factors, which are found throughout literature studies and could have an influence on the actual saving behaviour. All factors have had some influence on saving behaviour in similar studies done in South East Asia. By means of an econometric model the different factors will be tested on significant influences on the saving behaviour of the households in Cebu City. The data necessary for the model is conducted throughout the questionnaire and filled in SPSS. On the basis of the hypotheses responding to the life-cycle model, the different negative or positive effects on the saving rate can be determined.

The saving behaviour of households in Cebu City are obtained using the relevant data from the 58 household questionnaires in 2010. According to the *Pattern and Determinants of Household Savings in the Philippines* study of Bersales & Mapa (2008)

the following operational definition of household saving and saving rate is used in this study:

$$\left(\begin{array}{l} \textit{Saving} = \textit{total family income} - \textit{total family expenditure} \\ \textit{Saving rate} = (\textit{saving} / \textit{total family income}) * 100\% \end{array} \right)$$

The variables total family income and total family expenditure were used to compute and calculate the saving and the saving rate of the households in Cebu City. The variable total family income includes total wages from every household member, secondary wages, pensions, harvesting and from livelihood projects. The variable total family expenditure includes more or less only consumption of food and water, and payments for education of the children. (Bersales & Mapa 2008)

The livelihood aspects are calculated with the use of hypotheses, which are conducted with the assistance of the theoretical framework on the neoclassical behavioural theory. The following hypotheses are explained and used in chapter seven to measure the significance level of the determinants of the household saving rate, which are underscored below.

- ◇ The more young dependents in a household, the less money will be saved.
- ◇ The more elderly persons in a household, the less money will be saved.
- ◇ The higher the level of income, the higher the rate of saving will be.
- ◇ The higher the education level, the higher the rate of saving will be.
- ◇ The more women in the work force, the higher the rate of saving will be.
- ◇ The higher the life expectancy, the more money will be saved.
- ◇ The higher the inflation rate, the less money will be saved.

The financial saving behaviour will be calculated, explained and analysed and can have a contribution to the livelihood situation, which is different for each household. Although the umbrella notification used for the research unit is *urban poor households*, this does not mean that all the households are similar and thus have the same saving behaviour. All households experience their livelihood in an other way and each household has a different behaviour, due to the various in income levels, occupations, household composition and education level. Furthermore, the effect and contribution of the various saving behaviours to the livelihoods of the urban poor households will be analysed with the help of the open questions in the questionnaire and observation.

4.5 Methods used

The concrete methods used in this research are designed in an integrated methodology of quantitative methods and qualitative analyse methods for the saving behaviour and the livelihood situation. The combination of both can strengthen the results and findings in both methods in order to avoid bias towards one method, and enhances the representativeness in the research. (Mayoux 2006) Previous to the description of the methods that are used in this study, the operational aspects of the sample frame, the choice of neighbourhoods and the use of an assistant will be outlined.

Sample selection

In discussion with the University of San Carlos, Mrs. Lourdes Montenegro was appointed to me as mentor from the Department of Economics of the same university. Through her social network, the connection with Mr. Ramelito Inopiquez (chief of the Panaghugpong) was created. In the first meeting at the Panaghugpong, Mr. Rota Pepino Socrates agreed to become the assistant throughout the fieldwork for gathering the research findings. Mr. Socrates has build up a large social capital in the neighbourhoods, which was convenient in finding suitable households for the questionnaires.

The Panaghugpong is an urban poor organisation in Cebu City with several neighbourhoods in their database. The selection of the nine neighbourhoods is randomly chosen from the group of 25 affiliated neighbourhoods (out of the 40 Northern barangays). The scheme of field visits was developed at a stratified random sample design, which means that out of the 25 neighbourhoods, nine are a-select chosen and within the selected barangays, the households were randomly selected. The assistant helped in selecting households who had the time to complete the questionnaire and in the translation of Cebuano into English. In each neighbourhood an average of seven households were randomly selected, with the exception of twenty household surveys in the neighbourhood Ermita. This large number in comparison to the other neighbourhoods is done because this barangay is the center of the urban livelihoods (with the carbon market) and is divided into several sub-barangays. The selection is biased towards the urban population in the particular neighbourhoods of the fieldwork, which makes it difficult to generalise the results into the total population of Cebu City.

Next to the selection of the households within the neighbourhoods, the selection of cooperatives, foundations and livelihood projects for the interviews was prepared dependent on the location and their important influence within the sample frame. The cooperatives, foundations and livelihood projects visited were affiliated with the surveyed households and with the assistant helped in making the appointments for the interviews.

Methods

In this research the following methods are used and will be clarified in this section: a stratified random selected household questionnaire, semi-structured interviews, and observations.

Household questionnaire

The statistical data and information collected from the qualitative method of questionnaires provide the prospect to develop concrete research outcomes. (Mayoux 2006) The concrete outcomes, such as the frequency of saving, the amount of expenditure and the education level of the household members, can expand the understanding of the differences between households.

The household questionnaire is prepared in cooperation with Mrs. Montenegro and the questions are in Cebuano and English. (see Appendix A.4) The questionnaire was tested on a couple of test-case households before going into the fieldwork. Despite the test-cases some small adjustments had to be made during completing the questionnaires at the households, such as the calculation of the daily income and expenses into the

monthly income and expenses. However, these adjustments were not affecting the reliability of the answers, only adding time during the completion of the SPSS database.

The household questionnaire was the most important research method used in this study. The questionnaire was used as a mechanism for collecting information to describe, compare, calculate, understand and explain knowledge, attitudes, behaviours and socio-demographic characteristics of the research population. Hypotheses and measurable indicators were determined at the start of the investigation. With open-ended, cumulative questions and scope during surveys and small interviews the data and information needed was collected.

Questionnaires have been established in order to identify the factors that determine the saving behaviour of households and the contribution of the behaviour to the livelihood. The survey contained questions about the characteristics of the household, their financial saving behaviour, the factors and impact on their livelihood and their vulnerability to future risks and crisis. The questionnaires showed certain patterns such as differences by education, age or saving behaviour. During some questionnaire sessions, small non-structured interviews were held with key figures in the neighbourhood in order to understand the livelihood situation, the daily struggle and problems and the way the households were dealing with emergencies. The experience of dealing with risk, occurred during a visit in barangay Sambag II; there was a 15-year old girl that came into the house. She just lost her mother, has a disabled father and no siblings, and above all has no money for the funeral. Together with the woman of the household visit, they collected from each households in the community PhP5 in order to pay at least for the funeral. The results of the questionnaires and non-structured interviews the understanding of the livelihood and the factors behind all the circumstances was increased.

Semi-structured interviews

Afterwards the first set of questionnaires was completed, the selection of interviewees was made. The selection was made with the intention of gaining a holistic understanding of the complex factors behind the saving behaviour and livelihood situation. The selected cooperatives, foundations and livelihood organisations are all affiliated with and important in the livelihoods of the urban poor households. The interviews were completed at times during field visits and were integrated in the completion of questionnaires. Sometimes the waiting time was several hours for an interview, but all the interviews were worthwhile to wait for. The interviewees were friendly and helpful in the knowledge sharing about a certain research topic. The semi-structured interviewees are listed in Appendix A.3.

The household questionnaires was valuable to collect qualitative data from the research population and others, such as cooperatives, foundations and livelihood organisations. A semi-structured interview was important in order to try to get behind the bare outlines of reported behaviour to the underlying beliefs, strategies and constraints which had shaped that behaviour. The importance of semi-structured interviews was to have the opportunity to get involved with people in Cebu City and to found out what the different factors behind the saving behaviour were and why the households made certain decision concerning their money management.

Observations

During the fieldwork some observations were made, such as at the 35th anniversary of the Panaghugpong to determine the Uphold People's Rights with the theme: *Break-up the chain of poverty! Forward to uphold our rights for assurance to jobs, sustainable livelihood, decent dwellings and right to access basic social services*. During the anniversary there were presentations held about experiences of livelihood situations and circumstances and solutions were found to problems concerning the poverty. Mr. Inopiquez asked me to give an inspirational speech about my research and the potential opportunities for the community, which was difficult to do without preparation, but very valuable to the members of the Panaghugpong. Furthermore, the visit to the Pasil Women Organisation and the observation of the daily routine of their livelihood project was crucial in the understanding of their daily lives, struggles and organisation of the rice and corn selling business.

Analysis and presentation of preliminary research findings

The last two weeks of my research period in Cebu City was dedicated to the preparation of the research findings and writing the results down in a final, but preliminary report for the University of San Carlos. In the last week, the presentation of the preliminary results was held for Fr. Louie Punzalan, Mrs. Montenegro and other persons of the University of San Carlos. At the end of the presentation, during the discussion there were some comments and remarks about some interesting results (more households own a television than water supply or a toilet) and all the comments were taken into account at the completion of the final paper for the University of San Carlos.

4.6 Research relevance

Saving is an issue of fundamental importance to academic economists and policy-makers. Household saving – *how much of income is set aside and for how long before being drawn down for consumption, donation or bequest, by households of different types, with different endowments and opportunities and in different stages of the life cycle* – is an important aspect of household behaviour that, particularly in developing countries, is still not well understood. (Deshpande 2008)

According to the Grameen Foundation (2008) the collection of savings deposits is one of the most critical aspects to facilitate continued growth and the further evolution of the microfinance sector. *Mobilising savings will empower depositors, strengthen microfinance institutions (MFIs), and alleviate poverty in ways that lending alone cannot*.

For an individual household, saving is essentially a way to move resources over time. Beside the major debate about which theoretical model gives the correct explanation, new insights and ideas continue to be developed and new empirical evidence continues to be reported. All this makes it on the one hand very interesting to investigate and research the factors behind financial decisions and their contribution to their livelihood and on the other hand, makes it a huge challenge to solve the puzzle. (Alba & See, 2006)

4.7 Limitations and reliability

In this research an integrated methodology was used to augment the level of quality and the representativeness of the study findings and results. Nevertheless, every research has to deal with its own limitations and challenges, which can have an influence on the reliability of the findings.

The first constraint is the limited number of household questionnaires, due to the restricted time frame of 13 weeks for this research. The ideal number is 100 questionnaires in order to perform statistical tests and to generalise the sample results. However in this research only 58 household questionnaires were conducted, which makes the generalisation towards the total urban population in Cebu City more difficult.

A second constraint is the fieldwork within 9 out of 40 Northern neighbourhoods. The research population is developed with the cooperation of the Panaghugpong, which is the organisation that provided the connection between the research and the fieldwork. However, the sample is biased towards these nine a-select chosen barangays and this means that the research results only are valid in these neighbourhoods.

Another constraint is the language spoken during the questionnaires. The urban poor people speak only Cebuano and although the interpreter spoke Cebuano and English, he was not familiar with the theme of the research and despite that the interpreter translated each answer into English, some of the data can be biased, which can influence the reliability of the results.

A fourth limitation is concerned with the available data and information on the themes in this research. Due to the fact that much information and data available is dated and there are no current data available. The comparison of data is difficult if the contrast in publishing years is more than 10 years. And the data is mostly measured between regions across the Philippines and not specific for Cebu island or Cebu City, which can influence the reliability of the results.

Furthermore, there were some small challenges within the research, which were hindrances for the research, but not per definition influencing the reliability of the research. One of the main challenges was the period at the beginning of the research, which was characterised with slow progress, due to miscommunication and differences in priorities. Eventually, this challenge was solved with the connection to the Panaghugpong, which provided (biased) samples of households for the research. Another challenge was to make appointments with the interviewees, which was difficult because the people do not make use of agendas and this resulted sometimes in an waiting time of several hours.

5. The Research Population

5.1 Introduction

The research population is composed in cooperation with the Panaghugpong, which is an organisation that helps and supports the poor households with their rights to dwelling and the improvement of the livelihood quality. The support of the Panaghugpong to the poor households in Cebu City is limited in the sense that the organisation has a small network of twenty-five barangays (out of the 40 Northern barangays) and consequently the selection of the research population was not prepared with complete randomised value. Although the selection of the households needed for the sample population within the nine barangays is done at random, the case that a majority of households are coming from the barangay Ermita is inevitable. In this particular barangay the biggest market, i.e. *carbon market* is established and this neighbourhood has the most opportunities, such as employment, housing, and education. The case that the average variables can be biased towards the barangay Ermita is unavoidable, though not total inadequate due to the fact that the livelihood in this particular barangay corresponds with the general livelihoods of urban poor households living in other barangays.

This chapter is concerned with knowing and defining the poor household in the research with the purpose of giving an overview of the different livelihood assets, which play a major role in the lives of the urban population. The main characteristics, such as the neighbourhoods, family composition, and the household's financial profile will be described. In the second part after the socio-economic profile of the urban poor households, the living conditions and the changing urban social capital will be discussed, due to the important influence on the daily lives of the urban poor households.

5.2 The neighbourhoods

Cebu City is subdivided into the North and South District, and generally also subdivided into the poor households living in the North and the *not-so-poor* households living in the South. The households involved in this study are mainly living in the North District Barangays, which means that the poor households mostly live in the high density areas of the city. In Appendix A.2 the nine barangays are black-circled in which the fieldwork is conducted.

The bottom 20 per cent of the households in terms of level of income are living in the neighbourhoods Talamban, Lahug and Mabolo, which are considered as the neighbourhoods with the lowest development. Especially barangays Talamban and Lahug are lacking in development, due to the case that the households were relocated to these neighbourhoods. The households' original place of residence was at the Pier 6 near the harbour, however the local government unit (LGU) had other development plans with this area. As a result the houses were demolished and the families were relocated to condemned areas without basic need facilities such as water, toilets or electricity. The assigned area in Lahug is on the slope of a small mountain outside the city centre; however the people are still working in the city centre and the transport costs became an additional expense on their already minimal cash flow. Despite all the hindrance that

the households are facing, the families are thankful that the entire community is relocated towards the same remote area, which means that the build-up social capital is preserved. Furthermore, the households do not despair and are using saving and gifts to rebuild their house, develop new basic needs facilities and are making the most out of it with the limited ways and means. However this rosy prospect cannot be put down for every family, some of the families are still living in a tent covered with canvas and have to do one's need in the bushes.

The top 20 per cent of the households are living in the neighbourhoods Ermita, Santo Niño and Sambag II, which are considered the neighbourhoods where the most development is taking place in terms of job opportunities, provision of basic needs and social capital. The high level of access to livelihood assets reflects upon the income level and the related quality of living standards.

5.3 Household composition

There are 58 households involved in this study with a total of 346 family members, which means that the average household size of the research population consists of 6 family members. The range of the total household size fluctuates between 2 and 14 household members. The common age of the parents in this research is 45 years old, with the oldest child having the standard age of 21, second child 20 years, and so on, which means that the majority of married couples had their first-born at the age of 20 to 24. This feature is commonly visible in developing countries, due to the high status of marriage and the crucial value of the ability to have children for the well-being of the family. The children are the safety net for the future of the parents, and the more children means the more chance for a better life.

The average household size of six members amongst the urban poor is much higher than the average general household size of 4.5 members in the Philippines, which suggests that poor households have more children or the family composition is different. In the streets of the urban poor areas most the houses have an additional room built on the roof, which is the home of one of the children with his new family. The married son with his wife and children are often living in this room, because the son is at the beginning of his lifecycle and there is not enough money to buy or rent his own house. The family composition is changed and increased with the new family members, who are also contributing to the households' cash inflow and expenditure. In the higher segments of income groups, the children will move out and the household size will diminish, however the reverse is the case at the urban poor households, where the size of the family is only increasing with the relations by marriage.

The majority of the questionnaires' interviewees was the wife of the household, which was convenient in the case of the knowledge of the goings in the family. The mothers are the spine of the family and in eighty per cent of the cases it is the wife who made all the (financial) decisions. Despite that the traditional norm of the husband as head income earner is maintained, the men have little to bring in. The commitment of the men to the household is lower than the women's, which is explained by a male person in barangay Santo Niño: *I support my family by working hard to earn income, but do not expect that I invest in the details of the family. No, I do not know the ages of all my children or what is spent on the daily needs. My wife will take care of the daily tasks and I fulfil the male duties, namely the provision of money.* In other words, the man/ woman allocation is

clear defined in the household settings in Cebu City, the men are providing the income and the women’s duties are taking care of the household. However, this allocation is given up, when the men is insufficient in the provision of income and the women have to assist to increase the level of cash inflow in order to manage and meet the expenditures. Despite the case that older children are also eligible to work and earn income, almost all the burden and responsibility is carried by the wives. The reason that most older children in the household are not working is imprecise and not well understood. Nevertheless, the most suitable reason is that the parents are taking care of the children as long as they are living under the parents’ roof. The responsibility of the children to support their parents starts when the parents are not able to work anymore, because they are disabled or too old. The older children only need to work, when the parents are insufficient to provide enough income to manage the cash flow.

Next to the household composition, the composition of the entire research population is described below. One of the most important features of a population is the population pyramid, which graphically displays the information of age and gender to improve the understanding and simplifies the comparison. The pyramid on the left shows the count of the research population of Cebu City in 2010 broken down by gender and age. This pyramid is composed with the data collected from the questionnaires and can be compared with the pyramid on the right, which displays the population pyramid of the Philippines in 2010. Both pyramids are triangle-shaped, which reflects a high growth rate of the population. The five-year age increments on the y-axis allow the pyramids to reflect long term trends in the birth and death rates and also the shorter term of baby-booms, wars and epidemics.

