



Sustaining headways
in digital
transformation

2022 Status of Digital Payments





Message from the Governor

We have witnessed the world around us being transformed in unprecedented ways and we must be steadfast as we navigate through these changes under the new economy arrangement.

One area that has seen impressive growth trends is in the realm of digital payments adoption. This is good news, as we unceasingly emphasize the benefits that could be derived in going digital. We, at the BSP, closely collaborate with the payments industry, led by the Philippine Payments Management, Inc. (PPMI), to enhance the country's retail payment infrastructure and services to better serve the payments needs of financial consumers, providing value proposition that would help them maximize the benefits and improve their quality of life.

The BSP's goal under the Digital Payments Transformation Roadmap (DPTR), that is to convert at least 50 percent of all retail payment transactions into digital form by 2023, is not far from being a reality. The BSP has high hopes that the broadening digital payments usage and acceptance in recent years will sustain its rising trajectory in the post-COVID Philippine economy.

The result of the BSP's measurement on the level of adoption of digital payments in 2022 is extremely encouraging. The volume of digital payments has grown substantially, reaching 42.1% of the total retail payments while the value of digital payments is now at 40.1%. These statistics show that we are on the right track with the country making notable strides in building an inclusive retail payment landscape.

Through the partnerships forged by the BSP with key stakeholders from both the public and private sectors, we are optimistic and remain committed to exploring and developing innovative payment streams that deliver a superior digital payment experience for our consumers. I encourage all Filipinos to leverage the benefits of digital payment services and embrace this shift towards a cash-lite economy. Mabuhay po tayong lahat!

Felipe M. Medalla



Message from the Deputy Governor

When I think back on the time when the BSP launched the National Retail Payment System (NRPS) Framework in 2015, I cannot help but marvel on how far we have come. From what appeared to be an impossibly ambitious goal starting with only 1% monthly digital payments in 2013, we have logged 42.1% digital payments transactions on a monthly basis by the year 2022. We are thus well on our way to meeting our target of 50% by 2023.

These headways would not have been possible without the unwavering support of our partners both in the private and public sectors. The commitment to provide the supporting infrastructure, and enabling policy and regulatory frameworks allowed the various players in the payments industry to collaborate and compete at the same time with the shared objective of offering safe, fast, convenient and affordable digital payments products and services tailor-fitted to address the various needs of the paying public, even during the recent extraordinary times.

