

Borrowing from '5-6' Lenders: Examining the Link Between Street Vendors' Profiles and Informal Borrowing Practices

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ABSTRACT

This study examined the borrowing practices of street vendors in the Cogon public market, Cagayan de Oro, Philippines, with a specific focus on their reliance on the informal "5-6" lending system. The research assesses the relationship between street vendors' profiles (such as age, sex, type of products sold, and estimated daily sales) and their borrowing practices, including loan amount, interest rates, payment schemes, and the frequency of reborrowing. Utilizing a cross-sectional quantitative design, data were collected from 251 street vendors engaged in "5-6" lending. Chi-square tests were used to analyze the associations between vendor profiles and borrowing practices. Results revealed that most street vendors borrowed small-scale loans of P5,001-P10,000 (\$87.24-\$174.45), often with high interest rates of 20% over a two-month period, paying daily, which created a continuous debt and reborrowing cycle. Significant associations were found between age, daily sales, and credit value, as well as between product type, sex, and the frequency of reborrowing. The study concludes that the informal lending system imposes substantial financial burdens on street vendors, particularly women and those selling fast-moving goods, contributing to a cycle of debt dependency.

KEYWORDS

5-6 lending; informal borrowing practices; street vendors; Philippines.

INTRODUCTION

The informal sector, particularly street vendors in the Philippines, plays a crucial role in urban economies by providing livelihoods despite various challenges. This sector significantly contributes to the Philippine economy, accounting for an estimated 34.1% of the nation's GDP, or approximately \$474 billion (World Economics, 2023). Street vending, which involves selling goods in public or semi-regulated spaces such as streets, markets, and pavements (Chigudu, 2021), presents unique opportunities and difficulties. Street vendors often face regulatory challenges, including a lack of legal recognition and intense competition for public space, which complicate their business operations (Gehlot et al., 2023).

On the other hand, financial inclusion has been recognized as a crucial tool for reducing poverty and inequality. Gonzales (2019) suggest that access to financial services could enable individuals to invest for the future, smooth consumption, and manage financial risks. But, despite the potential benefits of financial inclusion, street vendors and other informal market traders are often excluded from formal financial credit markets, such as banks. They are frequently disregarded due to their classification as part of the informal sector (Mercado, 2018). As a result, many street vendors rely on informal lending systems, such as '5-6', which offer easily accessible yet high-interest loans. Additionally, Archer et

al. (2020) note that small businesses often rely on informal channels as their primary sources of credit. Cheng et al. (2022) emphasized the significance of informal finance in facilitating financial intermediation and promoting economic growth in the informal economy. Unfortunately, while these loans provide immediate financial relief, they often lead to significant financial strain (Rajkonwar, 2024). Because the 5-6 lending system, characterized by its accessibility and exploitative nature, leaves street vendors struggling with debt repayment and a persistent lack of working capital (Rajkonwar, 2024). Correspondingly, the “5-6” financing service is illegal under Philippine law. The Lending Company Regulation Act (Republic Act No. 7474) mandates that only licensed corporations can engage in lending activities. The Supreme Court has ruled that these high-interest loans are illegal under Article 1409 of the Civil Code (Securities and Exchange Commission, 2019).

Thus, this study aims first to assess street vendors' borrowing practices, including informal credit value (Archer et al., 2020) (Cheng et al., 2022), interest rate, payment scheme (Fanta, 2015), maturity (Cheng et al., 2022), and frequency of reborrowing (Karlán et al., 2018). The second is to associate borrowing practices with street vendor profiles—specifically, the type of products sold, age, sex, and estimated daily sales—to reveal significant data associations. The researcher hopes that identifying patterns of informal borrowing practices can help in targeted interventions to address the financial needs of different street vendors.

This study is grounded in the Informal Economy Theory (Hart, 1985) and the Debt Trap Theory (Bertrand & Morse, 2011). The Informal Economy Theory offers a fundamental understanding of economic activities that operate outside formal regulations, government oversight, and legal protections. Key characteristics of informal economic activities include a lack of regulation, low wages and instability, cash-based transactions, the absence of legal protections, and the dominance of family-based and self-employment structures. This study contributes to the existing body of knowledge by examining the relationship between the profiles of street vendors operating within the informal economy and their borrowing practices.

Additionally, the Debt Trap Theory (Bertrand & Morse, 2009) explains how low-income borrowers become trapped in cycles of high-interest debt, a phenomenon particularly relevant to street vendors who rely on informal lending for their financial needs. By investigating how street vendors engage in '5-6' lending—the most prevalent predatory lending scheme in Philippine public markets—this study aims to determine the associations between street vendors' profiles, the amount borrowed, and financial distress.