Figure 5.1 Population Pyramid Cebu City 2010

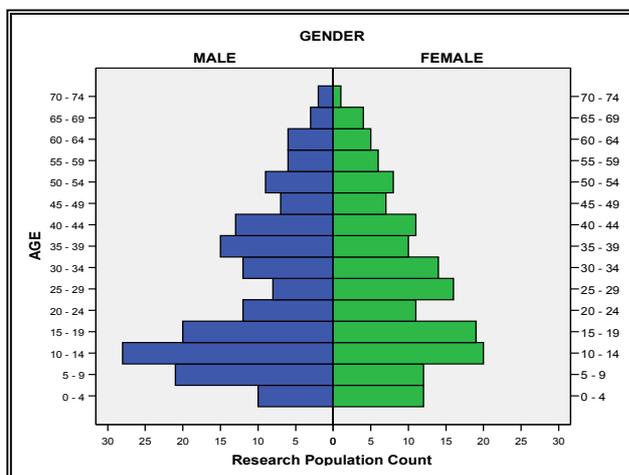
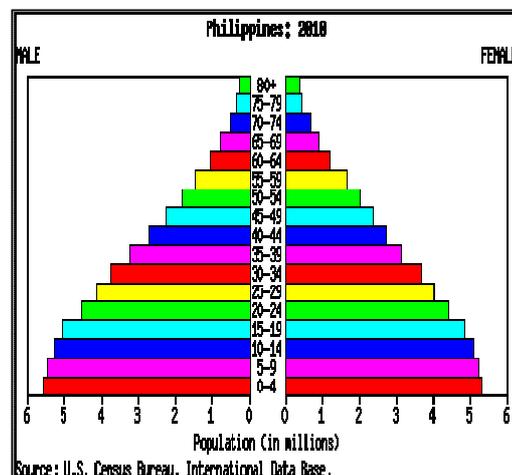


Figure 5.2 Population Pyramid The Philippines 2010



However, the pyramid of the Philippines shows a constant in birth and death rates without lumps, that can suggest a baby-boom. In the pyramid on the left, the triangle is more oddly shaped, but the pyramid still suggest that there is a constant birth and death rate in the communities of Cebu City, without major increments. In other words, despite economic recession or other shocks the urban poor people still have a constant fertility rate. The low level of income reflects upon a higher rate of children in a family, due to the assumption that the children will support their parents in the future.

5.4 Education

The structure of education in Cebu City is categorised into the sectors of primary, secondary and higher education. The density of schools is high; there are 200 secondary schools, 28 colleges and five universities, and there are more than 1000 public and private elementary schools. The city has many reputed schools established, such as the University of the Philippines and the University of San Carlos, with the latter as oldest university of Cebu and the first link in the Philippines for this research. (CCG 2008) The university provided accommodation, support and connections with the purpose of completing the research.

In the Cebu City household questionnaire one of the questions was concerned with the level of education, and the interviewee was asked to fill in the highest level of all the family members. However, the gathered data is not quite consistent with the actual data, because the people who started with elementary or high school but quit after awhile, were to ashamed to admit that they did not finish the education. The empirical data showed that 38% of the husband's highest education is elementary school and 39% filled in the level of high school, but at least half of the men did not finish their high school. The main reason for the men to drop out of high school was the lack of money for school tuition and the men (former sons) had to help and financially support their family instead. For the wives, most of them (45%) have finished elementary school and 30% stated that they started with high school, but also at least half of the women only finished the first or second grade.

The ability and capability to provide education for the children is the single most important livelihood ambition to achieve for the parents in Cebu City. The propensity of the children that have higher levels of education than the parents is small, but noticeable. This tendency is corresponding with the changing urban relations and social capital, which is further outlined in section 5.6. The parents as well as the children desire to have a better quality of life, and the first leap to take is to invest in the education in order to create better livelihood opportunities.

5.5 Household's financial profile

The income, expenditure and saving pattern of urban poor households is shown below in the charts. Although all the questionnaires were completed adequate and with precision, it remains difficult to know the exact statistics of their income, expenditure and saving. The main reason is that poor households live day-by-day and although the people also could fill-in their daily income and expenditure pattern, the estimation was difficult for the people. Some people work 6 days a week, some less, sometimes it depends on the week and thereby if a person fills in that an daily income of PhP200, is this measured on a good selling day or an average? All in all, by asking several additional questions about their income, expenditure, and saving habits all the questionnaires were completed with the most appropriate answers. The last main challenge was the fact how much households spend on food. Even though food is the largest expenditure in the cash flow management of the poor households, it is also the first expense on which less money is spend if households do not have sufficient money. The household financial profile consist of three main parts in which income and occupation form the first.

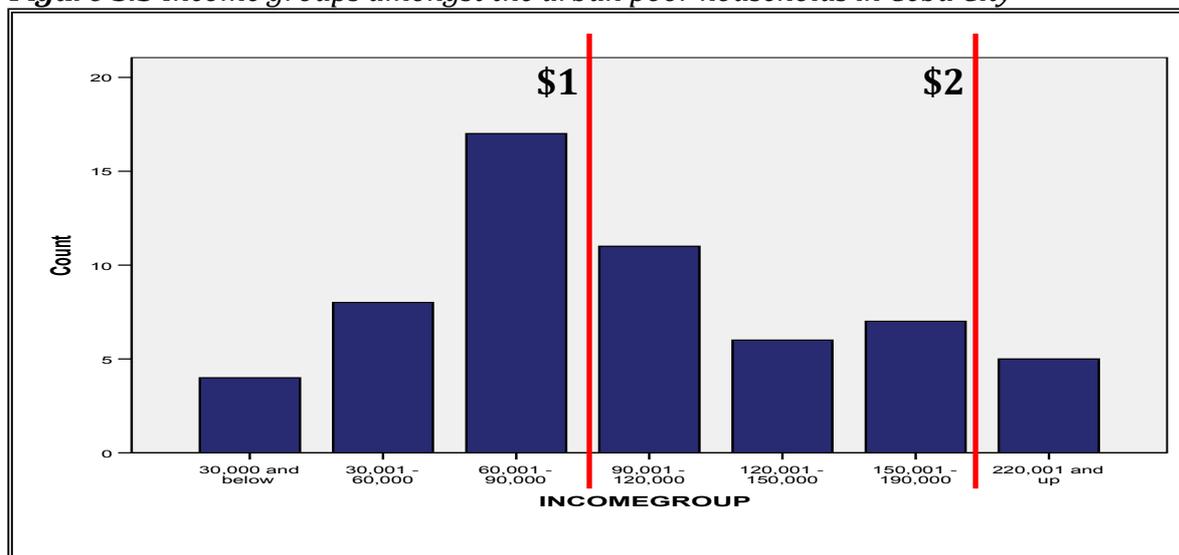
5.5.1 Income and occupation

Income and occupation are interlinked with each other, because the type of occupation determines the level and the characteristics of the income. The income pattern consists of the level of income and the characteristics of income, which are both of influence on the saving behaviour. The poverty benchmark of \$1 or \$2 a day per person measured by the World Bank implies that the level of income is low, however it is also important to mention that the income of poor households is unpredictable and uncertain. Regardless the level of income, the stability and reliability factor of income is of utmost importance within a financial behaviour, which corresponds with the following quote:

One of the least remarked-on problems of living on two dollars a day is that you don't literally get the amount each day. The two dollars a day is just an average over time. You make more some days, less on others, and often get no income at all. (..) Your greatest source of support is your family and community, though you'll most often have to rely on your own devices. (Collins et al. 2009)

Figure 5.3 is an overview of the different categories of households' year incomes in Cebu City. The most common category is the third one – between PhP60,000 and PhP90,000 – which are more or less the moderated urban poor. The poverty benchmark of \$1 per person a day corresponds with a year income of PhP98,550¹ which reflects upon the first three columns in the figure, however this implies as well that half of the respondents have to survive on less than \$1 a day per member. The estimated poverty line of \$1 for six family members (i.e. \$6 a day) as well as the poverty line of \$2 (i.e. \$12 a day) are marked in the figure and displays that only 5 households' income levels are just above the poverty line. However, the majority of the urban poor falls far below the poverty line and have to struggle each day to manage and meet the required expenses.

Figure 5.3 Income groups amongst the urban poor households in Cebu City



Source: Author's Research Findings

The low level of income is the consequence of the low qualified occupations of the urban poor households. More than 30 per cent of the head income earners are self-employed food vendors, 17 per cent are standby-employed construction worker, and 12 percent

¹ The average family size is 6 members, which means that \$6 is needed every day and times 365 days requires \$2190 of a year income. \$1 = PhP45, and the outcome is PhP98,550

works in the transportation sector, such as tricycle riders. This means that the family must rely on unpredictable income and are dependent on clientele and demand of employment. The case that nearly sixty per cent is food vendor, construction worker or transports persons is due to the biased selection of respondents with similar livelihoods and because the choice of occupation is not that extensive. The range of occupations available and suitable for the urban poor reaches no further than the previous mentioned jobs. Furthermore, due to the high rate of population there are less jobs than people, so the demand is higher than the supply of occupations which results into an unemployment rate of nearly 7 per cent.

As displayed in table 5.1, the unemployment rate of the Philippines is 7.5 per cent in 2009, and the estimated rate for April 2010 is slightly higher at 8.0 per cent. In the employment rate, the unskilled workers and labourers are predominated with 32.2 per cent among the various occupation groups in April 2010, which is also the type of occupations most performed amongst the urban poor people in this research. (NSO 2010)

	April 2010 ¹	April 2009
Population 15 years and over	60,562,000	59,074,000
Labour force participation rate	63.6	64.0
Employment rate	92.0	92.5
Unemployment rate	8.0	7.5
Underemployment rate	17.8	18.9

¹ Estimates for April are preliminary and may change

Source: NSO 2010

The unemployment rate is lower amongst the research population than in the Philippines, however the unemployment rate is higher in comparison to developed countries, such as the Netherlands (4.9%), and implies that 4.5 million people (15 years and over) in the Philippines are unemployed. (CIA 2010) The husbands in the research population without an occupation are struggling on the labour market, and are often in between jobs. During the period in which the head income earner is unemployment the gap in the cash inflow is filled up by the women in the household through food or flower vending. Almost half of the women (47%) work as food or flower vendor during times in which the households' income level drops below the standard. However, a quarter of those women are working 6 days a week as main income earner when the husband is long-term unemployed, caused by an ill health.

Most of the households in the research population have a multi-stranded livelihood, which means that the family relies on multiple financial resources. The diversification of financial resources enables the household to spread the risk of illness, diseases or unemployment. The coping strategies used by the households include secondary employment, room rental, livelihood projects and harvesting crops outside the city. With the additional financial capital, the households are not reliant on one income and can avoid the worrisome situation of no income at all.

Although remittances are usually one of the coping strategies for families in developing countries, only one household in this research has a family member working overseas, and cannot be seen as a common additional financial resource in the livelihoods of the

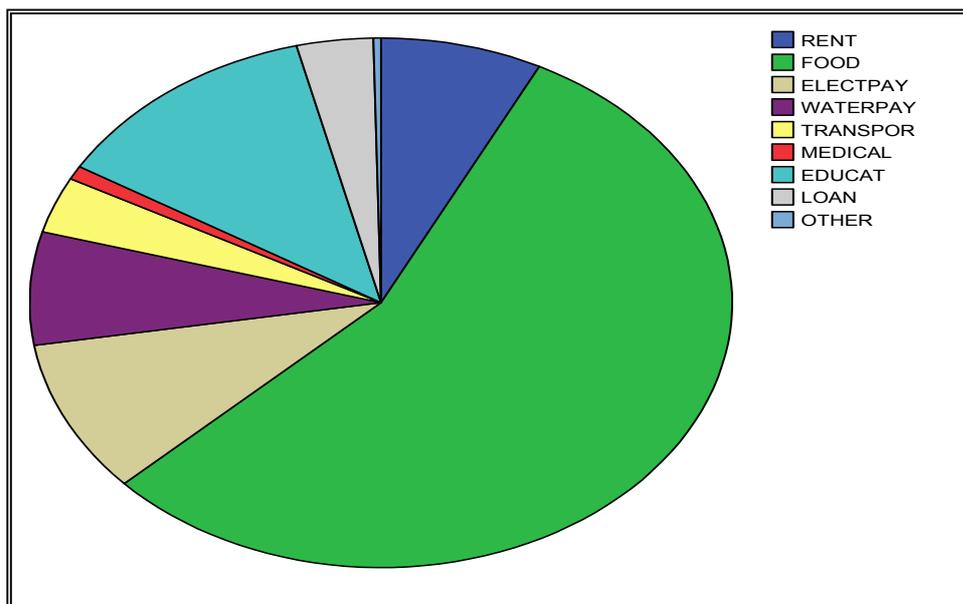
urban poor households in Cebu City. However, the remittances send to this particular household is using the additional money as coping mechanism.

5.5.2 Expenditure

The expenditures of the urban poor households are of similar importance as the characteristics of the income with the intention of accomplishing an understanding of the financial behaviour of the poor households. All expenses combined are a challenge for a household to implement in their financial behaviour. The types of expenditure can be categorised into daily expenses (food and water), monthly expenses (electricity) or annually expenses (school tuition) and can be predictable (school tuition) or unpredictable (emergencies).

Figure 5.4 displays the average expenditure pattern of the households in a time range of one month, with the daily and annually expenses weighted into monthly expenses. Most of their money is spend on food supply for their household and the second is on the education for their children. The least expenses are on medical bills and transportation, either because there is no money available or there is no need for transportation, because the livelihood (work, living and leisure) is situated in one barangay.

Figure 5.4 Allocation of monthly expenses in Cebu City 2010



Source: Author's Research Findings

The most important task in the financial management is to manage and meet the expenditure in order to sustain and maintain the livelihood. The income earned is used to pay the bills and for the consumption of food and water and if applicable, the remaining money can be deposited at a financial institution or at home. The saving profile of the households' profile is described in the next part.

5.5.3 Saving

The saving pattern is dependent on the income and expenditure pattern, in such a way that every money that is not spend, can be saved at home or deposited in an account. In this research 40 out of 58 households save money, of which 56% saves at home, 38%

saves at a cooperative and 5 per cent hold an account at a saving bank. The total volume of all household's deposits is PhP178,786, which is currently hold as saving. The 23 households, which save at home have an average amount of PhP697, the cooperative's average amount hold at an account is PhP9,517 and the saving bank accounts hold an average of PhP10,000. This amount can fluctuate in times of emergencies or at the beginning of a school year, when the saving is used to pay for the unexpected and expected expenses. The information and data concerning the saving behaviour of the urban poor household in Cebu City is further detailed in chapter seven.

5.5.4 Conclusion

The financial household's profile is composed by the level of income, expenditure and savings and the type of occupations needed to earn income. The average amounts in table 5.2 for income, expenditure and savings in the Philippines and Central Visayas are obtained from the National Statistics Office. In comparison with the average amounts in table 5.3, it is clear that the data gathered from the household survey in 2010 are lower than the data in 2003 and 2006 from the NSO. However, the data in table 5.2 is the average of the total population of Central Visayas and the Philippines, including rich and poor and table 5.3 displays only the average of the urban poor inhabitants in Cebu City. Although the comparison between the two tables cannot be made on empirical base, it does show that the urban poor households have a major disadvantage in all aspects of the financial profile, which makes it even more important to manage the low level of finance in a well-functioned behaviour.

	2006			2003		
	Income	Expenditure	Savings	Income	Expenditure	Savings
Philippines	173	147	26	148	124	24
Central Visayas	144	124	21	121	102	19

Source: NSO 2009

	Income	Expenditure	Savings
Cebu City	106	84	9

Source: Author's Research Findings

5.6 Living conditions

The living conditions of the households in this research are below the standard living conditions, due to the fact that the majority of the households are living below the poverty line of \$1 or \$2 a day per person. At least 80% of the households own their own house and thereby pay no rent, but the trick here is that the government owns the land. The households do not have any housing rights, and the local unit can suddenly decide that the families have to move somewhere else. Of all the households in this research, 57% lives in a house with strong walls and roof, a shocking 10% lives in a tent on the foundations of their former houses, which were demolished by the local government.

Only 4% can afford a house with standard living conditions, which means strong walls and roof, a kitchen, a toilet and multiple bedrooms.

In table 5.4 the housing amenities of the urban poor families in 2010 are ranked at availability. Most of the households have electricity available in their houses, and most of the others are using electricity power from neighbours. Interestingly, more households have a television and a ventilator than the basic need facilities of water and toilets. The water and toilet provision is commonly facilitated in the streets, which are maintained by community livelihood projects. Furthermore, the low rate of phones available in the house is a consequence of the high rate of cell phones used even by poor people. The common sight in Cebu City is that every one has and uses a cell phone, regardless the level of income group or the basic need provision.

	Available at home (in %)		Available at home (in %)
1. Electricity	80	6. Water	46
2. Television	72	7. Gas stove	41
3. Ventilator	64	8. Refrigerator	30
4. Radio	63	9. Phone	23
5. Toilet	60		

Source: Author's Research Findings

Even though living conditions are important for the quality of the livelihood for urban poor households, the urban social capital is may be even of more value to the households in order to sustain and improve their livelihood.

5.7 Urban social capital

In the last couple of years, the rural-urban relations and the related livelihoods are evolved into more urban relationships. Rural poor people were migrating to the next big city in the hope to find a job and earn money for the family. Next to the changing rural-urban relations, within the city the so-called urban-urban relation was also changing. Urban social capital is defined *as rules, norms, obligations, reciprocity and trust embedded in social relations, structures, and society's institutional arrangements, which enable its members to achieve their individual and community objectives.* (Moser 1996) The urban relations and social capital networks can vary in space and time, and they may change or break down over time, due to economic crisis or physical insecurity.

