

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

**GOVERNMENT SECURITIES AND TIME DEPOSIT
INVESTMENT: THE ALTERNATIVE INVESTMENT FOR
OVERSEAS FILIPINO WORKERS (OFW)**

(Selected Investment Instrument: It's Rate of Change,
Forecast and Problems)

A Thesis

Submitted to the

Faculty of the Graduate School of Business

Colegio De San Juan de Letran

Intramuros, Manila

In Partial Fulfillment of the
Requirements for the Degree of
Master in Business Administration

LEAH KATRINA VALISNO SANTICO
July 2000

20 JUN 2005

ACKNOWLEDGEMENT

Understanding human learning requires a consideration of the circumstances under which learning occurs and the means used to facilitate.

I feel lucky to be able to pursue my Masteral Degree in Business Administration with the help of the people who gives importance to my being, they are as follows: My Parents for their continued love, appreciation, for motivating me to higher achievements, for all the long and interesting conversations we had until dawn and for their brilliant ideas from which I always benefit; My Brothers for understanding my feelings and admiring my words; My Sisters-in-law for supporting and loving me; My Nieces and Nephews for giving me a good laugh and most specially my Beloved Boyfriend who stood by me for 10 years who continue to support me through my difficult times.

Crucially, A statement in a book is not knowledge, but information that a knowledgeable person created and is able to interpret in a practical situation. We can describe what a person knows.

Table of Contents

Chapter

1	THE PROBLEM AND ITS BACKGROUND	
	Introduction	1
	Background of the Study	5
	Theoretical Framework	6
	Conceptual Framework	10
	Statement of the Problem	13
	Significance of the Study	14
	Scope and Limitation	16
	Definition of Terms	17
2	REVIEW OF RELATED LITERATURE AND STUDIES	
	Related Literature	22
	Related Studies	51
	Assessment of Related Literature and Studies	65
3	RESEARCH METHODOLOGY	
	Research Design	67
	Data Collection	68
	Data Treatment	69
	Statistical Treatment of Data.....	71

COLEGIO DE SAN JUAN DE LETRAN

PAGE

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION

4	PRESENTATION, INTERPRETATION AND ANALYSIS OF DATA	74
5	SUMMARY, CONCLUSIONS AND RECOMMENDATION	
	Summary	97
	Conclusion	99
	Recommendation	101

Bibliography

Curriculum Vitae

Appendices

Volatility Tables

Treasury Bills

Fixed Rate Treasury Note

USD/PHP Exchange Rate

All Asia Mutual Fund

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

SUMMARY

Investments in Government Securities such as Treasury Bills and Fixed Rate Treasury Note (FXTN's) will give the traditional bank savings and time deposits a very serious run for their money. This has been the observation of most banking experts in the Banking Industry.

The Asian Currency Crisis made the Filipino investor realize three things:

1. The volatility of interest rates has been translated to higher yields to investments albeit the relatively high risk;
2. That bank deposits give very low returns on investment
3. That the vulnerable state or posture of Banks and Financial Institutions due to the Asian Crisis, the low interest rates that they give to their depositors are no longer worth the latter's while.

^This study intends to compare and analyze Government Securities such as Treasury Bills and Fixed Rate Treasury Note (FXTN) against the traditional time deposits that Filipino investors are used to.

With the overwhelming influx of overseas Filipino workers (OFWs), foreign exchange speculation has emerged as a huge investment activity in the market. However, it is the intention of this paper not to encourage such an activity because of the huge risks involved in taking positions in the rather volatile foreign exchange markets.

Since these OFWs' funds are hard-earned money, the author is subscribed to the notion that hard-earned funds should be invested in safer and more liquid investments.

^This paper, aside from attempting to find the answers to the above-mentioned issues, aims to prove that *government securities are a safer way and more high-yielding form of investing the OFWs' hard-earned money.* The potential of having more OFWs investing their hard-earned money in these instruments are encouraging.

With the numerous issues surrounding the stability of banks in the country, people are beginning to wonder where else they could safely park their funds. The fact that most fixed income instruments are (i.e., T/Bills, FXTNs, ROPs, DCBs, Cash Management Bills) issued by the government gives them a semblance of stability. Albeit the Asian crisis has shown us how vulnerable businesses are in times of economic downturns, it has also demonstrated that a government's capability to manage its economic requirements can also be adversely affected (e.g., Thailand, Indonesia).

The author reiterates that the focus of this paper is on the feasibility of government securities as an alternative investment outlet for OFWs aside from time deposit investments.

CONCLUSIONS

Based on the above findings, the following conclusions were arrived

1. Performance of Treasury Bills from 1994 – 1999 taken at Bangko Sentral ng Pilipinas are as follows

2. There is a difference in the performance of mutual funds as a medium of tapping small investors and invest in securities. A mutual fund invests in stocks and bonds on behalf of its investors. This approach allows smaller investors to own a part of a portfolio that is more diversified than if they invested directly in a given company.

It is possible to reduce the riskiness of a portfolio of investments by adding other, even more risky, assets to our portfolio. The objective is to find other securities, that while risky when viewed alone, actually reduce the risk of our portfolio of investments because they move counter to the assets already contained in the portfolio

Money-market funds invest only in short-term securities, such as government securities that mature in 90 days (Treasury Bills) or certificates of deposits. The expected returns on these investments are usually lower than stocks.

✓Mutual Fund activities yielded the best returns. It has a diversified portfolio consisting of government securities, commercial papers and cash.

3. ✓The investment option with the best results are the following:
Exchange Funds for PHP and place in PHP mutual Funds; Exchange Funds for PHP and place PHP FXTN exchange funds for PHP and place in Treasury Bills; Exchange Funds for PHP and place in PHP time deposits and place funds in USD time deposits.

RECOMMENDATIONS

1. Mutual Funds may yield the highest returns through dividends. However, some of these funds have exposure in commercial papers which are more risky than government securities.
2. Fixed Rate Treasury Note has a full yield on investment and high liquidity because government backs up the instrument but market risk if liquidated before maturity.

3. Time Deposits on the other hand has a full yield but lower than the government securities and when liquidated before the maturity, penalty will be imposed.

4. It is highly recommended for the OFW to tap government securities such as treasury bills and Fixed Rate Treasury Notes.

5. Awareness of the OFW on government securities investment should be initiated by the government through the Bangko Sentral ng Pilipinas.

6. Likewise, the government through the Bureau of Internal Revenue (BIR) should review the tax scheme on time deposits investment.