To understand this dynamic, the researcher gathers insights regarding the profiles of street vendors, including their age, sex, types of products sold, and estimated daily sales. Previous studies have shown that street vendors offer a diverse range of products that cater to consumer demand in public markets. Argente *et al.* (2020) found that commonly sold street foods include grilled animal intestines, barbecues, and other ready-to-eat items. Vendors also sell local beverages, including fresh fruit juices and traditional drinks, which appeal to passersby. Similarly, Romero *et al.* (2024) reported that street vendors offer vegetables, spices, fruits, clothing, accessories, and household goods, emphasizing the variety of products available in informal markets.

Building on these insights, this study examines the borrowing behaviors of street vendors, particularly their engagement in '5-6' lending. Key aspects of borrowing behavior include the amount borrowed, interest rates, loan maturity periods, repayment schemes, default penalties, and the frequency of reborrowing. Archer et al. (2020) described informal credit as obtaining funds from non-traditional financial sources, while Cheng et

al. (2022) defined it as small, unsecured, and short-term loans secured through non-bank financing. Furthermore, Nguyen and Canh (2021) emphasized that informal lenders impose significantly higher interest rates than the formal financial sector. Repayment structures in informal lending are often flexible and tailored to the specific economic conditions of borrowers (Fanta, 2015). Loan maturity is another critical factor—Cheng et al. (2022) observed that shorter loan terms tend to carry higher interest rates, while loans with longer maturities typically involve more diminutive amounts. Karlan et al. (2018) found that street vendors in the Philippines frequently take on new debt within six weeks, often at high interest rates, to sustain their working capital. Their study suggested that these vendors might underestimate long-term borrowing costs or focus on short-term financial survival strategies. Additionally, previous studies have identified distinct borrowing behavior patterns among different demographic groups. Silinskas et al. (2021) found that younger adults tend to be cautious about debt during early adulthood. In contrast, Durguner (2020) reported that middle-aged individuals are more likely to accumulate debt, mainly when lending standards are relaxed. Sex also plays a significant role in street vending and informal borrowing. Sharma (2024) and Jain et al. (2024) posited that women are more likely to engage in street vending due to flexible work hours and self-employment opportunities, often shaped by patriarchal norms that limit their access to formal jobs.

Based on the literature, this study develops a conceptual framework that links street vendors' profiles (age, sex, type of products sold, and daily sales) to their borrowing practices (credit value, interest rates, loan maturity, repayment schemes, penalties for default, and reborrowing frequency). The study aims to investigate associations and identify emerging patterns in the informal credit landscape, particularly regarding '5-6' lending practices. By grounding this research in Informal Economy Theory and Debt Trap Theory, the study provides valuable insights into how informal market players navigate financial constraints and borrowing risks.

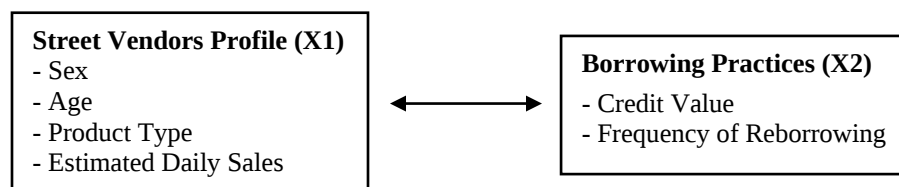


Figure 1. Schematic Presentation of the Study

The study primarily aimed to gain data for the following research objectives.

1. To determine the profile of street vendors in terms of sex, age, type of product sold, estimated daily sales
2. To determine the '5-6' borrowing practices regarding credit value and frequency of reborrowing, maturity of loans, interest rates, and payment scheme.
3. To gauge the association between street vendors' profiles and Credit Value (H_{a1})
4. To gauge the association between street vendors' profiles and Frequency of Reborrowing (H_{a2})

LITERATURE REVIEW

Informal Borrowing Practices

Archer et al. (2020) defined informal credit value as the informal liabilities obtained from informal sources. Nguyen and Cahn (2020) reported that the prices or interest rates offered to borrowers by informal money lenders are typically much higher than those in the formal

sector. In addition, Fanta (2015) mentioned that payment schedule pertains to the number of periodic payments or repayment frequency the borrower must make. These are highly flexible payment terms, negotiated based on the borrower's needs and circumstances. On the other hand, a study by Cheng et al. (2022) revealed that the average lending rate for a 1-month maturity is the highest. According to Uddin (2019), a sanction in the context of loan default refers to the penalties or consequences imposed on a borrower who fails to fulfill the agreed-upon repayment. Karlan et al. (2019) identified a noteworthy pattern in examining the debt incurred by market vendors in the Philippines regarding the frequency of reborrowing. The study revealed that most vendors experience falling back into debt within six weeks, often resorting to borrowing at elevated interest rates to meet their working capital needs.