The youth dependents wanted to have improvements in their livelihoods and the young poor people changed the ancient occupational path of food vendor or fisherman into more professional jobs and additional higher income. However, this change is slow and needs more than one generation, but the start for change is made in the next experience described below in box 5.1.

Box 5.1 – Changing livelihoods

The parents of Matt Alolod [Chairman of the Southern Island Medical Vendors Association in Barangay Sambag II] were food vendors at the Carbon Market in Cebu City. Their main purpose in life was to invest in their seven children's education. Every small amount that was not spend on food, was going to all the educational needs. The parents surely did a great job in providing school tuitions and gave their children a better change to succeed in life.

Matt Alolod and his six siblings are all graduate students from college, but strangely enough all of them became also food vendors at the Carbon Market, merely because this was the life they knew. To follow another path outside your familiar livelihood is not an easy goal to accomplish within one generation. Yet, they all went a step further than their parents. They all invested in own stores at the Carbon Market and because of their own businesses they made more money. Major shifts in livelihood opportunities do not occur over night and sometimes take generations or decades to make a visible difference.

At the Rodriquez street in Barangay Sambag II there are some remarkable shifts noticeable. There are mainly elderly women who are cooking and selling food in the stores along the street. Even though in many other segments of street vendors [flowers, vegetables, fish] there are mainly younger people standing with their entire family at the streets earning money, the elderly women cannot give up their food stand. This job is equivalent to their livelihood and even though the children are supporting their parents, the Rodriquez women are still working.

Source: Interview with Mr. Alolod

There are two main factors playing a key role in these exceptional settings in box 5.1. First of all, the social change among the younger age groups. According to Rigg (2003) education, contact with other lifestyles and the media encouraged the youth to expect *more* from life. Their expectations and aspirations have changed drastically and they do not wish to imitate their parents career path anymore. Their wish to avoid the food vending business and the accompanied low status and livelihood opportunities lead them to find better job opportunities, such as call centre or office employee. Second, there is the social non-change among the elderly age group. Even though the parents gave their children the opportunity to go to college and having other, better jobs outside the streets, especially the women (the mothers) cannot live without their jobs. Despite that the children take care of their parents financial wise, they cannot give up their familiar livelihood. Food vending is not just a job, it is a lifestyle. It is your community, your network, your friends and basically your life.

Social capital is the main ingredient of the success of cooperatives, because people do not desert their people, they look after each other if families have the opportunity to do so. This group conscience and constant looking after each other is a main source of support for all poor people in Cebu City.

5.8 Concluding remarks

This chapter has described the characteristics of the research population. The nine neighbourhoods where the households are living in are located in the North District of Cebu City, which are categorised as the urban neighbourhoods with the highest density of people per square meter. The high density is mainly caused by the average household composition of six members, which is higher than the average of 4.5 members in the Philippines.

In comparison to the total population of the Philippines and Central Visayas, the research population has a lower level of education and lower values in the financial profile of the research population. This is not surprisingly, due to the fact that all the households in the research population are categorised as urban poor.

The level of education and the household's financial profile are all elements of the general urban livelihood of the households in Cebu City. Thereby, the lower quality of the living standards and the changing urban social capital are also influential to the livelihood situation.

By means of these concluding remarks, this chapter has discussed the difference in urban livelihoods of the research population in Cebu City. The following chapter will continue by analysing the micro saving aspects, including the informal and formal institutions, and the demand for micro saving. Furthermore, the description of the different ways of dealing with risk and the policy issues related to micro saving will be outlined.

6. Micro Saving

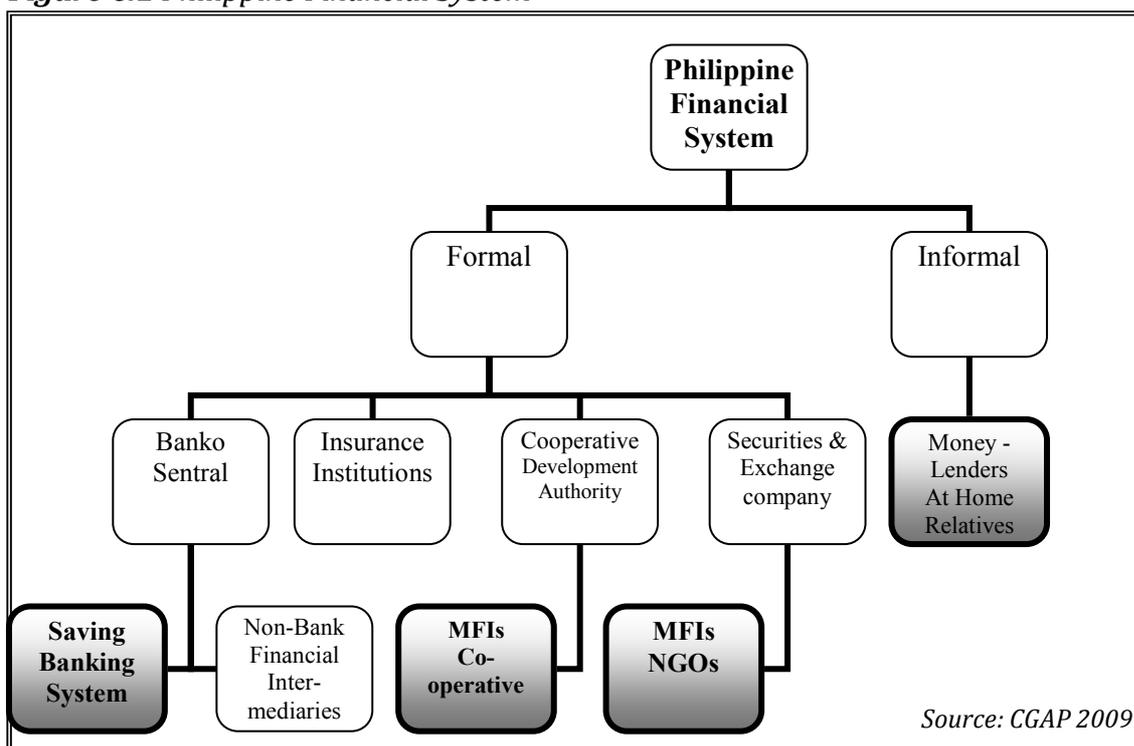
6.1 Introduction

Micro saving is one of the three components of microfinance, which includes furthermore microcredit and micro insurance. The information and knowledge in this chapter is concerned with all the elements of micro saving. First of all, the differences in the micro saving institutions available in Cebu City are outlined with the aim of giving a general idea of the choices the poor households can have in their saving decisions and related behaviour. Second, the demand side will be discussed, which includes the quantitative and qualitative dimensions of the respondents' preferences. Next, the vulnerability context concerning the households is defined as risks and shocks, which can influence the livelihood assets. Subsequently to the vulnerability context, the policies of micro saving will be discussed and finally the concluding remarks of the micro saving will be outlined.

6.2 Saving institutions

The supply side of the Philippine financial system, as shown in figure 6.1 is subdivided into the formal and the informal. Because the Philippines is a developing country there is a large proportion of the population who make use of the informal sector, but thanks to the establishments of MFIs and NGOs more and more poor households are able to become involved into the formal side of the financial system. In this section, the micro saving opportunities located in Cebu City will be outlined. The structure of this section is as follows, first the informal institutions will be discussed. Next, the different options within the formal institutions will be discussed, such as the saving banks, MFIs, cooperatives, and NGOs, conforming the shaded boxes in the system below.

Figure 6.1 Philippine Financial System



Informal Supply

As mentioned earlier in this study, informal saving is done outside a formal financial institution, and these informal mechanisms include saving at home, in cash or life stock and saving groups, such as Rotating Savings and Credit Associations (ROSCAs). However, in this research the urban poor households have the option either to save at home or to save money at relatives or neighbours. Saving groups and saving in life stock are excluded from the discussion, because there is no evidence found that those forms of informal supply exist amongst the urban poor households in Cebu City. Similar accounts for the money lenders, although it is displayed in figure 6.1 as informal element, there is no facility to deposit money at this informal option.

Holding saving at home is the most popular form of finance that the urban poor households use, even though if the families also hold an account at a formal financial institution. Usually, if the household holds an account the amount deposited is used merely for emergencies or school tuition and the money kept at home is used for small expenses, such as additional food supply when there is a special occasion. The money stored at home is kept in a safe place, that usually only that person knows about in order to diminish the chance of being robbed by others outside the family. Saving money at relatives or neighbours is usually done with the purpose that the money is not safe at home either because there is no safe storage place or to avoid the chance that a family member consumes the money on unnecessary products. Another reason to save money at another home is that the relatives can use the money as loan and repay the amount at the time the family needs the money back for emergencies or other expenses.

Formal Supply

Even though the subdivision between formal and informal types of financial institutions is clearly defined, within the types of formal financial institutions there are some scale differences. A saving bank has a higher scale of formality than the financial cooperatives and foundation, because of the more formal legislation and the types of clients. The following institutions in this section are categorised as formal financial institutions and will be outlined in the respectively ranking order of formality. First the saving banks with the highest scale of formality, followed by the financial cooperatives, and the foundations. The microfinance institutions and the non-government organisations are covered within the latter two organisations of micro saving.

Saving Banks

The *Banko Sentral ng Pilipinas* (BSP) is subdivided into the saving banking system and non-bank financial intermediaries, the latter will be excluded from this research, due to the fact that there is no evidence found that the respondents are involved in this form of financial banking. The BSP is the central national bank of the Philippines (equivalent of *De Nederlandsche Bank* in the Netherlands), which functions as the main banking institution for a globally competitive economy. Furthermore the BSP provides a financial system that aims to deliver high quality of life for all Filipinos. (BSP 2010) Three saving banks are important in this research as financial institution for some *not-so-poor* households and as affiliated banks for cooperatives. Metro Bank, Allied Bank and the Philippine National Bank (PNB) are the affiliated saving banks in this research, which are used by financial cooperatives and households with family members working overseas (OFW). The total volume of all the depositors at the cooperative is being stored

everyday at one of the saving banks, because the cooperative buildings are not equipped with large safe boxes. Thereby, at the saving banks the accounts earn interest, which will be divided among the members at the end of the year. The limitation of the saving banks is the drawback that low-income households do not have the ability to become a client of a commercial bank. The banks maintain minimum deposit thresholds, and the financial resources of the urban poor households do not meet this requirement and result in a lack of access. Nonetheless, the establishments of financial cooperatives and foundations provide the urban poor households with other banking alternatives. The latter two financial institutions maintain a lower scale level, which enables the poor households to become clients.

Financial Cooperatives

All the financial cooperatives operating in Cebu City are affiliated with the *Cooperative Development Authority* (CDA), which promotes the practicability and growth of cooperatives as instruments of equity, social justice and economic development. The CDA aims at ensuring the safety of the cooperatives, for both the regular members and the board members. In addition, the CDA in relation with the cooperatives are working towards the development of viable, sustainable socially responsive and globally competitive cooperatives, which function as successful and well-organised financial agency. (CDA 2009)

A cooperative is an autonomous and properly registered association of persons, with a common bond of interest. The persons are joined together to achieve their social, economic and cultural needs and aspirations. They make equitable contributions to the capital required, condescending their products and services, and accepting a fair share of risks and benefits of the responsibility; all in agreement with the universally accepted cooperative principles. The primary objective of every cooperative is helping to improve the quality of life of its members. In order to obtain this objective, the cooperative must aim to provide goods and services to its members to enable them to attain increased income, saving, investment, productivity and purchasing power. And promote among themselves equitable distribution of net surplus through maximum utilisation of economies of scale, cost-sharing and risk-sharing. Next, the cooperative must provide optimum social and economic benefits to its members, and teach the people efficient ways of handling resources in a cooperative manner. And last, cooperatives are bound by the rule that the organisation has to allow the lower income and less privileged groups as clients to increase their ownership in the wealth of the nation. (CDA 2008)

Kamansi Cooperative

The Kamansi Cooperative is founded in 1987 as a multi-purpose cooperative with the aim of giving financial assistance to vendors. The cooperative provides information and financial guidance to people how to save their money and gives the households a safe and secure option for their financial needs and decisions. Only the 2,000 active members can borrow or deposit money at the cooperative, which charge a monthly interest rate of 3% for 180 days. (see table 6.1) The members can weekly borrow twice the amount of their income and pay it back within 90 days. If the members show a well-functioning borrowing behaviour –e.g. pay their debt every day – then individuals can borrow an amount up till 3 or 4 times their income or fixed deposit account.

Loan types	Monthly Interest	Days of repayment
Short	1.5 %	90 days [3 months]
Medium	2.2 %	120 days [4 months]
Long	3.0 %	180 days [6 months]

Source: Interview with Mr. Rupinta

There are three types of deposit accounts within the cooperative, which are stated below in table 6.2. Each type has different acknowledgements and benefits for the members. All members have a fixed deposit, also known as shared capital in order to apply for a loan; this type is used as a collateral for the loan. All members are obligated to deposit money everyday on their fixed deposit account, it is not the daily amount that counts, but the self-control in their financial behaviour that counts. And each day collectors of the cooperative are collecting all the money and write the amounts down in the personal depository or borrowing booklets the people have at home.

The saving account is mostly used by members to earn interest and put money aside in order to move their resources overtime and functions the same way as a current checking account in the developed world. All the money within the cooperative is stored at the Allied Bank and the Metro Bank and members can cash their cheques at their most convenience option, e.g. which bank is the closest to home.

The last option, the so-called Special Account is for the people who are victims of the loan sharks, also known as the *Indian 5-6 lenders*, which are discussed in section 6.4. The money lenders charge up to 20% monthly interest, and without succeeding the requirement of the borrowing conditions, the households are worse-off than before the loan. The cooperative will pay the total amount at once to the loan sharks and the *victims* are now under the controlling eye of the cooperative. If the borrowers repay their loan debt in well-behaved manner, those people are eligible to become a member of the cooperative.

Deposit types	Acknowledgements
Fixed Deposit	Collateral for loan application and to determine the amount of the loan
Saving Account	Dividend paid yearly, withdraw option everyday; no loan application
Special Account	For victims of loan sharks, cooperative takes over the loan and the victims pay the cooperative everyday. In order to become a regular members and have the overall benefits.

Source: Interview with Mr. Rupinta

CEMVEDCO

The year 2000 was the start of the creation of one cooperative - the Carbon Market Vendors Development Cooperative (CEMVEDCO) - from three primary cooperatives. In 2003 the establishment of CEMVEDCO is official, consolidated from Carbon Market Unit One Vendors Multipurpose Cooperative, Unit 2 Carbon Stallholders Multipurpose

Cooperative and Alliance of Third Unit Carbon Market Multipurpose Cooperative. The cooperative is mainly involved in financing (lending and depository), marketing of the whole sales men, insurance (accident & fire) and innovations in saving behaviour.

The financial portfolio of loan and deposit types in CEMVEDCO and the interest rates are quite similar to the Kamansi Cooperative. By mandatory savings for every member at the cooperative it is possible to contribute to the self help of the people and their households. Most of the household's financial behaviour does not directly include savings, every coin that is not spend on food or education goes to unworthy items, like computer games or junk food. The coop forces every household to give some money (even if it is only PhP10) every day to the collectors to store in their savings accounts. This will help and learn them what the best way is to handle their finance and eventually smooth out their income and expenditure pattern. The cooperative teaches the people through saving how they can become self-helped and no longer be dependent on other households.

Foundations

The non-government organisations and microfinance institutions are affiliated with the *Securities and Exchange Company*, which aims to strengthen the capital market infrastructure of the Philippines, and to maintain a financially system that promotes the interest of investors in a free, fair and competitive business environment. (SEC, 2009) The Likhok Filipina Foundation, Inc. and the Bidlisiw Foundation, Inc. will be discussed in this section.

Likhok Filipina Foundation

The Likhok Filipina Foundation, Inc. was established in 1985 as a non-government organisation of, by and for women and their concerns in Cebu City. The objectives of the foundation are to develop viable organisations that will enable women and their families to participate in the planning, decision making and activities affecting their lives, to enhance their capacity to earn income, access and control of resources to improve their quality of life and to be secure in their homes from all forms of abuse and violence. Amongst others, Mrs. Tessie Fernandez was one of the initiators of the Women's Saving and Credit Center (WSSC) within the Likhok Foundation in order to provide an integrated service that includes credit, production and marketing assistance and skills training to women and their families. (Likhok Foundation 2010) The women can deposit at the foundation, which is affiliated with the BDO and Metro Bank in order to keep the money stored and safely in case the money is needed to be used for emergencies or educational fees. The foundation is the intermediary between the poor people and the saving banks in order to provide access to safe alternatives to save money.

Bidlisiw Foundation

The Bidlisiw Foundation, Inc. was established in 1989 as a social-development non-government agency based in Metro Cebu. Eight women, amongst others Mrs. Lolita Ganapin, started together with InterAide (French NGO) this foundation, with the Visayan name for rays of the rising sun, which symbolises hope. The vision is to improve the quality of life for the urban poor families and communities in Metro Cebu and helping the most disadvantages children among the poor communities. The goal of the foundation is to provide access and opportunities in the financial aspects of the lives of the urban poor families. (Bidlisiw Foundation 2010) In 1999 the foundation has

established in cooperation with the Urban Program for Livelihood, Finance and Training (UPLIFT) a business loan methodology, which is composed of three steps. The first step is to create a business plan with the help of a workshop, the next step is a visit at home and the last one is the decision day of the loan size, dependent on the previous steps. When households have a business loan at the foundation, the households are eligible to apply for a multipurpose loan (for education and house payments) and hold a deposit account. The latter two financial services can be used as mechanism to deal with risk or to improve the livelihood assets.

