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INSTITUTE FOR MONEY, TECHNOLOGY
& FINANCIAL INCLUSION

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Part One: In every economic crisis comes business opportunity - Bombay 5-6 lenders and the micro-entrepreneurs in Tacloban City, Philippines

By IMTFI Researchers [Rosalita M. Dula](#) and [Marilou P. Grego](#)

This is the first of a three-part series about the informal loan negotiation practices between ambulant vendors and a group known as "Bombay 5-6 lenders" in Tacloban City, Philippines. Dula and Grego describe the effects of these lending practices on the household and business activities of vendors who live and work on the edge of a precarious existence.

October 15th: a sunny day in Tacloban City, Philippines, and yet another busy day for Domingo Omoy Sr., 63 years old, and his 59-year-old wife, Paula. They have 3 children to feed and send to school. They're one of the families that have worked as ambulant vendors, rolling their business on the streets of the city, for more than three decades.



A female ambulant vendor in the busy streets of a public market area, Tacloban City, Philippines (Photo credit: Rosalita M. Dula)

Early this morning, Domingo went to the public market to buy the necessary supplies for their food vending business; afterwards, he and his wife began preparing various food stuffs. At around 8am, Domingo pushed a cart containing their merchandise to a nearby school where they set up before the class break. Around 3pm, a guy on a motorbike wearing a checkered long-sleeved polo shirt approached the vending couple. The guy's look and physique did not resemble that of locals, but the guy and Domingo exchanged pleasantries in the local dialect, to no one's surprise. While engaged in their brief conversation, Domingo handed over a tiny notebook and some cash to him. After scribbling something, the guy on the motorbike handed back the notebook to the old man. Everything went smoothly, as if their moves were well-rehearsed and expected. In a jiffy the guy and his motorbike vanished. Classes ended around 5pm. Domingo then pushed the cart back home, concluding a routine day of business.

Domingo is a native of Tacloban City, the regional center for education and trade of Eastern Visayas, Philippines. It is comprised of 138 barangays (villages) and a population of 242,000 based on a 2015 census by the Philippine Statistics Authority. It gained global publicity and attention after being massively hit by super typhoon Yolanda (internationally known as Haiyan) on November 8, 2013. Based on the severity of damage it was deduced that the city was the typhoon's ground zero. Fortunately, not long after Haiyan's devastation, prominent local and multi-national franchises have either

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opened or reopened their businesses in the city, allowing for a rapid bounce-back of the local economy.

Commensurate to the escalation of big corporations' is the economic activities and contributions of micro entrepreneurs, specifically the ambulant vendors. Domingo and those belonging to this micro-enterprise sector who sell their merchandise in the open thoroughfares of the city, commonly live in a hand-to-mouth existence. Unable to buy or rent a stall, they market their goods along sidewalks, by transport terminals, in front of the market, or near public or private establishments. They are peddling goods such as street foods, fruits and vegetables, condiments, accessories, and they render services like shoe and cellphone repairs. Meanwhile, considering the nature of business and being known to have an income generally below subsistence level, ambulant vendors are not compelled by the Bureau of Internal Revenue to pay income tax returns. This somehow adds an appeal to ambulant trading as a viable prospect for those who want to start their foray into a micro-business venture with very minimal capitalization and low tax overhead. Ambulant vending is a boon to those on tight budget that demand easily accessible goods and/or services at a very affordable cost. A serving of banana cue, for instance, would only cost approximately \$0.2 from an ambulant vendor compared to \$0.3 at canteens or food stalls.

Most of the ambulant vendors rely on their daily business income to sustain their daily household needs. In lean seasons, when income hits rock bottom, a lack of savings spells doom for the family and business. It is during these vulnerable times when most of the micro-scale entrepreneurs like ambulant vendors would seek the help of institutions engaged in money lending to keep their business afloat. Unfortunately, with very little to no access to formal financing and the absence of property that could serve as loan collateral, these distressed traders eagerly grab hold of informal money lenders' helping hands.



A Bombay 5-6 lender scurrying off after collection of payments from ambulant vendors in the downtown area (Photo credit: Marilou P. Grego)

The prevalent practice of informal money lending in Tacloban City, and probably most other cities in the Philippines, is dominated by the “Bombay 5-6” money lenders. The term “5-6” is based on the two lowest numerical figures to clearly represent the nominal 20 percent interest rate. Hence, a person who borrows 5 pesos will have to repay 6 pesos over an agreed period of time ([Kondo, 2003](#))*. Bombay 5-6 is a group of enterprising Indian nationals who have been covertly operating their informal money lending business in the Philippines for a long time. According to Sonny, a Bombay 5-6 lender, their family and relatives have been operating in Tacloban City for almost two and a half decades. Their business operation has been bequeathed from one generation to the next. The considerably high interest rate cleverly imposed on smaller amounts enables them to offer attractive loan deals to locals, and get the returns in two-month's time or even less. Their clients are mostly micro-scale business entrepreneurs.

Bombay 5-6 lenders' long-term presence in the area has paved the way for them to make friends with the locals, learn their language, adopt their culture, and engage in business with them. In turn, members of the group were able to create a persona, gain the trust of locals and attract them to borrowing money from them. As with many informal money lending practices, obtaining a loan from Bombay 5-6 is plain and straightforward with the absence of paperwork and required documents superficially sweetening the deal.

Domingo is amongst those who depend heavily on Bombay 5-6 lenders for business' and even household's financial needs. For him, even at its paramount, the interest rate fades into oblivion when he is glaring at the absence of means for survival. He is one of those who has stuck around and continued to push his business even beyond the silver-year milestone of peddling. He was able to go the distance because of his perseverance in bringing his trade close to those who needed it. Domingo and his family may be one of the few who deserve to be admired for exhibiting a vibrant picture of resiliency. Yet on the other side of this resiliency is his daily business visitor, the guy on the motorbike wearing his checkered polo shirt and rocking his motorbike across the distance, booting obstacles along the way to bring Domingo a link for the chain that holds their mutual existence on a continuum.

References

*Kondo, Marie. October 2003. "Bombay 5-6": Last Resource Informal Financiers for Philippine Micro-Enterprises."Issue 4. Kyoto Review of Southeast Asia. Retrieved from <http://kyotoreview.org/issue-4/the-bombay-5-6-last-resource-informal-financiers-for-philippine-micro-enterprises/>

See here for Part Two.

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