Informal Credit Providers

Fanta (2015) examined the use of informal finance as an alternative means for small and medium-sized enterprises (SMEs) to access financial resources. The author surveyed 102 randomly selected firms in the manufacturing sector across 10 industrial sectors in Ethiopia. The purpose of the survey was to investigate the response of Ethiopian manufacturing SMEs to a severe shortage of formal credit. Consequently, it was found that SME owners actively reacted to financial restraint by resorting to alternative schemes such as *niqqud* (a variant of rotating saving and credit association), customer advances, and trade credit. Despite not being optimal, alternative financing schemes proved beneficial in mitigating the effects of credit constraints on the operations and growth of small and medium enterprises (SMEs).

The researcher examined a Philippine government report on 5-6 money lending. Over 200 informal lenders sought SEC registration as the government cracked down on "five-six" and other usurious loan sharks (Department of Finance, 2017). To uncover additional informal lenders' violations of Republic Act 9474 (Lending Company Regulation Act), the office reviewed internet ads, flyers, text message promos, and prominent gatherings in public markets. Finally, the agency advised local banks to increase Filipinos' financial literacy to protect them against predatory lenders '5-6' and investment scammers who have profited from the banking system's lack of financial inclusion (Department of Finance, 2017).

Dula and Grego (2017) investigated the effects of informal money lending, referred to as Bombay 5-6, on street vendors in Tacloban City, Philippines. Their research indicated that vendors are attracted to these loans due to their accessibility, the absence of collateral, and minimal documentation requirements. The data reveal a cyclical debt trap, where recurrent borrowing is driven by the financial needs of households and businesses, particularly for educational and medical expenses. Although loans can enhance sales and profitability, they often lead to financial distress, default, and anxiety. Defaulting on payments has a profound impact on vendors' psychological well-being and economic viability. The research advocates for the institutionalization of Bombay 5-6 lending to oversee its operations and safeguard the interests of borrowers (Dula & Grego, 2017).

Archer et al. (2020) examined the credit limitations of Vietnamese SMEs and informal credit markets. Their investigation showed that SMEs represent a sizeable private sector component, offer many jobs, and boost economic growth, but the official financial system always limits their lending. Thus, many SMEs borrowed from informal sources. However, the literature did not indicate the credit constraints faced by SMEs and their informal credit relationships. Their approach added a third group—partially constrained—the random-effects correlation—to organizations instead of restricted and unconstrained. Probit and

Tobit avoid incidental coefficients. Constrained companies use informal credit markets to secure larger loans. Firm and ownership characteristics affected informal lending markets. Established firms, household-owned businesses, and those with older, more educated owners use less informal credit and borrow less. However, companies with larger incomes and investment portfolios are likely to receive informal loans and higher credit ratings.

Mpofu and Sibindi (2022) studied whether informal funding helps or hinders African SMEs. Many economies depend on SMEs for employment and GDP, the authors stated. SME banking is often overlooked despite its significant importance to African economies. The authors found that most small enterprises use informal funding in two ways. Informal finance is a final choice for SMEs who cannot obtain conventional credit due to information asymmetry, collateral security, and perceived high default rates. Financial illiteracy and a lack of credit bureaus in developing nations hinder formal funding. Second, some businesses that qualify for formal funding prefer the flexibility, ease, and simplicity of informal finance. Informal lenders are accused of exploiting clients by charging exorbitant loan rates despite offering perks. This sector cannot support SMEs that require substantial investments but are unable to secure formal financing due to resource constraints. Grants hinder the growth and development of SMEs, according to every study. Powering small and medium-sized enterprises (SMEs) is crucial to the growth of most nations.

Street Vending: An Informal Economic Sector

The researcher examined Mercado's (2018) contributions to the literature on the economic situation of street vendors in the Philippines. Mercado (2018) discovered that many street vegetable vendors in the neighborhood are married women with secondary or graduate education. These women have been engaged in street vending for one to three years. The findings indicate that specific individuals have a breakeven point; some generate less than 3,000 pesos in earnings, and others experience a decline in revenue. Twenty percent of respondents claim their income has reduced due to working more than six hours. The participants also reported obtaining funding from nearby financial institutions, cooperatives, or alternative lending sources.