In review, each formal institution has a different saving account portfolio, however the basic accounts are more or less similar amongst each other. All formal institutions have a demand deposit, in which the deposit may be withdrawn at any time by the client. Another account is a contractual savings, in which the client commits to regular depositing a fixed amount for a year and after the maturity date, the client can withdraw the total amount inclusive the interest earned. This specific account is used as fund for the loan portfolios for other clients. The informal and formal financial options are used for saving methods in order to deal with risks, which will be further outlined in section 6.4. In the next part, the demand for micro saving is explained with the intention of proving a general idea of the quantitative and qualitative dimensions of the preferences of poor households for micro saving.

6.3 Demand for micro saving

This section is concerned with the selection and priority reflection in terms of choosing the best and most efficient micro saving option available for households. There are two methods to analyse this demand at the household level: quantitative and qualitative. Although quantitative analysis of potential demand for the appropriate deposit services is difficult, some statistical data can be given in this research. From the total of 58 households in this research, there are 17 families which are currently using formal savings services, and 23 households which not currently use them, but could if appropriate services were available. However, the amount of savings that are or could be mobilised from these groups is hard to estimate. In May, 2010 the current total volume of saving at home, at cooperatives and at saving banks is PhP178,786, but this amount fluctuates during the year due to payments for education and emergencies. The results of the quantitative analysis is not empirical measurable, because there is not sufficient information and data available. (Deshpande 2008)

The most efficient analysis in this research is the qualitative methods, which results in the nature of demand, i.e. what poor savers want in a deposit services and the motives for saving money. Worldwide surveys concerned with the question what poor savers want in a deposit service have revealed that there are some basic features important in deposit services for all poor households. (van Oosterhout 2006) Trust and security are the first considerations made by urban poor, because households need to have the trust that their savings are safe. The CGAP studied that in developing countries, constraints on demand related to mistrust of formal institutions is coming from financial system collapses in the last 10-25 years. (Deshpande 2008) This mistrust is also seen in Cebu City, where several cooperatives collapsed and went bankrupt, due to mismanagement and market failure. The consequence of this collapse was that the members lost all their

saving and had to start again creating livelihood strategies to manage expenses and risk. Although there is a biased preference towards saving at home, there is reason to believe the related risks with saving at home are underestimated, because these risks are familiar. Nonetheless, most families save at home because without a reputed cooperative or foundation the money is more safe at home than the risks of losing it all due to bankruptcy.

The second consideration is the case of accessibility, which consists of the physical proximity and the financial accessibility. When a financial service is incontinently located, the transaction costs for clients will increase and the service will lose its attractiveness. Next, the product features are important, which means the access to withdraw the money. Many cooperatives maintain the policy that shared capital can only be withdrawn at demand, which in turn promotes the trust in the cooperative because the people cannot claim the money at any time. This gives the households the ability to create a larger lump sum of saved money, than when the money can be withdrawn at any time. The financial accessibility deals with the aspect of the affordability of the service for poor households. Many poor households cannot afford to become a client at a saving banks, but the poor can become members of cooperatives and foundation, described in the previous section.

In the questionnaire, the question why did the household choose to save at this particular option (at home, cooperative or saving bank) was asked with the following response options: Easy access, proximity, high interest, family ties, reputation, or other. As it turns out, the only answer given is easy access in terms of the level of access, which suggests that proximity is not a consideration in the decision-making process of urban poor households. Another question in the questionnaire was where does the household save money for; the results are outlined below.

6.3.1 Saving Motives

Why do poor households save their valuable money, that they not spend on food, water and other daily expenses? Table 6.3 displays the different options to choose from in the questionnaire, with multiple possibilities as answer to the saving motives of households. In the second column, the answers are interlinked with the nine different motives for households to save money for, according to Keynes (1939). The last column displays the percentage of each saving motive according to the answers of the household survey in Cebu City.

Where do you save money for?	Keynes motives	Percentage
1. Emergencies	Precautionary motive	29.4%
2. Education	Life-cycle motive	35.3%
3. Food & daily needs	Improvement motive	10.3%
4. Housing building/ buying	Down Payment motive	2.9%
5. Future	Life-cycle motive	8.8%
6. Retirement	Bequest motive	1.5%
7. Capital for business	Enterprise motive	11.7%

Source: Author's Research Findings

The most common saving motives among the Cebuano households are saving for emergencies and the education of their children, because the households live in the present and cannot afford to look too far into the future. Their main priority is to have enough money for daily food, send their children to school and to have a financial response to potential emergencies. The propensity to save for emergencies and education corresponds with the results of the study of Karlan et al (2004) about micro saving in the Philippines, which was also for emergencies and education. These results show that poor households need different types of deposits to deal with different needs. Accessible products such as the saving accounts allow withdrawals at any time for emergencies, and fixed deposit accounts enable households to accumulate money for expected expenses, such as the education fees at the beginning of each school year.

There are three savings motives from the list of Keynes left out of the questionnaire, namely the inter temporal substitution, the independence, and the avarice motive. This is not because these motives are not important to the poor people, but they are simply not achievable for them. If the poor households have the opportunity to deposit money at a cooperative, their prime reason is not the inter temporal substitution motive – earning interest – but simply to have their money stored safely. Although the poor households certainly are dreaming of independence and the accompanying motive, same as the former motive, it is for now just not feasible.

6.4 Dealing with risk

This section contains the context of vulnerability and the way households are dealing with risk. The insecurity in the well-being of individuals and households related with the changes in the external situation can influence the exposure to shocks, such as illnesses and conflicts, critical trends, such as demographic, economic and government changes and, seasonality, such as prices and employment opportunities. (Serrat 2008) The capital assets can both be destroyed as well as be created as a result of the external environment, which is explained in the following quote:

Poor communities live with risk as a matter of course. (Collins, et al, 2009)

The lower income groups face all kinds of different types of risks and crises in the future, but more often in the present. Each and every day, poor households are facing small and bigger risks. The question if there is sufficient money earned in a day to provide food and water to the household, keeps them struggling. The dreadful fear that the local government unit (LGU) decides to demolish their house and/ or shop is major and not even thinkable in the Western world. When a child is getting sick or the head income earner loses his job or has a ill health, the problems are rising. Although every household has created its own safety net (social capital) in the form of kinship, neighbours and people organisations, in some cases this help is not sufficient and the families have to fall back on other alternatives.

There are various alternative ways in which urban poor households can deal with risk. Households can borrow money from others outside their safety net, they can hold an insurance at an association or households can save money at a financial institution in order to handle the response on risks and shocks. Thereby, the households can also have a combination of coping strategies with the intention to sustain their livelihood. The

saving option to deal with risk is described in the previous section 6.2. The first alternative is to borrow money from others outside the social capital, which is composed of different types of lending. Households can apply for a loan at the cooperative or foundation, with their saving as collateral, which is explained in the previous section. Furthermore, households can borrow from 5-6 *lenders* who will provide an immediate loan against a monthly interest rate of 20%. Although the interest rate is high, this option can be either beneficial or unbeneficial in the long-run for the households. The major issue with this type of lending forms is that this lending method does not need a collateral or guarantee, which enables the poor households to borrow on short notice and that is the reason why many households make use of this options. The households can use the loan to pay for emergencies or school fees, which is valuable for each household. Though, the problems can arise in the long-term, when families who borrowed money from the money lender cannot succeed in the repayment and have to take up another loan in order to repay the amount and interest of the first loan. However, in some cases the households actually benefit from the money lenders and generate the needed amount for paying the school fees and have a well-functioning financial behaviour which enables the households to payback the money and interest, without borrow from others to repay the interest.

Another form of loan providing is called the *extra loan*, which consist of a one day loan and is seen as the most disastrous option, if the household cannot succeed in the repayment conditions. Consider a food vendor, who sells fish at a market from 02.00 till 08.00, but the person does not have the capital to buy the fish first from a whole salesman. The *extra loan* consist of PhP1,000, with a daily interest of PhP50. The person who provides the loan pays the money to buy the fish directly from the whole salesman and gives the fish stock to the food vendor. Imagine that the food vendor earns that day PhP1,400, with profit of PhP400 minus the interest, the net profit is only PhP350. The *extra loan* person will stand at the market all day to make sure that he gets back the money and interest. The food vendor has to buy food for his family and cannot hardly build up a capital to have eventually enough money to buy his own fish from the whole salesman. The lending continues with an increased monthly interest rate of 150%. However, the *extra loan* option is beneficial in such way that without this option, the fish sales man has no occupation and income at all. The last option to lend money is called the *fat lady*, which is normally a lady who calls at the end of the day: *Who needs rescue?* The people in need to be saved from other lenders can borrow PhP1,000 for 1 day or 1 month according to their needs against a daily interest rate of 5%, which gives them some slack in the repayment of other debts. Nevertheless, if the problems with debt repayment remain to increase, the livelihood situation becomes a downward spiral in which the problems are keep coming.

Another alternative is to hold a health insurance at an association, such as the *Cebu City United Vendors Association* [CCUVA]. This organisation functions as a multi-purpose cooperative, which means that the association covers the financial aspects of the lives of the vendors as well as the vending rights. Their prime goal is to protect the security and legislation of the 1,000 workplaces, which is merely done by good contacts and relations with the local government unit (LGU). The association has established the *Damayan project*, which includes the medical, mortuary, health and death aspects of life. Every person contributes daily PhP5 to the insurance account, which is a group assurance.

After the initial period of every day payment for at least 45 days, the person is insured for minor sickness, minor and major operation, and death. (see table 6.4)

table 6.4 insurance coverage of hospitalised diseases			
Type of diseases	Maximum stay in hospital	Amount in PhP	Amount in Euro
Minor sickness	1 day	3,000	48
Minor operation	3 days	6,000	96
Major operation	5 days	8,000	130
Death	--	10,000	161

Source: CCUVA 2010

The amount is paid out to the family in case of the occurrence of one the type of diseases. However, the insurance covers only one disease a year, which means that if a person needs a major operation in November and deceases in December, the coverage is only PhP10,000. In case of a major operation in December and death in January, the family insurance is PhP18,000. Especially, the insurance on death is important to the families, because major value given to a Catholic funeral, and without insurance it is too expensive for the households.

Nevertheless, the alternative to hold an insurance is not accessible for all urban poor households, because only the families who are affiliated with an association or foundation are able to insure. In the next part, the policy issues will be discussed which can have an effect on the vulnerability context of the urban poor households and are therefore also involved in the section about dealing with risks.

6.5 Policy issues

Developing countries require an understanding of household saving choices and the methods by which consumption is smoothed across the life cycle in various situations. The lack of well-developed financial markets, due to market failures and the smoothing methods are making the role of public policy an important element in the livelihood framework described in section 2.6. The development of well-functioning markets in developing countries can be significant in creating general stability effects between rich and poor communities, because the incomes are volatile and consumption smoothing methods are limited. Whereas the necessity of improved institutions and markets seems to be self-evident, the determination which government involvements are advantageous and effective to the community is difficult. (Attanasio & Banks 2001)

The government intervention with the existing private markets must be taken into account, because financial networks are playing an important role in smoothing income shocks. The local government units must develop the *right* institutions, which could overcome market failures in order to create a well-functioning mechanism in the livelihoods of the urban poor households. In 1998, the organisation of the NGOs and local government relationship in Cebu City is established in order to create a policy platform for the participation and joint decision making for all the different levels in the population.

Sixteen NGOs located in Cebu City, advocated for alternative politics in which a greater representation of the marginalised groups was ensured in the Congress. This advocacy

was created in order to insert the lower income groups in the participation and implementation of policy issues, which are concerning the urban poor. Meetings with different sectors of the population were held to plan the *Sugbuanong Baraganan* (the Common Agenda) which was approved by the People's Congress in March, 1998. The Common Agenda asked the politicians to deal with the following concerns, such as the generation of employment, the promotion of cooperative growth by granting tax privileges and incentives, funding for social development, the access to credit for livelihood purposes and the protection of food sufficiency. (Etemadi 2000)

The politicians in the local government in Cebu City have implemented policies, programs and projects with the intention to provide social services, such as health, work and welfare to its citizens. The focus of the urban poverty reduction program is on health, housing and livelihood among the most vulnerable groups in society. The target communities of the program are the urban poor in the 26 poorest neighbourhoods and the goal is to develop self-reliant urban communities which can respond to their own needs and problems. The main aims of the urban poverty reduction program are to increase household income by providing alternative credit and saving mobilisation, to enhance their capacities to manage their own financial development program by organising urban poor community sessions, and to integrate all efforts and resources of government as well as non-government organisations to make financial services available to most urban poor households. (Etemadi 2000)

The policy issues of the local government unit in Cebu City are - amongst others - focussing on the interests of the urban poor communities in order to upgrade and expand their self-reliance for well-functioning responses to their needs and problems. The local level of government and their policies are devolved around the livelihood of the urban poor households and can either have a positive or negative influence on the vulnerability context. The positive effect can include the livelihood support of the LGU after economic shocks or in reverse create shocks and risk when families have to relocate to other areas by means of changes in the development planning of the LGU. Furthermore, the policies implemented by the LGU can also have effect on the livelihood assets and the strategies created by urban poor households in such a way that the policies can extend the level of access to capital assets and improve the saving behaviour strategies by supporting the growth in cooperatives.

6.6 Concluding remarks

This chapter has provided the outline of the supply side, the demand side, the managing of risks and the policy issues which all are related with the micro saving situation of the research population in Cebu City. The supply side is divided into the informal and the formal financial institutions, which are available in different levels of access for the urban poor. Most of the households are involved in the informal side of micro saving, i.e. saving at home or at neighbours. However, there are also households that are clients of cooperatives, foundations and saving banks.

The demand for particular saving options is basically based on trust and accessibility. The households need to have the trust that their money is stored properly, without the chance that a formal institution will collapse. This is one of the main reasons that many households keep their money stored at home. However, the accessibility to a reputed

cooperative or foundation will benefit the households, due to the financial training sessions, the safe boxes and the interest earned on deposit accounts. The households that hold an formal bank account, usually keep also a small amount of money at home. The different saving motives require different saving options. The main motives to save are for the education of the children and potential emergencies, such as illnesses. If households have both the opportunity to hold an bank account and can save at home, the money stored at the bank is used for the large expenses such as education and emergencies. And a small amount of money is stored at home in order to have some additional money for small problems or special occasions.

The urban poor households are vulnerable for potential risks and shocks. When the households do not have the capacity to save money in order to create a financial response to emergencies, the households could fall back on their social network or borrow money form money lenders. Thereby, if the households are clients of a foundation or association the prospect of taking an insurance is provided. All the different options are possibilities to deal with potential risk, with the saving behaviour in particular interest in this research. Furthermore, the policies of the local government unit are focussing on the poverty issues and have the intention of providing social services, such as health, work and welfare. However, the communities and households need to develop self-reliance because the support of the LGU is not always noticeable.

The latter three concepts – the saving institutions, the policies and the vulnerability context – are all influencing the livelihood assets, either positive or negative. The access to a cooperative can have a positive effect on the household; an increase in the shared capital assets will eventually diminish the vulnerability. However, policies can also have a negative effect on the livelihood assets by changing developing planning of the LGU. If households have to relocate to different areas, amongst others the housing asset is lost, which will increase the vulnerability. The influence of the livelihood assets on the saving behaviour is the basis of the following chapter.

7. Saving Behaviour

7.1 Introduction

This chapter is concerned with the analyses of the saving behaviour of the urban poor households and all the related aspects, which are described throughout the previous chapters. The household's financial profile and the coping strategies for potential risk and shocks are elements of the actual household saving behaviour outlined in the first section of this chapter. The variables and hypotheses are composed in relation with the theoretical framework of the econometric model for household saving rate in chapter two. Furthermore, the empirical findings and the calculations in the econometric model are outlined in the following sections. The determinants of the household saving rate will be explained and the results of the econometric model will explain which determinants have a significant effect on the saving rate.

7.2 Actual household saving behaviour

The saving behaviour of a household reflects upon the choices made between the household members and the available resources, knowledge and capacity. In this section the actual household saving behaviour will be described. Although the common thought that poor households are too poor to save money is rejected earlier, not all poor households have the capacity to save money. In fact, in this research there are 18 households who would prefer to save money, but do not have the capability to save. The fact that those households do not save money, would not immediately suggest that those family do not have financial transactions or cannot manage their money. Especially poor households need to handle their money, because their income is variable and uncertain, which means that there is not a regular daily based income.

Suppose that a household of four members has to survive on the poverty threshold of \$2 a day per member, this does not automatically imply that there will be \$8 earned every day. Some days there will be an income of \$16 and on other days there will be no income at all. To be able to buy daily needs, the household has to manage their money in such a way that there will be food on the table everyday, and preferable three times a day. The households have to spread their money over a couple of days and keep a part of the income separated from the daily expenditure. In other words, save some money today in order to buy food tomorrow. Although this is also some kind of household saving, the 18 households are excluded in this section from the figures of the actual saving behaviour, because this type of saving is too small-scaled.