Moreover, Angeles et al. (2019) published that microenterprises were crucial to the nation's expansion. The industry is dominated by microenterprises, which serve to alleviate poverty and unemployment. Globally, the expansion of microenterprises continues to be a concern. Similarly, Angeles and colleagues (2019) suggested that microfinancing maximizes the impact of credit access on microenterprise growth. Owners' inclination for internal finance limits expansion. Due to owners' isolation from external financing, stagnation increased. That emphasized the need for a holistic approach to business success. According to Angeles and colleagues (2019), to promote microenterprises, literacy, and competitiveness (skills-enhanced income prospects) should be prioritized over access to finance regulations.

Further, Karlan et al. (2019) conducted a comparative analysis of the moneylender debt divide in the Philippines and India. They asserted that small-scale enterprises in developing nations frequently borrow money from moneylenders on a daily or weekly basis at exorbitant interest rates. Five remedies were suggested by Karlan et al. (2019) to address the deficiency. The initial assumption is that entrepreneurs' returns on investment are sufficiently high to justify their continued borrowing at high interest rates, thereby maximizing long-term profits. The second reason is that vendors' preferences change over time, for instance, because of current biases or challenges related to temptation. Thirdly, borrowers may lack access to technology that helps them avoid debt and save money.

Family obligations may impede financial savings if participants lack a secure location to store their funds. The fourth rationale is that the vendors are unaware of the enduring consequences of consistently obtaining loans at exorbitant interest rates. Even though the financial training was explicitly structured to prevent this possible misinterpretation, it did not impact the vendors' aggregate borrowing. According to the final premise, street vendors resort to borrowing to smooth out the effects of periodic income disruptions. A binding borrowing constraint could compel vendors who incur revenue losses but still owe moneylenders to reduce their expenditures.

Santos (2020) also examine street vending locations; according to them, street vendors contribute to urban vitality, and up to 72.5% of Filipinos, including vendors, work in the informal economy. The study focused on street vendors in Muñoz, Nueva Ecija, Philippines, and its findings posited that the physical preferences of street vendors are highly logistical and market attractiveness-oriented, with favorable purchasing attributes enhancing market attractiveness.

RESEARCH METHODS

This study utilized a quantitative and cross-sectional research design, as data were collected at a single point in time, with both profiles and 5'6 borrowing practices of street vendors being observed rather than manipulated, thereby rendering the cross-sectional design suitable for examining associations among and between variables. The data was collected at the Cogon public market, one of the largest public marketplaces in Cagayan de Oro City, Philippines. The public market encompasses a 6,000-square-meter space within a four-story main structure, surrounded by street vendor stalls. Gallardo (2022) asserted that the public market in Cagayan de Oro is the largest and most dynamic market, surrounded by street vendors and characterized by the presence of 5'6 lenders. Consequently, the location offered significant justification for undertaking the research.

The study's co-contributors were male and female street vendors of legal age from the Cogon public market, who were pivotal decision-makers in their livelihoods, involved in '5-6' lending, possessed outstanding balances, and operated tables or kiosks across the public market. Underage individuals without loans from '5-6' were excluded from the study. The 2023 database of the city's economic enterprise and business development administration indicates that approximately 1007 street vendors were organized and designated trading zones by the administration. Additionally, a modified version of Robb (1963) formula was employed to determine the sample size, resulting in 248 individuals, to address the modest yet acknowledged population size. In total, 251 street sellers participated freely, comprising 27% males and 73% females.

The researcher developed the instrument, a survey questionnaire, to measure what the study intends to measure and to address the study's specific research problem directly. The instrument was also translated from English to Cebuano for better comprehension by the street vendors. Moreover, before data collection began, a verbal request for approval was made, along with an informed consent form that outlined the study's purpose, a written request to participate, and a certificate of consent to conduct the study. It was also emphasized, both verbally and in writing, that participation was voluntary, and respondents could disengage from the study at no cost. After the data were collected, profiles and informal borrowing practices were primarily analyzed using frequency distributions, and chi-square tests were conducted to determine associations between and among the profiles and informal borrowing practices of street vendors.

RESULTS AND DISCUSSION

Street Vendors Profile

Table 1 below presents the profiles of street vendors, categorized by the type of products sold. Vegetables and spices are the most common items sold by 25.9% of vendors, followed closely by street foods, which are sold by 21.9%. Fruits are another significant category, with 21.9% of vendors. Juices and other drinks account for 8.4% of vendors, while device or phone accessories account for 5.6%. Several small categories include accessories and perfumes (2.4%), dried fish (2.4%), and cigarettes and tobacco (2.4%). Flowers (1.6%), organic herbals (.08%), and pet fish (8%) make up the least frequent product types.

The distribution suggests that the market primarily focuses on essential items, including vegetables, fruits, and street foods, with small sections dedicated to accessories, clothing, and miscellaneous goods. Chauke and Tabit (2022) reported that vending fruits and vegetables are prevalent, providing essential livelihood in the informal economy. Similarly, a study revealed that many street vendors focus on food items (Anwa & Karno, 2024).

Table 1. Frequencies of Product Type

Product Type	Counts	% of Total
▪ Wearables/Facemask/Socks	9	3.6%
▪ Fruits	54	21.5%
▪ Vegetables and Spices	65	25.9%
▪ Juices and other drinks	21	8.4%
▪ Street Foods	55	21.9%
▪ Accessories and Perfumes	6	2.4%
▪ Device or Phone Accessories	14	5.6%
▪ Dried Fish	6	2.4%
▪ Organic Herbals	2	0.8%
▪ Flowers	4	1.6%
▪ Cigarettes and Tobacco	6	2.4%
▪ Thrift Clothes	7	2.8%
▪ Pet Fish	2	0.8%

In addition, table 2 presents the sex distribution of street vendors who took out 5-6 loans. The data indicates that female street vendors make up the majority of this category, 72.5%. This suggests that women are more likely to take 5-6 loans than their male counterparts.

Table 2. Frequencies of Sex

Sex	Couts	% of Total
▪ Female	182	72.5%
▪ Male	69	27.5%

The age distribution of street vendors who availed of '5-6' loans, shown in Table 3, revealed the prevalence of borrowing across different age groups. The majority of borrowers, 47.8%, fall within the 31- to 45-year age range, indicating that individuals in their prime adult years are the most likely to seek informal credit. The second highest group is those aged 46 to 60 years old (24.7%), suggesting that middle-aged street vendors still rely on 5-6 loans. Meanwhile, the young street vendors, aged 18-30, make up 20% of borrowers. The lowest, 7.2%, belongs to street vendors aged 61 and above.

Table 3. Frequencies of Age

Age	Couts	% of Total
▪ 18-30	51	20.3%
▪ 31-45	120	47.8%
▪ 56-60	62	24.7%
▪ 61 and ^	18	7.2%

The median of the estimated daily sales of street vendors, as shown in Table 4, reflects that daily sales vary widely depending on the type of product sold. Street vendors selling thrift goods (\$131.11) and flowers (\$139.85) report the highest median daily sales. Street food vendors and those selling herbals and pet fish each report median sales of P3,000 (\$52.44), suggesting a relatively stable and consistent market. Similarly, street vendors selling vegetables, spices, fruits, and juices report median daily earnings of P2,000 (\$34.96), indicating moderate earnings. Lastly, lower median daily sales are categorized as wearables, facemasks, clothing, socks, accessories, perfumes, and cigarettes or tobacco products.

Table 4. Median of Estimated Daily Sales

Product Type	Estimated Daily Sales
▪ Vegetables and Spices	P2,000 (\$34.96)
▪ Fruits	P2,000 (\$34.96)
▪ Street Foods	P3,000 (\$52.44)
▪ Thrift Goods	P7,500 (\$131.11)
▪ Device and Device Accessories	P1,500 (\$26.22)
▪ Dried Fish/ Eggs	P1,750 (\$30.59)
▪ Juices and other drinks	P2,000 (\$34.96)
▪ (Accessories/Perfumes	P1,250 (\$21.85)
▪ Cigarettes/ Tobacco	P1,650 (\$28.84)
▪ Flowers	P8,000 (\$139.85)
▪ Wearables/Facemask/Clothes/Socks	P1,000 (\$17.48)
▪ Others: Herbals and Pet Fish	P3,000 (\$52.44)

Street Vendors' Informal Borrowing Practices

Table 5 below provides borrowing patterns of street vendors who rely on informal credit sources, the '5-6'. Regarding the credit value, most street vendors (58.6%) borrow between P1,000 and P10,000, with the largest share (29.9%) falling within the P5,001-P10,000 range. This suggests that small-scale loans are the most common. Additionally, 14.3% of borrowers take out loans exceeding P20,000, indicating that some vendors require larger capital injections. Only 2.8% of vendors borrow P999 and below, demonstrating that minimal micro-loans are uncommon.