After the exclusion, there are 40 households which are known as being savers of money. The majority of these households (56%) saves money at home, 38 per cent deposits at a cooperative and two households deposit their money at a savings bank. The total volume of deposits is PhP178,786 amongst the saving households in this research. The average deposit amount of the 23 households, which keep their saving at home is PhP697 and contributes for 8.9% to the total volume. The 15 households which are affiliated with a cooperative, have an average deposit amount of PhP9,517 and is the largest contributor with 80% to the total volume. Although there are more savers who

are saving at home, the size of the cooperative amounts is higher, which leads to a higher contribution. This also suggest that saving at a cooperative has a positive effect on the amount of the saving.

However, the reason that more than half of the households save at home is due to the fact that they do not have the opportunity to deposit their money at a financial institution, mainly because those families are not affiliated with a cooperative. The households who do save at a cooperative, are performing this way because they are affiliated and are a members of the cooperative. But above all, the easy access and the security of the money are main reasons why certain households are attached to a cooperative. The two household who were able to become a member of a savings bank is due to the fact that in both families one of the household members was an Overseas Filipino Worker (OFW). With the intention of sending remittances back to the home country it is necessary to have an account at a formal savings bank, which have special remittance accounts for this particular purpose.

If a family has the capacity to set aside some money, the most important aspect is the reason wherefore the money is saved. The saving motives are discussed earlier, and the reasons why households save their money are for emergencies and education. The goal is to have enough money to smooth the costs of an emergencies and/ or provide education for the children. The value attached to a particular reason is important, because it determines the actually deposit rate. A family will put everything in process to be able to sent their child(ren) to school or smooth their expenditure in case of an emergency. In case the family will fail in providing enough money to pay for the particular reason, it can have negative impacts on the family life. They can feel guilty and shamed if there is not enough money to sent the child to school and furthermore they have to borrow money to handle the emergency, in which case the household can become a victim of a loan shark.

After the decision of where and why to deposit is made, the next decision would be the question how often the money would be saved. The timeline for when households save or deposit their money, is equally divided amongst the households. One-third is saving daily, the other 33.3 per cent is saving weekly and the rest is saving monthly. The decision when to save money is dependent on the regularity of the income. Households who are saving on a weekly basis are mainly undertaking this because their income is weekly paid out. The same applies for the households who earn their money by selling food in a store; those households mainly save on a daily basis, because it is more convenient to set aside everyday a small piece of the money in stead of at the end of the month. The average daily, weekly and monthly savings are respectively PhP15 (€0.25), PhP100 (€1.60) and PhP1000 (€16), which can imply that the saving rate is higher when money is saved monthly than daily or weekly.

The last aspect of the saving behaviour is the actual deposit the family has actually either stored at the cooperative or at home. In contrast with the average saving amount discussed above, the average deposit rate of the daily savers is much higher than the rates of the weekly and monthly savers. The households which save everyday a small amount of money have an average deposit rate of PhP6,445 (€107) in comparison with weekly savers (total of €22) and monthly savers (total of €67). Although daily savers only save a small amount, but if this amount is saved every single day, the total deposit

amount will increase slowly but progressively. This kind of behaviour needs discipline and strength, but in the end it is the most beneficial of all.

After discussing the most relevant data of the saving behaviour of the savers amongst the research population, the next section is concerned with the econometrical part of the saving behaviour. First the data used will be briefly outlined, afterwards the variables and hypotheses will be explained and described in order to test and calculated the influences of the particular variables on the saving behaviour.

7.3 Variables and hypotheses of micro saving

In this section the different variables will be explained with the related hypotheses by means of the econometric model described in the theoretical framework. (see figure 2.2) Before the hypotheses can be calculated within the econometric model in section 7.4 and 7.5., the variables, such as the population dynamics, the level of income and the inflation rate can have influence on the saving behaviour of the households in Cebu City need to be analysed.

Population dynamics

The population dynamics are composed by the young dependents and the elderly, and both can have a direct effect on the saving rate. According to the life-cycle hypotheses, both the amount of young children and the amount of elderly people in a household can have a negative influence on the average saving rate. The variables and corresponding hypotheses used to characterise the age structure are the share of youth and elderly of the population sample, and are defined as follows:

- Percentage of young dependents (aged 0 to 14 years) over the total population sample of 58 households (328 individuals).
 - *The more young dependents in a household, the less money will be saved.*
- Percentage of elderly people (aged 65 and above) over the total population sample of 58 households (328 individuals).
 - *The more elderly persons in a household, the less money will be saved.*

The previous two hypotheses are related with the life-cycle hypotheses within the neoclassical theory and the next five hypotheses are linked to the augmented determinants of the household saving rate developed in accordance to the economic behavioural theory.

Level of income

The scale of life-cycle saving might depend on the household's income level in a positive way. The higher the level of income of a household usually indicates a higher level of saving. To capture the relationship of the life-cycle saving with the level of household development. The variable used to characterise the level of income is in natural logarithm in order to make the variable measurable in the model and the related hypothesis are defined as follows:

- The natural logarithm of the total level of income of all the households.
 - *The higher the level of income, the higher the rate of saving will be.*

Level of education

The level of education can have direct effects in the model, due to the fact that more educated individuals usually have higher income levels and thus a higher saving capacity. In this model the level of education used is the level of college graduates. This level is chosen because of the reason that there are a lot of drop-outs from high school in Cebu City, but the people still argue that their highest level of education is high school. The drop-outs at college level are considerable lower and thus a more reliable variable to capture the effect of education to household saving.

- The percentage of household heads having at least a college diploma.
- *The higher the education level, the higher the rate of saving will be.*

Female Labour Force Participation

Female labour force participation and fertility are usually jointly determined, and can have a double direct effect on the saving rate. In the first place, lower fertility imply less children in an average household and in the second place, higher female workers rate implies that there are more household members active in the work force and thus, more income. The variable and hypothesis are defined as follows:

- The percentage of women (aged 15 years and above) in the labour force.
- *The more women in the work force, the higher the rate of saving will be.*

Longevity

The variable longevity can increase the saving rates of every ages group in the life-cycle, which can lead to an effect of the life expectancy on the saving rate. The variable used to characterise the longevity is defined as natural logarithm in order to make the variable measurable in the model.

- The natural logarithm of life expectancy at birth in 2008.
- *The higher the life expectancy, the more money will be saved.*

Inflation

The variable inflation can have positive or negative effects on saving rates, dependent on the rate of the inflation. A time period of high inflation with highly negative real rate of interest can be defined as deferring times for saving opportunities. This variable will be defined as follows:

- Annual regional inflation rate in percent in 2008.
- *The higher the inflation rate, the less money will be saved.*

In the next paragraph the different determinants of the econometric model will be analysed on their possible and significant (in)direct effects on the saving rate of households in Cebu City.

7.4 Empirical findings

In 2003, the average Filipino household saving rate was 16.36 per cent, which is low rate in comparison with other countries in South East Asia, such as Taiwan (49% in 1996) and Thailand (30% in 1996). The average household saving rate in this study is 17.85 per cent as shown in table 7.1 for Cebu City in 2010, together with the means of the other relevant variables. To explain which factors and determinants compose the household saving rate, the econometric model, as described and shown in section 2.5, was built using the relevant data from the household surveys.

TABLE 7.1 SUMMARY STATISTICS FOR THE VARIABLES IN THE ECONOMETRIC MODEL			
Variable	Mean N = 58 [All]	Mean N = 38 [Savers only]	Differences between all and savers
Saving rate (%)	17.85	24.43	+ 36.86%
Level of income (Log)	4.97	5.61	+ 12.88%
Level of education (%)	24.14	28.21	+ 16.86%
Young dependents (%)	27.21	26.34	- 3.20%
Elderly (%)	3.32	2.44	- 26.50%
Life expectancy (Log)	3.64	3.69	Same
Female Labour Force (%)	32	32	Same
Inflation (%)	7.84	7.84	Same

Source: Author's Research Findings

Table 7.1 has four columns, which are corresponding with respectively the data of all the total research population, the data of the respondents who are currently saving and the differences between the means of all and savers only. The differences between the two groups are clear. Obviously, the saving rate is higher according the fact that those respondents actually save money, but the other variables are also related with the expectations. The logarithm level of income is almost 13% higher for savers and the education level is almost 17% higher, which means that the causal relationship between income, education and saving can be determined. It can be assumed that the higher the income, the higher the education, thus the higher the saving rate because their knowledge, information and money about the different options of saving. In reverse, the higher the education, the better the job opportunities, the higher the salary, and thus the higher the saving rate.

The next two variables, the percentage of young dependents and the elderly are corresponding with the life-cycle model, which means that the higher percentage children and older people in a household, the less amount of money will be save or in this case, non-saving behaviour. Both variables are lower for the case of savers only, which can imply that the more working people (the category between young dependents and elderly) there are in a household, the higher the chance of a saving behaviour. However it is not yet calculated that these relationships are significant. The measurement of the relationships will be done in the next section.

In accordance of the summary statistics, the hypotheses and all other relevant data, the measurement and calculations of the econometric model will be done in the next section. The assumptions made will be tested and proven to be significant, which means that the relationship is statistically approved and can be considered as being true.

7.5 Econometric model for household saving rate

This econometric model is based on the life-cycle model and other augmented determinants of the household saving rate, and is an useful model in providing the significance levels of the determinants behind the saving behaviour. This model – which is adapted from Bersales & Mapa (2008) – can explain what drives a household saving

rate, using the data and variables collected in Cebu City. By means of the assumptions made in the theoretical model, the econometric model calculates which relations to saving rate are positive, negative and/ or significant. The seven hypotheses discussed in the previous section will be calculated and analysed with the use of the econometric model through the program SPSS. The method used for testing the econometric model is the multiple regression model, which assumes the existence of a linear and causal relationship between the dependent variable Y and the independent variables X.

The econometric model equation for household saving is the fixed effects model, where,

$$Y = A + B_1 * X_1 + B_2 * X_2 + B_3 * X_3 + B_4 * X_4 + B_5 * X_5 + B_6 * X_6 + B_7 * X_7$$

In here, Y is the average saving rate of the households in Cebu City, A represents the regional and unobservable fixed effects and all B's denote the vectors of the coefficients. Furthermore, X₁ represents the level of income, X₂ denotes the level of education, X₃ is the percentage young dependents, X₄ is the percentage elderly, X₅ denotes the life expectancy, X₆ represents the female labour force participation and X₇ is the inflation.

The explanation of all the seven hypotheses is as follows:

$$\left(\begin{array}{l} \text{Null Hypothesis (H0)} \\ \text{Alternative Hypothesis (Ha)} \end{array} \right. \begin{array}{l} = \text{no relationship between X and Y} \\ = \text{relationship between X and Y} \end{array} \left. \right)$$

In the start of the measurements, H₀ is always accepted for the time being and by calculating the model including its coefficient and with the significance level ($\alpha = 0.05$) the model tries to prove the evidence of H_a, and reject H₀.

Table 7.2 below consists of two models, model 1 are all the respondents and model 2 includes the savers only. The coefficients of the determinants include the level of income, level of education, the demographic variables, female labour force participation, longevity and the inflation rate.

TABLE 7.2 VARIABLES OF THE HOUSEHOLDS SAVING RATE		
Variables of the Household Saving Rate ¹	Coefficient Model 1	Coefficient Model 2
Level of income (Log)	0.419*	0.155
Level of education (%)	-0.124	0.023
Young dependents (%)	-0.157	-0.371*
Elderly (%)	-0.112	-0.123
Life expectancy (Log)	0.066	0.014
Female Labour Force (%)	0.081	0.023
Inflation (%)	-0.033	-0.063
Constant	-131.00	31.18
N	58	38
Adjusted R ²	0.175	0.137

¹ Dependent variable is household saving rate

* Significant at 5%

Source: Author's Research Findings

In model 1, one variable, the level of income shows a significant relationship with the average saving rate, which means that H₀ is rejected. The rate of the level of income in a household has a positive effect on the saving rate of a household, which is consistent with the assumption that the level of income has a positive effect on the saving rate of a household.

$$Y = -131 + 0.419 * (\text{INCOME})$$

The positive effect is expressed in **B**₁ of 0.419, which means that a 100 pesos increase in the average per capita income would result to an increase in the estimated mean saving rate by about 0.42 percentage point, all other things being the same.

In this model, the level of income is the only variable that has a significant relationship with the saving rate and the adjusted R² of 0.175 has an explanatory value of 17.5% of the total influence of all the determinants on the saving rate.

In model 2, one variable, the percentage of young dependents shows a significant relationship with the average saving rate, which means that H₀ is rejected. The rate of young dependents in a household has a negative effect on the saving rate of the household, which is consistent with the life-cycle model. Thereby, this effect supports the earlier studies that slowing population growth has been associated with high savings in South East Asia, and the reverse relationship of the higher the population growth, the lower the savings per household. (Bersales & Mapa, 2006)

$$Y = 31.18 - 0.371 * (\text{YOUNG DEPENDENTS})$$

The negative effect would mean that an one-percentage point increase in the proportion of young dependents results to an decrease in the average saving rate by 0.37 percentage point, all other things being the same. Considering the fact that percentage of young dependents is the only significant determinant on the average saving rate, the low amount of the adjusted R² has a clear interpretation. The total effect of this variable explains 13.7% of the total econometric model on saving rates.

The other variable of the demographic factors, the percentage of elderly, is not significant and does not have a leading role as a determinant of the saving rate, and thus H₀ is accepted. However, the negative coefficient supports the life-cycle model, which states that the elderly dissave. Dissaving behaviour means that people who reach the benchmark age of 65, assumable spent the once saved money on their retirement days. If the variable was significant, the coefficient of -0.123 in model 2 would mean that an one-percentage point reduction in the proportion of elderly results to an increase in the average saving rate by 0.12 percentage point, all other things being the same.

The level of education has a non-significant effect in both models and H₀ is accepted. In model 1 the effect is contradictory. If the coefficient had a leading role as determinant of the saving rate, it would imply that an increase of a one percentage point in the level of education results to a decrease in the average saving rate of 0.12 percentage point. In other words, this would mean that the more household heads had a college degree, the less money those household would save. The reason for this contradictory effect is unclear, but sometimes saving behaviour can be illogical and not explanatory with

econometric models. But because the effect is non-significant, it does not play a role in the determination of the average saving rate.

The variables life expectancy and the percentage of female labour force in both models have a positive, but non-significant effect on the average saving rate, because both H₀'s are accepted. Although the relationships are declared non-significant, both positive effects are corresponding with the assumptions mentioned in the previous section. The first variable, life expectancy can increase the saving rate, because the longevity of the people. The longer people are living, the more years they are able to save money and thus increase (with a small percentage) their average saving rate.

The amount of female workers in a household implies more household members in the workforce and thus more income to save money. Although this would be the case in many developed countries (e.g. the two earners household), in developing countries and in particular Cebu City, the case is different. In almost all households, where the parents both have a job, it is a matter of food on the table or not. The women have to earn additional money, because the income of the husband is not sufficient to provide for one's family. In both models the coefficients are positive, but have negligible values, and above all, the coefficients are non-significant.

The last variable in the table, the level of regional inflation has a negative, but non-significant effect on the average saving rate, and thus the acceptance of H₀. The negative coefficient is related with the assumption that high inflation and the usually corresponding negative value of real interest rates would result to an estimated increase in the saving rate. If the level of inflation has a reduction of a one-percentage point, this would result in model 1 to an increase in the average saving rate by 0.033 percentage point, all other things being the same.

In review, the significant variable in model 1 suggests that the main difference within the total research population is based on the level of income, with the condition if households do save or do not have the capability to save. The level of income is influential on the household saving rate in such a way that the level of income is determinant in the condition of saving. The households with a higher level of income in comparison to the lower levels of income tend to have more often a saving behaviour. In model 2, the level of income is not significant anymore, because in this model all the households save money and the household saving rate does not depend on the level of income. In the second model, the young dependents are the significant determinant, because the household saving rate is dependent on the amount of young dependent. Out of all households which are saving money, the households with more children below the age of 14 tend to save less in comparison to the households with less children.

7.6 Concluding remarks

The null hypotheses are in two of the seven hypotheses rejected, which results in a significant relationship between Y and X. The significantly proven hypotheses are: *The higher the level of income, the higher the rate of saving will be* and *The more young dependents in a household, the less money will be saved*.

The results of the econometric model suggest that the level of income in the overall population plays an important role in the household saving rate and in the second model the percentage young dependents in a household has a crucial role in the determination. The amount of young children in a family creates an obstruction to the household saving rate.

The Philippines has a constant population growth over the years, which results in a triangle-shaped age pyramid. This high percentage of young dependents compared to the working population creates an barrier on the saving growth and therefore, lower economic growth. An intention for more development in the country would be the accomplishment of a decreasing population growth in order to increase more saving opportunities. In other countries in South East Asia, such as Thailand and Singapore, studies demonstrated that lower childbirth rates have established a substantially increase in saving incentives. (Bersales & Mapa, 2006)

In returning to the subject of the influence of the level of income in model 1, which has a significant relationship with the average saving rate, a higher income level is amongst the non-savers and savers the best indicator of the average saving rate in a household. This corresponds with the fact that an increase in income is the most important factor in a family's life. Not only has the household more money to consume, but equivalently also more capacity to save money.

In conclusion, this chapter has analysed the positions of the determinants in the household saving rate and (if applicable) the related level of significance. The information and knowledge on the determinants of the household saving rate will be used in the following chapter on the saving behaviour's contribution to livelihood situation of the urban poor households.

8. Livelihood Situation

8.1 Introduction

The livelihood situation is the last concept in the conceptual model, which means that all the knowledge and information described in the previous chapters will come together in this chapter. The livelihood situation with its related strategies and outcomes is the ultimate destination which is pursued through the households' saving behaviour. The saving behaviour is one of the livelihood mechanism the urban poor households used in order to sustain or improve their livelihood. Although there are various livelihood mechanism to develop the livelihood situation, in this research – due to its dominance – only the specific saving behaviour method is being discussed and described.

In this chapter the livelihood situation of the urban poor households in Cebu City is described in order to understand the factors, objectives, capacity and priorities that constrain or develop livelihood opportunities, and thereby shows how they are connected to each other. Every household has differences in the level of access to the different livelihood assets and therefore households have to make decisions, choices and trade-offs between the types of capital. (Serrat 2008) In the following section the livelihood framework will be discussed.

8.2 Urban livelihood in Cebu City

The urban livelihoods in Cebu City include all the aspects that are required to give a meaning to the urban poor lives, such as access to the capabilities, the assets and the activities of a household, but also the related vulnerability aspect, the policies and the financial institutions. Urban livelihoods is the total package of the livelihood framework and all the meanings of life are interlinked with each other. The key economic resources for the urban poor livelihoods in Cebu City are labour and social capital. The exploitation of the labour resource and the related income is dependent on the level of access to the different livelihood assets for a household. The income generating activities vary between gender, capital and skills. (Gifford 2004) The urban livelihood is all about gaining and retaining access to resources and opportunities, dealing with risk and vulnerability, negotiating social relations within the household, managing social capital, and institutions within communities and the city. (Beall & Kanji 1999)

The label *Urban Poor Households* is put on by the government and this label is taken over in the literature concerning low-income households. As shown in table 8.1, there is not one category of urban poor households in Cebu City, but at least four different classification can be made. The living standard of the 'normal' urban poor households can also be seen as just below the middle-income group and are much better off than the poor households who have not an official label.

TABLE 8.1 CLASSIFICATION OF URBAN OCCUPATIONS IN CEBU CITY 2010				
#	Classification	Type of occupation	Daily income	In Euros
4	Urban Poor	Food vendors	PhP500 – 800	€8.25 – 13.25
3	Moderate Poor	Guards; pharmacists	PhP250 – 300	€4.15 – 5
2	Poor	Cargo handling; Domestic helper	PhP100 – 150	€1.60 – 2.50
1	Very Poor	Garbage collectors	PhP50	€0.80

Source: Author's research findings

Similar to the different categories in urban occupation, there are multiple categories in the urban livelihood in Cebu City, which means that there is no general urban livelihood. Even though all households in the research population are urban poor, their capabilities differ, same as their assets and activities. Furthermore, the potential risks, the policies and the financial institutions all have different impacts and effects on the livelihood of the urban poor households. In box 8.1 the urban livelihood of Maria P. is described, which can be seen as general for the households who do not have sufficient income to create a saving behaviour. Thereby, without saving behaviour and the strategy, the family does not have to deal with policy issues and institutions on a regular basis.

Box 8.1 The urban livelihood of Maria P. in Cebu City

Maria P. is a woman of about 45 years of age who lives in barangay Ermita, which is located at the coast near the harbour. She is married with Rami P. and have five children together. The family composition is composed by the parents, the five children en the husband of the oldest daughter and their first-born, and all nine members live in the same small house with two bedrooms. Maria has her own small food shop business at the front of the house in a lively street in the centre of their community. She earns an estimated PhP3,000 per month, but this amount fluctuates in periods with little to no clientele. Rami is tricycle rider within the neighbourhood and earns an estimated PhP4,000 per month, and his income is also fluctuating per month because its dependence on demand for transportation and the highly competitive character of the tricycle business. The jointly fixed income is PhP7,000 per month, however the household should earn at least PhP12,000 per month to require at the condition of \$1 daily needed per person.

The diversification of financial resources is crucial in the livelihood of Maria's family and the affiliation with the Ermita Fisher Folk Association (EFFA) is a vital value. The boats of EFFA are used by the sons to fish and earn an additional income of about PhP3,000 per month. The irregular income and the expected expenses on food are leading to a type of saving behaviour which is common at poor families. Maria holds a small amount of money at home in order to have sufficient money to buy food everyday, which means that she tries to have at least PhP100 every day to buy the minimum amount of food necessary for a household of nine. The food is prepared on wood in the extended balcony/ kitchen above a polluted river and additional food is cooked for the neighbours, which did not manage to hold on to the necessary PhP100 to buy food.

The urban livelihood of Maria P. is composed by a daily struggle in order to have sufficient food for the household members and although her ambition is to provide education for all children, there is only enough money to pay for the elementary school fees. Nevertheless, the perceived quality of the urban livelihood by Maria P. is good; she is thankful for all her children, proud on her business and other families are worse-off.

Source: Interview with Maria P.

In the next section, the livelihood strategies of the poor households are related with the urban livelihoods. Households create livelihood strategies with the purpose to increase and sustain their livelihood. The strategies can differ amongst the households, due to the differences in livelihood and the level of access to assets and activities.

8.3 Strategies

Livelihood strategies are the combination of activities that households choose to undertake in order to achieve and protect livelihood outcomes, such as more income and an increase in well-being. As mentioned before, labour and the related level of income are the key economic resource, which need to be managed in a livelihood strategy. The dominance of the cash flow management within the strategy reflects upon the irregularity and the low-levelness of the urban households' incomes and the corresponding regularity and unpredictability of the expenditure. The design of this section concerning the livelihood strategies is amongst others adapted from the method used by Gifford (2004) in *Utilizing, Accumulating and Protecting Livelihood Assets*. Although the data in that study is gathered from Kampala, Uganda the intention is more or less similar to the situation and strategies in Cebu City, mainly because both the cities as categorised as urban and have urban livelihood strategies in stead of the more agricultural focus in rural livelihoods.

The call for financial intermediation by urban poor households and their ability to make use of it is dependent on the livelihood assets as well as external shocks and risks, which corresponds with the following quote:

Risk is an important determinant of whether households diversify their sources of livelihood, what economic activities they undertake, what social relationships they negotiate, how they manage their assets, and whether they enter into and can recover from debt. (Chen & Dun 1996)

Both the assets and the risks are determining the livelihood strategies that are followed in order to sustain and improve the livelihood. The strategies composed are described by means of the utilisation of the different assets to access financial services. The urban poor households in Cebu City are using seven different assets in order to generate financial capital on the account of building a saving behaviour. The structure of assets has no ranking order of importance, because every households make use of different assets to create their own livelihood strategy, which is unique to their own opportunities, level of access, and goals. Even though the assets described in the next part are general and not suitable for each household, the first two assets (social capital and labour) are the most important ones. If there is no access to these two assets, a family has to survive on their own capacity and without income the chances of survival are very small. Fortunately, all the families in the research are involved in social capital and at least one family member earns income.

1. Social Capital

The creation of social capital in the structure of support networks and reciprocity between family members and within neighbourhood communities is the most important asset in such a way that personal networks are the engines of the livelihood. Although financial capital (labour) is the key asset in this study, because of the money that is earned, social capital is the mechanism in which amongst others job opportunities are

created. The interaction between the financial and social capital is the fundamental pillar to get access to financial services in order to sustain and improve the livelihood. All the financial services described in the supply side of micro saving (section 6.2), except the saving banks are reliant on informal resources of contract and enforcement, which is generated in the social capital and the related networks.

One of the crucial elements within the social capital is trust, on which many financial and non-financial transactions are based. This means that the financial transactions have to remain localised and cannot be expanded unless legal contract mechanisms are devised. The loan that a household provides to family members or neighbours is based on mutual trust, and with the basic principle that the money will be repaid as soon as possible. However, it is not the case that a household will provide a loan to anyone in their personal network, because money is a scarcity and the family will only offer credit to households who are closest related in the personal network. The local character of the cooperatives and foundations is the power of their existence, and the particular institute has to be inserted within the social capital to be eligible of becoming a member of the financial service. An example is the cooperative CEMVEDCO, which is located at the carbon market and only allows people or households who are working at the market to become a member. This limited selection maintains the local character and because everyone knows each other, there is no requirement for official paperwork, which in return saves time and money.

The non-financial transactions are also based on trust and usually involve food and information sharing, which means that the neighbours are living in solidarity with each other. The transaction of food occurs when one family does not have enough money to place food on the table, and the support of the neighbours is the crucial determinant for survival. The transaction of information occurs when households have knowledge about certain livelihood opportunities or constraints that can influence the lives of the urban poor households. The sharing of knowledge can include new job opportunities, the warning that the local government unit (LGU) has planned a demolition of certain houses or other things that are happening in the neighbourhood. In review, social capital functions as the engine behind each livelihood aspect.

2. Labour

The development of a livelihood and the related survival mechanism are mainly accomplished by the resource of labour. By means of labour, the income earned can be used for daily expenses, monthly expenditure and the poor households can use the money to get involved into different financial services, i.e. save the money. The cash flows that are coming into the household are usually small and irregular, due to the type of labour most urban poor people are performing. More than 20 per cent of the head income earners are self-employed food vendors, and nearly 20 per cent is a standby-employed construction worker. Both types of labour are dependent on clientele and available employment, which makes the labour and the related income irregular and unpredictable. In order to survive and overcome these irregularities in cash flow, households are depending their livelihood on multiple jobs. In one-fifth of the households additional support for the family is coming from the women working as food vendors, and in some cases the children are financially contributing to the family.

3. Household composition

The social capital is the engine behind the livelihood, but it is the family who is generally the main source of support. The average urban poor household size in the survey is estimated at six members, with a range between 2 and 14 members. The first personal network is composed by the household members, and can eventually widen into an efficient social capital. Every member has beside the family network access to different types of networks and sources to generate access to money. The composition of the family is related with poverty and as a result can have effect on the household saving behaviour. A household with a high number of young, elderly or sick dependents will have a lower level of access to livelihood assets than a household with more members who are actively involved in the labour force. Economically active members can perform paid work to support the family and through the additional money the capability to deposit money is created, because more income is entering the household and expenditure remains the same. (Terada-Hagiwara 2009)

4. Housing

Housing and the right to dwelling are foremost instruments for the urban poor households in order to perform financial activities. In the survey, eighty per cent of the residents are owners of their house and can subsequently use their house as a source of income in various ways. Households with spare rooms available – due to the moving out of the children – can offer the rooms for renting to tenants in order to earn additional money. Houses can also be used as physical base for their (small) businesses. Especially the women use the front of their house as food store shop, mainly because the women can also perform their household responsibilities at home. Furthermore, the place of residents is a physical place to store personal saving, because almost every household saves money at home, even if the family also holds a saving account at a formal financial institution. Saving at home is the most common type of financial intermediation used by the poor households and requires a safe hiding place.

The location of the house is also important for the urban poor households for access to financial services. First, if the people perform financial activities that are home-based, it is important that the location of the house is central in the community in order to built up clientele and goodwill. Next, the community or neighbourhood in which the house is located is also determinant to the type of financial service or institution the household can become member. Especially the formal financial institution, such as the cooperatives have a local character and their clients only exist of community or neighbourhood residents.

5. Human capital

Human capital is the asset which includes the experience, skills, health and knowledge in order to determine the quality of labour, as well as education and other skills for improving the value of labour. Even though there does not exist a direct relation between human capital and the access to financial intermediation, the asset allows and supports the other assets to develop and improve in quality. The labour productivity is influenced by the health status of the employee, and the level of education and skills will also affect the quality of labour. The level of education and skills of a person will affect the capability of income earning and thereby increase the knowledge and access to information. The opportunities that arise can enlarge their personal network to get access to other job opportunities and financial services.

In this study, the levels of skills and knowledge within the human capital is of more importance than education, due to the fact that in the previous chapter the hypothesis of education is rejected. The general fact that the higher the education level of a person is, the higher the quality of the job, and as a result a higher income level will not sustain amongst the urban poor households. The occupation of vending and delivering are the most common jobs of most persons in this study, and these types do not require a high level of education. However, the skills and knowledge concerning the product sale, good health and the intercourse with (potential) clients is of utmost importance in order to earn money.

6. Shared capital

Shared capital, also known as fixed deposit is used in the formal financial institutions and is an shared account of all the members of the particular institution. Every member is obligated to deposit money at this account on a regular basis and the members are not allowed to withdraw the money during a time period of usually one year. The amount a household has deposited on the account can be used as collateral for loans, and the size of the deposit will determine the ultimate size of a potential loan. At the Kamansi cooperative the size of the loan will be determined by the personal amount on the shared capital and the saving behaviour of a person. If a person regularly deposits and repays the interest of former loans without missing one payment, the person can borrow up to three times the personal amount on the shared capital account. By means of the shared capital households can develop a saving behaviour which will benefit the livelihood in multiple ways, either by the security of the money in the shared capital, the interest paid out at the end of each year or the possibility to borrow money when unexpected shocks occur.

7. Neighbourhood organisations

Neighbourhood organisations are a community-based group of poor people who come together to address aspects of mutual concern, share knowledge, and provide financial and non-financial services to each other. (CGAP 2009) In every neighbourhood in the fieldwork there is an organised group, which provides services and practices for the community members. Even though the tasks and activities carried out differ between the neighbourhoods, the goal of every organisation is to provide basic needs and a better livelihood to their own people. EFFA, which stands for the Ermitta Fisher Folk Association, is an example of a neighbourhood organisation which plays a major role in the lives of the affiliated households. EFFA provides equipments such as fishing boats, pump boats (for water delivery) and a tricycle repair shop to the members in order to generate additional income beside the regular jobs. Similar to all livelihood projects, such as the Pasil Women Organisation, EFFA works with a scheme in which the different equipments rotates amongst the families on a weekly basis in order to upgrade their livelihood. The neighbourhood organisations are also defending the dwelling rights, assisting in human rights, creating social networks, and providing financial training sessions, all with the best interest for the community members.

In review, the livelihood strategy of saving behaviour is the combination of activities and assets, which are described in the previous part. Households choose to undertake the available activities and assets in order to achieve livelihood outcomes and goals, such as

more income and an increase in well-being. Although each household has their own unique set of assets and the level of access differs among them, all households need to have access to social capital and labour in order to build up their financial saving behaviour. Furthermore, the decisions made within the saving behaviour of the urban poor households in Cebu City are not always as mindful and strategic in such way the donors, government and microfinance institutions would like them to be. (van Oosterhout 2006) Households' decisions are based on subjective information and past experiences, rather than taking the future vision into account and during the actual decision-making process not all poor people are being strategic or efficient. (de Haan & Zoomers 2005)

In box 8.2 two outstanding livelihood programs of neighbourhood organisation are briefly outlined in order to understand the crucial values of such programs for the development of the livelihoods of all community members. Some are small, such as a water pump or common toilet and others reach a bigger target group, such as the *Saving Replication Program*. No matter how small or big the projects are, all of them are strategies in order to achieve the livelihood outcomes and goals.

Box 8.2 - Livelihood programs

Bayanihan Savings Replication Program

The BSRP is a program designed to implement in every barangay, and to teach every member how to manage and save their money. The principles of this project is to search for the welfare of the people and the city, and the best way to save is in synergism with other members. Because the bank perspective is that the poor are not bankable, the power of the poor is their unity. The BRSP new perspective is that a savings record is a credit record, which means that the poor can generate a loan, with their savings as pledge. The new mechanism is that all the resources are pooled together into one fund, which can be available for lending to other members. There is a compulsory weekly pledge saving and every week there will be a meeting among the members. So, the emphasis is on saving and not on credit.

Participatory Environmental Management

Barangay Luz began with solving the problems with basic services issues, such as access to water, education, domestic violence, saving mobilisation and waste recycling. Among the major problems they aimed to solve was solid waste disposal. The city dustmen are only responsible for collecting garbage from the main streets, meanwhile the barangays' duty is to clean and collect garbage from the inner streets. The urban poor women began with the initiative to collect recyclable waste material and produce and use the garbage into bags. The product sale was the base for the development of a program that can make money out of waste. *Kuarta sa Basura* program [Money for Waste program] was launched in 2002 to enable the members of barangay Luz to earn money through recycling, composting and other activities. Approximately 60% of the residents are active participants of the project and earn additional income in order to gradually upgrade their livelihood every month. The people are now more aware about environment issues and waste management, and thereby the earned money functions as collateral for a loan application.

Source: Author's research findings

The urban poor households in Cebu City use the range of assets in different forms and with differences in intensity, which is dependent on the level of access to the assets for financial intermediation. Through the access of financial intermediation household have the ability to create their own saving behaviour and the related livelihood outcomes are outlined in the following section.

8.4 Outcomes

The livelihood strategies, which are outlined in the previous section, have consequences and outcomes for the livelihoods of the urban poor household. The level of access to particular assets and the financial behaviour are determinants to which extent the potential outcomes are actually accomplished. The type of assets the urban poor are looking for to develop and protect reflects upon their livelihood strategies and risks. In an urban family one of the major risk factor is a potential illness of the head income earner, which places the livelihood of the entire family in a worrisome situation. The saving behaviour is one of the strategies used to protect and accumulate a variety of assets in order to prevent large loses of income through ill health circumstances. One of the main benefits for the urban poor household, who did have a saving behaviour was the ability to manage and meet at least the normal expenditure, and with money stored in a financial institution or at home also the ability to manage the unexpected expenditure. The unexpected expenditure can occur during emergencies, economic shocks or illnesses and with the saving behaviour the vulnerability of the urban poor can be slightly diminished, because the households have self-control in their finance.