Table 5. Frequencies of Street Vendors' Informal Borrowing Practices

Informal Credit Value	Frequency	Percent
999 and below (\$17.43 and below)	7	2.8%
P1,000-P5,000 (\$17.45- \$87.23)	72	28.7%
P5,001-P10,000 (\$87.24- \$174.45)	75	29.9%
P10,001-P15,000 (\$174.47-\$261.68)	33	13.1%
P15,001-P20,000 (\$261.70-\$348.91)	28	11.2%
P20,001 and above (\$348.92 and above)	36	14.3%
Total	251	100.0%

Interest Rate	Frequency	Percent
15% and below	95	37.8
16%-20%	148	59.0
21%-25%	4	1.6
26% and above	1	.4
No idea	3	1.2
Total	251	100.0
Type of Interest	Frequency	Percent
Simple Interest	150	59.8
Compound Interest	0	0
Not Sure	101	40.2
Total	251	100.0
Payment Scheme	Frequency	Percent
Daily	231	92.0
Bi-weekly	5	2.0
Weekly	15	6.0
Monthly	0	0.0
Irregular	0	0.0
Total	251	100.0
Maturity of Loan	Frequency	Percent
1 to 2 months	199	79.3
3 to 4 months	29	11.6
5 to 6 months	23	9.2
One year	0	0.0
More than a year	0	0.0
Total	251	100.0
Penalties	Frequency	Percent
Increase of Interest rate	48	19.1
Fixed monetary penalties	2	.8
Loss of trust	4	1.6
No penalty	197	78.5
Total	251	100.0
Frequency of Reborrowing	Frequency	Percent
A day after the full payment	206	82.1
After a week	11	4.4
After a month	21	8.4
After a quarter	9	3.6
After six months	1	.4
After a year	3	1.2
Total	251	100.0

The interest rate structure within this borrowing framework is predominantly in the 16%-20% range, encompassing 59% of respondents, while 37.8% incur interest rates of 15% or below. Notably, only a tiny fraction (2%) face rate above 20%. This suggests that the '5-6' lenders standardized interest rates at 20%.

Table 5, which provides data on loan maturity periods among street vendors, specifies that '5-6' loans have short maturity periods. Most (79.3%) loans mature within 1 to 2 months. A smaller portion (11.6%) has loans maturing in 3 to 4 months, while only 9.2% extend to 5 to 6 months. Notably, no loans extend beyond six months. Besides, this data demonstrated that the maturity period within '5-6' lending presents a substantial burden—this short maturity period of 2 months burdens vendors during unexpected sales downturns. The 20% interest rate charged within 2 months is too predatory, directly violating BSP

Circular No. 799 (2013). Philippine law states that the legal interest rate is 6% per annum unless a contract specifies otherwise. Hence, this implied that street vendors should have only paid a 1.25% interest rate instead of 20% in two months.

Moreover, Table 5 presents the frequency of reborrowing among street vendors. 82.1% reborrow *a day after full payment*, showing a cycle of continuous borrowing. A smaller 8.4% reborrow after a month, while 3.6% wait for a quarter before taking another loan. Very few vendors reborrow after 6 months or a year. The high frequency of reborrowing suggests that most street vendors are trapped in a continuous cycle of debt. This further accentuates that 20% interest rates in 2 months, multiplied by six more times reborrowing in one year, signifies that 82.1% of vendors pay 120% annually—clearly demonstrating that street vendors are trapped in a cycle of debt.

Overall, the brevity of these repayment terms and daily payment schemes exerts substantial pressure on vendors. High daily financial debt obligation necessitates close revenue management, often restricting the ability to accumulate savings as substantial portions of earnings are allocated to debt repayments. Saha (2011) reported that street vendors frequently borrow from moneylenders to finance their operations, often at high interest rates, which can lead to a debt trap.

Ha1: Association Between Street Vendors' Profile and Credit Value

Table 6. Chi-Square Tests Between Profile and Credit Value

	N	χ^2 Tests	Degree of Freedom	P-Value	Interpretation
▪ Product Type x Credit Value	251	74.0	60	0.105	Not Significant
▪ Age x Credit Value	251	26.6	15	0.032	Significant
▪ Sex x Credit Value	251	8.46	5	0.133	Not significant
▪ Daily Sales x Credit Value	251	277	225	0.010	Significant

Table 6 provides insights into the association between the street vendors' profiles and credit values. One of the data presented is the chi-square test ($\chi^2=74.0$, $p=0.105$), which reveals the relationship between product types and credit value. This test highlights an insignificant relationship, which means there is insufficient statistical evidence to prove that the amount borrowed depends on the type of product sold.

Table 6 also reveals chi-square tests ($\chi^2=26.6$, $p=0.032$) between age and credit value. Since $p = 0.032$ is less than the threshold of 0.05, this suggests a statistically significant relationship between age and the amount borrowed, meaning credit value differs by age group. The unstandardized post hoc tests revealed that young borrowers (18-30 years old) prefer loans in the range of P20,000 and above but avoid mid-range loans. Middle-aged borrowers (31-45 years old) favor mid-range loans of P5,000-15,000 and tend to avoid loans that range from P20,000 and above. Older borrowers (46-60) prefer higher mid-range loans (P15,001-P20,000) and tend to avoid lower mid-range amounts. Seniors (aged 61 and above) borrow smaller amounts more frequently than expected.