In this research there are eighteen households who do not save money and are not using savings as a livelihood strategy. These particular households are too poor to save money and need other strategies to create a possible path out of poverty, such as more reliance on their social capital in order to generate income to manage their livelihood. The 18 non-saving households are excluded from this section concerning the livelihood outcomes of the saving strategy. Other strategies are irrelevant to investigate, due to the research objective of examining the contribution of the saving behaviour to the livelihood situation of the urban poor households in Cebu City.

The remaining forty saving households are divided into two groups based on their outcomes of the saving strategy. Eleven saving households are stating that they do not benefit from their saving behaviour, one household mentions that the main benefit from saving has not yet occurred and twenty-eight saving households state that they do have livelihood outcomes from their saving behaviour. The reason that the eleven households do not benefit from their saving is explained by a male person living in barangay Ermitta: *Even though we can pay for the school fees of the children and we have money set aside for emergencies, it is just no fun to save money. I work hard to earn money for my family, but unfortunately there is no money left to pay for leisure activities.* In other words, the households actually do benefit from saving, otherwise they did not have the money to pay for education and emergencies, but that cuts no ice in their minds. Especially, the husbands who have the feeling that they themselves do not benefit from the saving, however the wives do have the feeling that they benefit because the entire family does.

The household which states that the main outcome of the saving strategy has not occurred yet, is waiting for the permission to build and buy their own house and lot. The

money is already available, and the saving strategy helped the family to make their dream come true. The twenty-eight households of which their saving behaviour substantially contributed to their livelihood have different outcomes and can be subdivided into general contribution, concrete household benefits, financial management and social capital.

The general contributions to the livelihood generated through the saving strategy include making the livelihood more sustainable, making arrangements for the future, to fulfil the requirements of the family needs, health maintenance, and making changes in order to have a better life in the future. As mentioned earlier, the risks of illnesses or diseases can put a family in a worrisome situation, either by the omitted income of the household's head or by the medication costs for sick family members. The coping mechanism of saving money can prevent the family to fall below the standards of living in case of a risk occurrence.

The concrete household benefits generated from the saving strategy include the outcomes of building houses, buying lots and housing equipment, paying for house repair and the school tuition, and support the children in the future. The biggest asset accumulation is in human capital, which is the ability to pay for the school fees and provide education opportunities to the children in order to prepare them for a better livelihood. The increase in human capital can have long-run positive benefits for livelihoods, and especially for the next generation. The outcome of the education paid through the saving strategy will reflect upon higher levels of quality in the livelihoods of the children and over time their children. The provision of gains to the overall household welfare and human capital are the two most important perceived benefits which can be achieved by the saving strategy, because the household is the most essential factors within the livelihood situation. The well-being of the family is of enormous value and is the building block on which the livelihood is built.

The subgroup of financial management outcomes is concerned with the ability for urban poor households to obtain money and generate a financial behaviour that fits into their livelihood. In this way, the vulnerability and risk aspects can be decreased. The first and most important outcome is the knowledge of all the saving options available in Cebu City and the ability to learn how to save money. Money stored in an institution or at home provides a secured feeling concerning the finance of a household, and knowing that there is money available for a coping strategy when an emergency occurs. Other important outcomes in the department of financial management is the capability to build up capital and investment to set up or expand the micro enterprise of a household. Next, the saving behaviour can avoid that households become a victim of money lenders, and minimise unnecessary expenses in order to increase the amount of the saving amount.

The last group of livelihood outcomes is concerned with the improved social capital, which means that the solidarity between household has increased. People are advising and financially supporting their neighbours and network in order to create an even wider social capital. As mentioned earlier, social capital is the engine behind all livelihood aspects and a high level of access to social capital does increase the livelihood opportunities. The maintenance of current livelihood projects and programs, and the implementation of new projects are made possible by the social capital household build up through saving strategies.

In review, the preserved saving strategy of most the households in the research population has positively contributed to the livelihood situation in Cebu City. By means of better financial intermediation and the related saving behaviour the households are able to create a better life for the family members. The benefit of being secure and self-controlled with the family finance is of crucial value to upgrade the livelihood and the already realised outcomes give incentives to reach out for new ambitions and outcomes. The following part of this chapter is concerned with the description and potential achievement of the ambitions that are set out for next year.

8.5 Ambitions

The livelihood ambitions are targets that are not achieved yet, but which are objectives to reach in the near future. All the households in the research population have the ambition to improve their livelihood in some way or the other, and the saving behaviour can function as a key strategy in this fulfilment. The non-achieved targets can be used as feedback to rethink the saving behaviour strategy and the related livelihood assets. In order to achieve the ambition to increase the income, the household can increase the effort of improving the access to the labour asset with the purpose to increase the quality of the occupation and thereby increase the level of income.

Some of the households' objectives are ambitious and others are small, but the value of having ambitions is clearly explained by a person living in barangay Sambag II: *Everyone needs to have a dream, without having a potential goal to achieve, even if the target is out of your league, there is no hope anymore, and without the believe that something good will happen in the future, there is no life.*

The ambitions are effective incentives for households in order to remain challenging to sustain or improve the livelihood and eventually all the small progresses can lead to the actual achievement of the ambition. In the research population there are some households, which actually achieved their ambitions, and increased their income and improved the related livelihood. These households are helping and supporting the households who are struggling within their community and function as examples of ambition achievers.

Some families' ambitions are small, but valuable and are just hoping to maintain the level of livelihood and have enough food every day, without further decrease in living conditions. Most of the households have the general ambition to increase their income in order to have sufficient money for the education of their children and to help other members who are worse-off.

Some ambitions differ from the general goal to increase income and are concerned with the housing assets. Several households are waiting for the agreement of the LGU, which states that the families can remain living in their houses. However, there still exists a chance that the families have to relocate to another area, which implies a complete change in livelihood assets and the related strategies. Furthermore, to be a member of the cooperative is very beneficial to the households in many ways. The cooperative provides training session about financial behaviour, the people share in the shared investment building and can earn dividend and interest.

The ambitions to improve their livelihood are more or less the same as the livelihood outcomes of other households, and the most important general one is to increase their income and the most specific ambition is the provision of education to their children.

8.6 Concluding remarks

The fact that all households within the research population are different in the sense of income level, the occupation type and the level of access to livelihood assets, made it difficult to generate one urban livelihood situation. Although all households are poor and have more or less the same livelihood assets, the differences are set in the saving behaviour or the case of a non-existing saving behaviour.

For this reason, the livelihood strategies are composed by means of the utilisation of the different livelihood assets to get access to financial resources. The seven livelihood assets are social capital, labour, household composition, housing, human capital, shared capital and neighbourhood organisation. Although the assets are general and not suitable for each household, the assets of social capital and labour are the most crucial assets. Families without these two assets have to survive on their own capacity and without income. Even though the households in the research population are poor, all of them have some level of access to social capital and labour. The households use the range of livelihood assets in different forms and with various intensity levels, which is dependent on the level of access to the assets for financial resources.

In the course of the saving behaviour and its related livelihood strategies, the livelihood outcomes can be generated. The saving behaviour is for almost all households beneficial in various outcomes, which can be divided in general contribution, concrete household benefits, financial management and social capital. The conceptualising of the various outcomes in subgroups is more convenient, however all subgroups are interlinked with each other. The general contribution is mainly the outcomes of a sustainable livelihood and the ability to make arrangements for the future, which is related with the concrete household benefits, such as building houses and paying for the education for the children. The house and the education outcomes are also (indirect) instruments to make the livelihood sustainable and make preparations for the future.

The financial management result is mostly concerned with the ability to obtain more money and generate a financial behaviour that fits into the livelihood of the household. The last result of the contribution of the saving behaviour is on the level of social capital, which means that the solidarity is increased within the personal networks. The (non) financial investment in the social capital is of utmost importance, because this specific capital functions as the engine behind all the livelihood aspects and can increase the livelihood opportunities.

Moreover, the achievement of ambitions within the livelihood situation functions as the feedback mechanism to rethink the saving strategy and perhaps the strategy needs some adjustments in order to accomplish the ambitions, such as higher income. The contribution of the saving behaviour to the livelihood situation of the urban poor households in Cebu City became clear in this chapter.

9. Conclusion

Several themes have been discussed in this research which are dealing with the micro saving and the livelihood framework in Cebu City and in specific the capacity and the ability to save money amongst the urban poor research population. In the thematic-theoretical chapter it became clear that there is no straightforward saving behaviour and neither is the livelihood approach the same for every poor household. In fact, it is a complex process, which involves several different concepts that all lead in differences paths to the actual saving behaviour and the urban livelihood situation. The core focus of this research was on these two key concepts, because the contribution of the saving behaviour and the related livelihood strategies are of crucial importance in the livelihood outcomes and results, and subsequently in the general livelihood situation of the research population. The main research question was as follows:

Which factors influence the households' saving behaviour and how does this behaviour contribute to the livelihood situation of Cebuano households?

After absorbing all the information, data and knowledge from the preceding chapters, it can be said that the contribution of the saving behaviour and the related saving strategies to the livelihood situation has been rather beneficial for the urban poor households.

The structure of the conclusion begins with the description of the national and local context in which the research is completed. Subsequently, in the proceeding sections a synthesis will be provided on why these two key concepts are being positively related to each other in the context of the research population. As closure of the conclusion, some recommendations will be given to improve the opportunities of the urban poor households living in the visited neighbourhoods in Cebu City.

The country in which the research is completed is the Philippines located in South East Asia and is categorised as a developing country with a high poverty rate. As consequence of several reforms, the economic crisis and the colonisation by different nations, the Philippines has had some drastic fluctuations in its development. In 2003, the country has a national saving rate around the 16%, and the Philippine banking system has a total private saving amount of \$46.2 billion. This amount reflects upon an average of 21 million people (out of 95 million) holding a bank or cooperative account.

Cebu City – the city that was chosen to complete the research on micro saving and livelihood – is after Metro Manila the biggest growth centre in the Philippines, with trade and service activities as main contributors to the GDP growth. However, the drawback of the dominance in these sectors is that the growing economy is not beneficial for the urban poor population. A part of the urban poor population in Cebu City is randomly selected out of several neighbourhoods as research population and functions as research unit.

The basic characteristics of the local circumstances of the research are providing the opportunity to succeed the following paragraphs with the purpose of giving a synthesis on the answer of the main research question. The next part is concerned with the answer of the first part of the research question, followed by the answer of the second part of the research question.

The influencing factors on the saving behaviour

The final statement of the influential factors on the saving behaviour is in conformity with the conceptual model. Although all the factors are positively or negatively related to the saving behaviour, only some have a significant effect on the saving behaviour.

Risks and shocks

The urban poor households are vulnerable for potential risks and shocks that can occur in their livelihoods and have a more devastating impact in comparison to *not-so-poor* households. Due to the fact that the level of cash inflow is lower, every risk (small or big) has a major impact on the cash management of urban poor households. When the head income earner has a ill health and cannot succeed in the provision of income, the family has to fall back on other coping mechanisms. One of the coping mechanisms can be a saving amount owned by the family, which can provide a financial response to the temporarily situation of no income. Other mechanisms can include the diversification of financial resources, borrow money from neighbours or hold on to a loan at a money lender or a cooperative. In sum, potential risks can diminish the household saving rate because the income is used for payments (and not to save), on the other hand the household saving can be used as instrument to handle the risks and shocks. Either way, the risks and shocks are influencing factors of the saving behaviour.

Institutions and policies

The supply side of micro saving is divided into informal and formal financial institutions, which are available in different levels of access to the urban poor. Most of the households are involved in the informal side of micro saving, i.e. saving at home or at neighbours. However, there are also households that are clients of cooperatives, foundations or saving banks. The accessibility to a reputed cooperative or foundation will benefit the households, due to the financial training sessions, the safe boxes and the interest earned on deposit accounts. The main motives to save are for the education of the children and for potential emergencies, such as illnesses. Furthermore, the policies of the local government unit are focussing on the poverty issues and are providing social services, such as health, work and welfare. However, the communities need to develop self-reliance, because the support of the LGU is not always noticeable.

The last concepts – the saving institutions, the policies and the vulnerability context – are all influencing the livelihood assets, either positive or negative. The access to a cooperative can have a positive effect on the household; an increase in the shared capital asset will eventually diminish the vulnerability. However, policies can also have a negative effect on the livelihood assets, if the LGU changed the developing planning. When households have to relocate to different areas, amongst others the housing asset will be lost, which in turn will increase the vulnerability.

Livelihood assets and the level of access

The livelihood assets are composed by the five different livelihood capitals, including social, human, financial, physical, and natural capital. The assets combined with the risks, the institutions and the policies creates the basic features in which the saving behaviour will be developed. The livelihood assets are described in terms of estimated average, however all households are different units and have differences in the access to livelihood assets. The first important asset in this research is the level of income, which is a significant determinant for the saving conditions of households. When the level of income is too low in order to set some money aside after the expenditure, the household cannot require the saving condition, which is the case of 18 households in the research. Moreover, among the households that have a saving behaviour, the determinant of the amount of young dependent has a significant, but negative effect on the household saving rate. This means that the more a household member under the age of 14, the lower the saving rate will be in comparison to households with less children.

Next to the factors of significance, there are also several factors which can have a non-empirical effect on the saving rate but nevertheless these are also important factors. The quality of labour determines the financial capital, the quality of the living conditions determines the physical capital and the personal network defines the quality of social capital, which all in turn have (in)direct effect on the saving behaviour.

In sum, all the previously described factors are the basis of the saving behaviour and the level of access to livelihood assets determines the quality of the saving behaviour. The empirical findings on the size of saving compared with saving at home and saving in a cooperative showed that the size of the saving amount in a cooperative account was much higher than the amount kept at home. In other words, if a household has the access to a cooperative, the household saving rate will be higher and thus the saving behaviour can be more beneficial to the household's livelihood. The contribution of a particular saving behaviour to the livelihood situation of the urban poor households will be clarified in the proceeding paragraphs.

The contribution of the saving behaviour to the livelihood situation

The final statement of the contribution of the saving behaviour to the livelihood situation is in accordance with the conceptual model. The livelihood strategies which are derived from the saving behaviour and the related livelihood outcomes are described in the proceeding section.

Livelihood strategies

The process of the different livelihood assets to get access to financial resources is the basis of the livelihood strategies, which consists of social capital, labour, household composition, housing, human capital, shared capital and neighbourhood organisation. Even though the resources are general and do not fit into each strategy, the resources of social capital and labour are the most crucial ones. If households do not have access to these two assets, their livelihood is in a worrisome situation. In order to develop a livelihood saving strategy, the households make use of a variety of livelihood assets, which is dependent on the level of access to the assets for financial resources.

Livelihood outcomes

The livelihood outcomes can be generated in the course of the saving behaviour and the related livelihood strategies. The saving behaviour is for almost all households beneficial with various outcomes, such as general contribution, concrete household benefits, financial management and social capital. The conceptualising of the different outcomes in subgroups is more convenient, however all subgroups are interlinked with each other. The general contributions include having a sustainable livelihood and having the ability to make arrangements for the future, which is related with the concrete household benefits, such as building houses and paying for the education for the children. The financial management results include the ability to obtain more income and generate a financial behaviour that fits into the household's livelihood. The last result is at the level of social capital, which means that the solidarity is increased within the personal networks. The (non) financial investment in the social capital is of utmost importance, because this capital functions as the engine behind all the livelihood aspects and can increase the livelihood opportunities.

Moreover, the achievement of ambitions within the livelihood situation functions as the feedback mechanism to rethink the saving strategy and perhaps the strategy needs some adjustments in order to accomplish the ambitions, such as higher income. In sum, the saving behaviour and its related livelihood strategies have had an overall positive contribution to the outcomes and thus the livelihood situation in general for the research population.

Recommendations

The last section of this conclusion aims to provide some recommendations for the urban poor households living in the visited neighbourhoods on how to improve the livelihood situation in Cebu City. As mentioned earlier, one of the limitations is that the size of the analysed research population is too small to be representative for the total population in Cebu City. Nevertheless, the recommendations are valid for the Northern district barangays in Cebu City.

The access to improved financial saving resources and services helps urban poor households from falling further back into poverty and supports them to build up strategies to achieve their ambitions. The holding of a saving account in a cooperative or foundation enables households to improve their saving rate, which leads to better opportunities to increase the quality of the livelihood. Although cooperatives and foundations are established to support the urban poor households, the majority of the households are not able to become a client. The local character of the cooperatives has to be maintained, despite the restricted client base. Households living outside the area of the cooperative or without a food store at the carbon market, are not eligible to become a client. Households that are affiliated with some kind of formal financial institution are better off than the non-member households, which creates the opportunity to collect more data on the saving preferences of the poor households. This will improve the understanding of the demand side of the micro saving services.

However, it is difficult to include all the urban poor households in formal financial institutions, and thereby the existing mistrust, pressure and unfamiliarity are not beneficial for expanding the outreach of financial institutions. The institutions closest to

the poor are also the weakest in terms of performance, governance and management. The institutions are caught in a liquidity trap and the perceived costs of small savings are high, which dampens the incentives for institutions to mobilise small savings. In other words, the supply as well as the demand side of micro saving do not match with each other.

Although micro saving is an element of the microfinance concept – which is believed one of the best poverty alleviation tools used in developing countries – the results achieved with micro saving are much less ambitious, but not less valuable to the households. Micro saving does not alleviate poverty and it does not lift people out of poverty, but it does reduce poverty on a small scale. When the additional money derived from an increase in income is deposited in a saving account, it can be used for the payment of the school tuition in another period. Saving instead of borrowing can lead to small, but visible progress of reducing poverty or to upgrade the livelihood.

The link between saving behaviour and small-scaled poverty reduction is clearly seen in the livelihood outcomes of the urban poor households, which makes it even harder to witness that other families do not have the opportunity to become a member. The most important recommendation within the visited barangays is to improve the level of access to formal financial services in order to upgrade the livelihood situation and in turn reduce the poverty level in many different ways.

10. References

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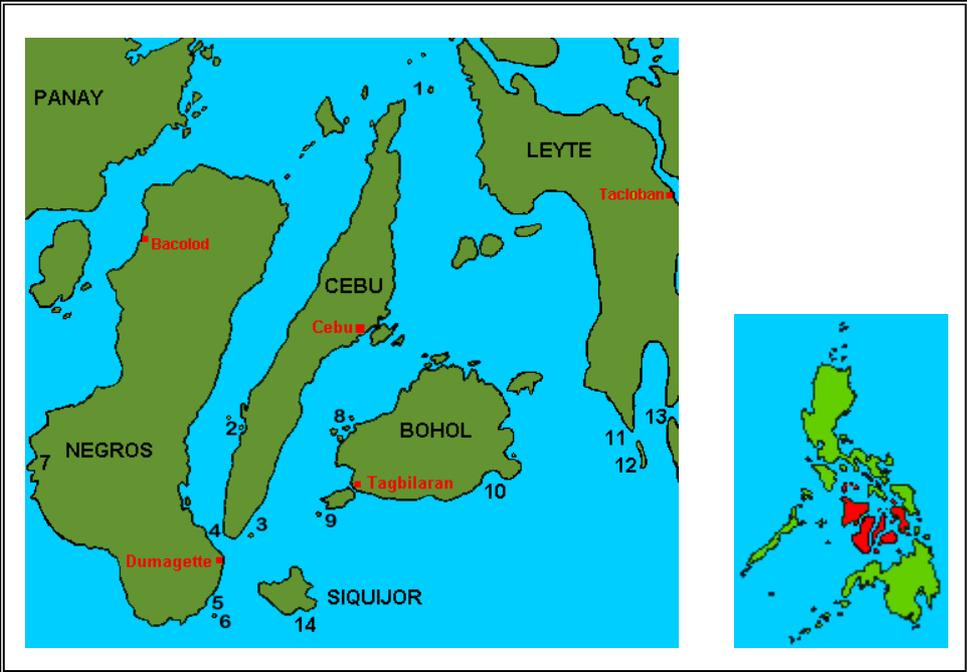
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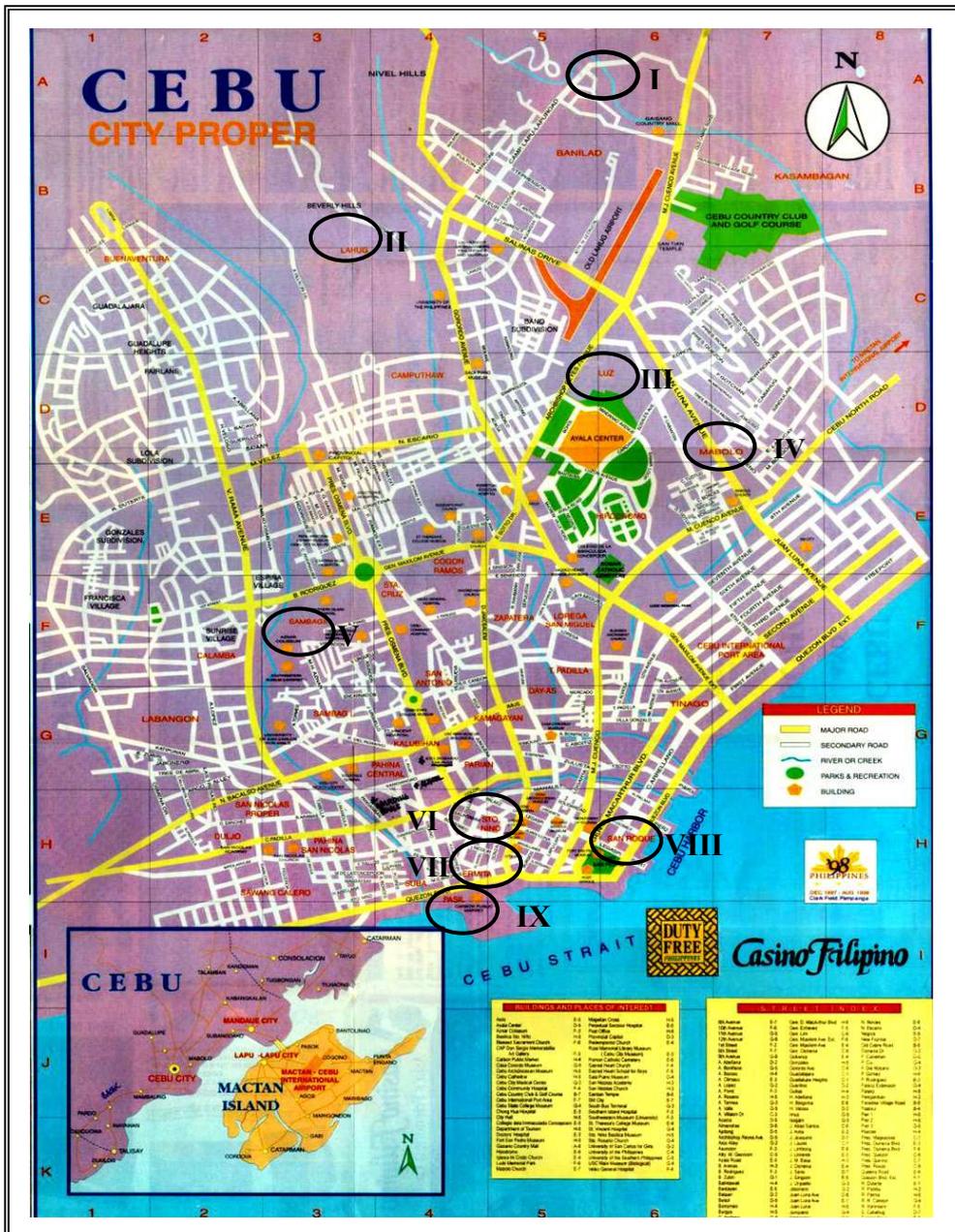
11. Appendices

Appendix A.1: Map of Central Visayas



Source: CCG 2008

Appendix A.2: Map of visited barangays



- Barangays:**
- I – Talamban
 - II – Lahug
 - III – Luz
 - IV – Mabolo
 - V – SambagII
 - VI – Sto Niño
 - VII – Ermita
 - VIII – Carretta
 - IX – Pasil

Source: CCG 2007

Appendix A.3: List of interviewees

- BIDLISIW Foundation – *Mrs. Lolita Ganapin* (Chairwoman)
- CEMVEDCO – *Mr. Erwin Goc-Ong* (Chairman)
- CCUVA – *Mrs. M. Pino* (Chairwoman)
- Kamansi Cooperative – *Mr. F. Rupinta* (Chairman)
- LIKHOK Foundation – *Mrs. Tessie Fernandez* (Chairwomen)
- Panaghugpong – *Boy Socrates* (Secretary)
- Solid Waste Programme *Barangay Luz* – *Mrs. M. Cabrera* (Chairwoman)
- Southern Island Medical Vendors Association – *Mr. M. Alolod* (Chairman)

Appendix A.4: Questionnaire

*University of San Carlos
Department of Economics*

Questionnaire about micro deposits of households in Cebu City 2010

Micro Deposit Impact Survey

Ako si Karin E. Hoos ug ako usa ka graduate researcher gikan sa University of Utrecht sa Netherlands. Ang akong unibersidad naay linkage sa University of San Carlos dri sa Cebu City. Ang "main topic" sa akong research kay micro deposits sa mga balay/pinuy-anan, nga nag focus sa general Micro Finance.

Ang mga lista sa akong pangutana makatabang gayud sa akong pag kolecta ug mga impormasyon mahitungod sa inyong "specific" nga "income", gastuhon ug mga pamaagi sa pagtigum ug ang epecto sa pagtigum sa inyong panginabuhi. Ang kaning akong mga pangutana "strictly confidential" ug "anonymous" ug walay pangalan sa inyong pamilya ang mugawas inig kahuman sa akong Research report.

Salamat sa imong interest sa pagtubag sa akong mga pangutana aron ako maka sabot ug maka imbistigar sa pamaagi sa inyong pag tigum sa inyong panimalay dri sa Metro Cebu.

My name is Karin E. Hoos and I am a graduate researcher from University Utrecht in the Netherlands, which is linked to the University of San Carlos in Cebu City.

The main topic of my research is micro deposits of households, which is a special focus of the general Micro Finance.

This list of questions (questionnaire) will help me to collect data and information about your specific income, expenditure and saving patterns and the impact that savings have on your livelihood. This list of questions is strictly confidential and anonym and no family names will be mentioned in the final research report.

Thanks to your willingness of answering these questions I am able to understand and investigate the saving behaviour of households in Metro Cebu.

In advance, thank you for your help.

SECTION I Household profile Part A Socio-demographic characteristics

	A1	A2	A3	A4	A5	A6	A7
	Make a complete list of HH members who stayed within the last year, beginning with the head of HH	Date of birth	Age	Sex	Marital Status	Highest educational attainment of household member	Position in the household in relation to HH Head
		[Adlawng natawhan]	[Edad]	[Pagkatawo]	[Kahimtang sa kaminyuon]	[Pinakataas na ang2x sa edukasyon nga nakab-ot]	[Posisyon sulod sa panimalay]
Number/	[Paghimo ug listahan sa tanang miyembro sa panimalay nga nakapuyo sulod sa miaging tuig]					None.....0 Gradeschool.....1 Highschool.....2 College.....3 Postgraduate.....4 NR/DK.....8 NA (below 6).....9	Husband.....1 Wife.....2 Father.....3 Mother.....4 Son.....5 Daughter.....6 Relative.....7 Other.....7 NR/DK.....8 NA.....9
Name		M D Y M D Y		Male.....1 Female...2	Single.....1 Married.....2 Seperated.....3 Widower.....4 NR/DK.....8 NA9 (below 11 years old)		

SECTION I Household profile Part B Income & Employment

B1 B2 B3 B4

SAVING BEHAVIOUR IN CEBU CITY

Primary employment [Nanguna na panginabuhian]	Category of primary employment	Sector under which primary employment is classified	What is the estimated annual income from primary employment for the past year?
Note: Please write down verbatim response if it is none of those listed below.	Unemployed.....0	Unemployed.....0	[Bana2x sa kita gikan sa nangunang panginabuhian niadtong milabayng tuig?]
	Wage and salary work.....1	Agriculture.....1	
	Own account work.....2	Fishery.....2	
[Paliug isulat ang gisulti sa gi-interbyu kun ang tubag wala nalista sa ubos]	Unpaid family work.....3	Forestry.....3	
	NR/DK.....-8	Industry.....4	Cash
	NA.....-9	Service.....5	Kind
Number/ Name	Unemployed.....0	NR/DK.....-8	
	NR/DK.....-8	NA.....-9	

SECTION I Household profile Part B

Income & Employment (cont'd)

Number/ Name	B9 Other sources of income for the past year	B10 Amount per source	B11 Total income of each HH member for all sources including primary and secondary employment for the past year
	[<i>Ubang gigikanan sa kita sa milabayng tuig</i>]	[<i>Kantidad sa matag laing gigikanan sa kita</i>]	
	Pension/retirement benefit.....1		
	Remittance from family/ relatives.....2		
	Donations from non-relatives.....3		
	Rental (house/land/bldg).....4		
	Sales of real property.....5		
	Share of agricultural products.....6		
	Others (specify beside no. code).....7		
	NR/DK.....8		
	NA (no other sources of income).....9		

[*Kinatibuk-ang kita sa tuig
2009 sa matag miyembro
sa pamilya*]

NOTE : B11=B4+B8+B10

3

4

5

6

7

8

B12 Total estimated household income for the past year (in pesos)
 [Kinatibuk-ang kita sa tuig 2009 sa tibuok panimalay]
 Note: B12 = $\Sigma B11$

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SECTION II Household' savings

C1

C2

C3

C4

C5

C6

Who in your family does save money?	Who handles the main saving decisions?	How often do you save money?	What kind of amount do you save?	Where do you usually deposit your money?	If your answer is Saving/ Thrift Bank or Cooperative, what is the name of the organization?
[Kinsa sa inyong pamilya ang maayong motigum ug kwarta?]	[Kinsa ang nagdala sa mga desisyon kabahin sa pagtigum?]	[Ka pila man ka magtigum ug kwarta?]	[Pila man ang kasagaran nimo nga tigumon?]	[Asa nimo kasagaran i-deposito ang imong kwarta?]	[Kung ang imong tubag kay Bangko or Kooperatiba, unsa ang pangalan sa organisasyon?]
Saver.....1		Daily [Kada adlaw].....1	Fixed1	Saving/ Thrift bank [Bangko].....1	
Non-saver.....2		Weekly [Kada semana]2	Flexible.....2	Club saving [Dawat-Dawaf].....2	
		Monthly [Kada bulan]3		At home [Sa balay].....3	
		Other.....7		Cooperative [Kooperatiba].....4	
				Other.....7	

Note: If response is, nr. 2 proceed to D1

Note: If response is 7, please note kind of organization

1

SECTION II Household' savings (cont'd)

C7 C8 C9 C10

SAVING BEHAVIOUR IN CEBU CITY

Number/	Name	Why did you choose for this/ those particular deposit organization(s)?	Where do you save money for?	How much money do you save each time?	How much money is in your deposit account?
		[Nganong imo mang gipili kaning/ katong 'particular' nga organisasyon?]	[Para sa unsa/ asa ang imong pag tigum?]	[Pila ang imo kwarta nga gitigum kada oras?]	[Pila ang imong kwarta sa imong deposit account?]
		Easy access [Dali ra adtu-on/	Emergencies.....1		
		Dali ra sa pagsulod.....1	Education [Pag eskwela/ Pag tu-on].....2		
		Proximity [Duol ra].....2	Food & daily needs [Pagka-on ug mga		
		High interest [Taas ug interest].....3	adlaw adlaw nga kinahanglanon].....3		
		Family ties [Naa kay kaila or pamilya	Housing building/ buying [Pagtukod ug		
		nga naa didto nag trabaho].....4	balay/ Pagpalit ug balay4		
		Reputation [Reputasyon].....5	Future [Ka ugma-on].....5		
		Other.....7	Retirement.....6		
		NR/DK.....8	Capital for business ['Capital' sa negosyo]...7		
			NR/DK.....8		
			Note: Multiple answers are possible		
			[Pwede ka mopili ug lapas sa usa nga tubag]		

SECTION III Housing & Household expenditure pattern

D1

Does your household have access to these housing amenities?

[*Naa ba mo aning mga mosunod nga 'housing amenities'?*]

D2

How much does your household spent on the different expenditure items per month?

[*Pila ang kasagan magasto ninyo sa panimalay sa mga mosunod nga gastuhon, kada bulan/ buwan?*]

B13 Annual household income level
[*Ang2x sa tinuig nga kita sa panimalay*]

- Php 30,000 and below.....1
- Php 30,001 – 60,000.....2
- Php 60,001 – 90,000.....3
- Php 90,001 – 120,000.....4
- Php 120,001 – 150,000.....5
- Php 150,001 – 190,000.....6
- Php 190,001 – 220,000.....7
- Php 220,001 up.....8

Cash

Kind

Yes.....1

No.....2

Electricity

Housing expenditure (rent)

Water

[*Bayad sa renta sa balay*]
Food & drinks

Television

Clothing & Footwear

SAVING BEHAVIOUR IN CEBU CITY

Telephone	Fuel, light & water
Toilet/ WC	Transportation
Radio	Communication
Refrigerator	Medical care
Gas stove	Education
Electric fan	Tobacco & alcohol
Karaoke set	Housing equipment

TOTAL:

SECTION IV Perceptions of impact from savings

E1

Does your family experienced any positive changes in your livelihood since you or your household started saving money? _____

[Naka suway na ba ang imong pamilya ug mga positibo nga kausaban sa inyong kinabuli/pangita sukad kamo nagtigum ug kwarta?]

Yes.....1

No.....2

Note: If response is 2, proceed to E3

E2

Please explain in which ways these positive changes improved your livelihood?

[Palihug ug esplikar kung unsa nga mag pamaagi nga ang mag positibo nga kausaban naka panindot/ naka palambo sa inyong panginabuhi?]

E3

Is the participation in an Urban Poor organization beneficial to your household? _____

[Ang inyong pag apil sa Urban Poor Organisasyon naka hatag ba ug benepisyo sa inyong pagpuyo/ pinuy-anan?]

Yes.....1

No.....2

E4

Please describe in what way it has been either beneficial or not for your household?

[Palihug ug esplikar kung sa unsang paagi nakahatag ug kaayo o wala nakahatag ug kaayo sa inyong pagpuyo/ pinuy-anan?]

E5

Do you or does your family has a specific goal/ dream to improve your livelihood within the next year? _____

[Naa ba ka o ang imong pamilya usa ka damgo nga gusting makab-ot para ma mayo ang inyong pagpuyo sa sunod tuig?]

Yes.....1

No.....2

E6

Please describe what the specific goal is and how are you planning to reach that goal/ dream?

[Palihug ug esplikar kung unsa na nga damgo ug kung unsa inyong plano para makab-ot na nga damgo?]