Table 6 also presents the Chi-square test result ($\chi^2=8.46$, $p=0.133$) between sex and amount borrowed, suggesting that the relationship is not statistically significant at the 0.05 level. The credit value or amount borrowed does not differ significantly by sex.

Table 6 also shows a Chi-square ($\chi^2=277$, $df=225$, $p=0.010$) test between estimated daily sales and credit value. Since the p-value is less than 0.05, this test indicates that daily sales are significantly associated with the amount borrowed by street vendors. The unstandardized post hoc tests have demonstrated that street vendors with sales around P2,000 and P10,000 are likely to take out larger loans, while those with sales at P5,000 and P8,000 are less likely to borrow within the expected range. Furthermore, this data posits

that street vendors with higher sales are more confident in borrowing significant amounts, while other income groups are more conservative.

Ha2: Association Between Street Vendors' Profile and Frequency of Reborrowing

Table 7. Chi-Square Tests Between Profile and Reborrowing Frequency

	N	χ^2 Tests	Degree of Freedom	P- Value	Interpretation
▪ Product Type x Reborrowing Frequency	251	85.3	60	0.018	Significant
▪ Age x Reborrowing Frequency	251	9.81	15	0.831	Not Significant
▪ Sex x Reborrowing Frequency	251	11.9	5	0.037	Significant
▪ Daily Sales X Reborrowing Frequency	251	188	225	0.965	Not significant

Table 7 explains the association between street vendor profiles and credit reborrowing frequency. The chi-square test ($\chi^2=85.3$, $df=60$, $p=0.018$) indicates a statistically significant relationship between product type and reborrowing frequency. Unstandardized post hoc tests have revealed that street vendors selling fast-moving or consumable products such as Juices, phone accessories, and street foods tend to have shorter reborrowing cycles, resulting from the positive residual for reborrowing *a day after a full payment*. In addition, street vendors selling durable or less frequently purchased items, such as vegetables, spices, wearables, and flowers, have longer reborrowing cycles, as evidenced by a positive residual *after a month and a quarter*. On the other hand, post hoc tests have shown contrasting patterns among street vendors of street foods and juices—with juice vendors reborrowing immediately. In contrast, street food vendors are likelier to reborrow after a longer time frame.

Table 7 illustrates the chi-square test ($\chi^2=9.81$, $df=15$, $p=0.83$) between age and reborrowing frequency. The chi-square value indicates that the significant difference between age groups and reborrowing frequencies is relatively low, which is further supported by the p-value, which is much higher than 0.05, suggesting no significant association between age and reborrowing frequency.

Table 7 also presents the relationship between sex and the reborrowing frequency of street vendors toward '5-6' lending. $\chi^2=11.9$ represents the extent of the difference between the observed and expected frequencies. $p=0.037$, which is lower than the threshold of 0.05, indicating that the reborrowing frequencies of street vendors differ by sex. Moreover, the unstandardized residuals describe that males are more likely to reborrow after a quarter, while females are less likely to do so. Females are more likely to reborrow after a week, while males are less likely to do so.

Finally, an association between street vendors' estimated daily sales and frequency of reborrowing is also shown in Table 7. The data ($\chi^2=188$, $df=225$, $p=0.965$) reveal that the reborrowing frequency of street vendors towards '5-6' lending does not differ significantly, considering their estimated daily sales.

Discussion

This study gathered data on street vendors' profiles and informal borrowing practices with the following objectives;

1. *To determine the profile of street vendors in terms of sex, age, type of product sold, estimated daily sales;*

The profile of 251 street vendors who availed of '5-6' loans revealed significant patterns in terms of the type of product sold, demographic characteristics, and estimated daily sales. As for the type of product sold, the most prevalent in the market are essential goods, such

as vegetables, spices, street food, and fruits. In terms of sex distribution, female street vendors constitute the majority, suggesting a higher reliance on informal credit among women. Regarding the age distribution, the data confirmed that street vendors who borrowed from the '5-6' category are predominantly between 31 and 45 years old, followed by those aged 46 to 60. Regarding estimated daily sales, street vendors selling thrift goods and flowers are reported to have the highest median daily sales. In contrast, those selling vegetables, fruits, and juices report moderate earnings.

2. To determine the '5-6' borrowing practices regarding credit value and frequency of reborrowing, loan maturity, interest rates, and payment scheme;

The street vendors' borrowing practices towards '5-6' lending revealed a cycle of financial dependency driven by high interest rates and short repayment terms. The majority (58.6%) of vendors take small-scale loans between P1,000 and P10,000 ((\$17.45-\$174.45), with the largest share (29.9%) borrowing within the P5,001–P10,000 ((\$17.45-\$87.23) range, while a smaller proportion (14.3%) require more considerable capital exceeding P20,000 (\$348.91). Interest rates within this '5-6' lending is standardized mainly at 20%, exceeding the legal 6% per annum stipulated by BSP Circular No. 779 (2013). Loan maturity is short, with 79.3% of loans due within one to two months, placing considerable financial strain on borrowers. Additionally, the high frequency of reborrowing—wherein 82.1% take a new loan immediately after repaying the previous loan—suggests a continuous cycle of debt accumulation.

3. To gauge the association between street vendors' profile and credit value;

The chi-square tests between age and credit value ($\chi^2=26.6$, $p=0.032$) reveal statistical significance, indicating that the borrowing practices of street vendors differ across age groups. Citing that younger vendors (18-30 years old) tend to borrow more significant amounts of P20,001 and above, while middle-aged vendors (31 to 45) prefer P5,000 to P15,000 loans, older vendors (46-60) favor loans between P15,001 and 20,000. Meanwhile, senior vendors borrow smaller amounts. The findings corroborate the study of Normito (2006), which found that younger borrowers tend to have less access to formal credit, leading them to rely on informal sources. A study by Debuque-Gonzales and Corpus (2024) reported that age influences financial literacy and risk perception, with older individuals often exhibiting more caution in borrowing.

The chi-square test shows a significant association between estimated daily sales and credit value ($\chi^2=277$, $df=225$, $p=0.010$). The post hoc test reveals that street vendors with daily sales between P2,000 and P10,000 tend to take out larger loans, whereas those earning P5,000 and P8,000 borrow less than expected. A similar study revealed that street vendors' borrowing behavior is closely tied to their daily sales and economic profile. Vendors with higher daily sales had better access to credit, while those with lower sales often relied on informal loans (Bhowmik & Saha, 2013).

4. To gauge the association between street vendors' profile and Frequency of Reborrowing.

The chi-square test between product type and reborrowing frequency ($\chi^2=85.3$, $df=60$, $p=0.018$) shows a statistically significant relationship, suggesting that street vendors selling fast-moving, consumable goods such as juices, phone accessories, and street foods tend to reborrow more frequently, often immediately after full repayment. In contrast, vendors selling durable or less frequently purchased items, such as vegetables, spices, wearables,

and flowers, exhibit longer reborrowing cycles. Notably, while juice vendors reborrow immediately, street food vendors tend to delay reborrowing. A previous study by Saha (2011) reported that street vendors who sell perishable goods, such as food and vegetables, exhibit higher debt dependency due to the need to replenish their stock on a continuous basis. Additionally, Sekhani et al. (2019) noted that street vendors selling daily consumer goods in urban areas tend to rely more on informal credit due to fluctuating demand and the perishable nature of their inventory.

The association between sex and reborrowing frequency ($\chi^2=11.9$, $p=0.037$) is significant. Data reveal that females are more likely to reborrow within a week, and males are more likely to reborrow within a quarter. This validates the study by Tong et al. (2022), which suggests that women often struggle with accessing credit and are forced into informal borrowing arrangements, sometimes at exploitative interest rates, leading to frequent reborrowing cycles.

CONCLUSION

The findings align with the Theory of Informal Economy (Hart, 1973), accentuating the street vendors' reliance on informal credit systems due to limited access to formal financial institutions. The profile analysis reveals that female vendors predominate in the informal credit pool, indicating a gendered reliance on informal credit. The prevalence of essential goods, such as vegetables, spices, and street food, among borrowers aligns with the theory that informal workers tend to engage in low-margin, high-turnover businesses. The borrowing patterns further illustrate financial vulnerability, as most vendors take out small-scale, high-interest loans with short repayment periods, leading to a continuous cycle of debt. The significant relationship between age and borrowing practices supports the idea that younger vendors lacking access to formal credit are forced into informal debt structures. Similarly, vendors with higher daily sales secure larger loans, indicating that economic activity influences access to informal credit.

From the perspective of the Debt Trap Theory (Bertrand & Morse, 2011), the study reports a pattern of financial entrapment where short loan maturities and high interest rates force vendors into perpetual borrowing. The high frequency of reborrowing—especially among those selling perishable goods—demonstrates how the need for constant inventory replenishment exacerbates dependency on informal lenders. Additionally, the significant association between sex and reborrowing frequency suggests that women, who often struggle with formal credit access, face a heightened risk of falling into cyclical debt. This aligns with previous studies, which show that informal borrowers, particularly those involved in daily consumer goods, become trapped in a debt repayment and reborrowing cycle, thereby reinforcing their economic precarity within the informal economy.

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