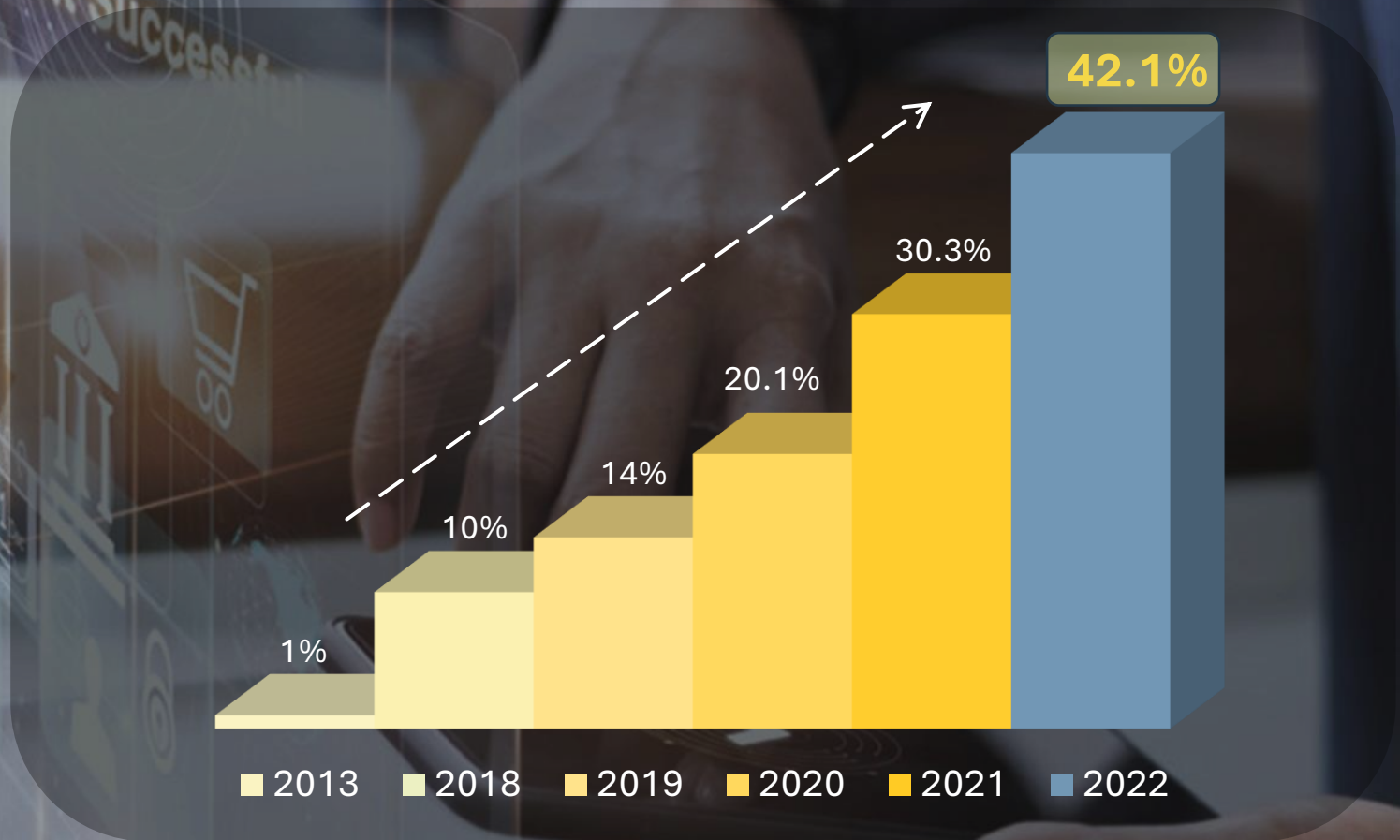


As the country embarks in our digital payments transformation journey, the BSP strives to be the lighthouse in digitalization. Together with key stakeholders from the government, the business community and the individual consumers, we will continue to carry out initiatives to further promote the widespread use of digital payments and enable each Filipino to reap the benefits of a growing and inclusive Philippine digital economy.

Mamerto E. Tangonan



**Figure 1: Share of digital payments
BY VOLUME in 2022**

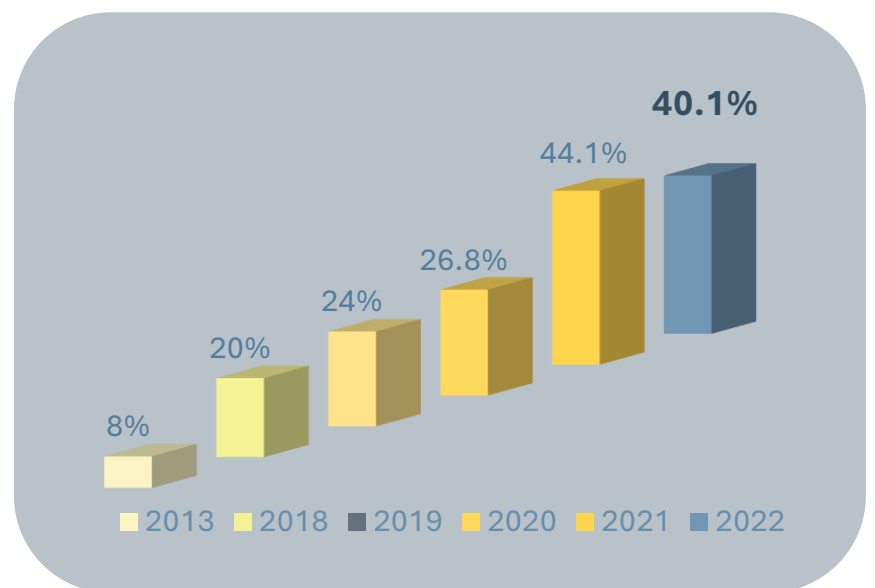


Share of Digital Payments in 2022

Over the last five years, the country witnessed a growth in the momentum in the use of digital payments, indicating the shifting preference of more Filipino consumers from traditional cash-based payments into digital modes of payments given their safety, speed and convenience.

The most recent measurement study reveals that for 2022, the share in terms of volume of digital payments over total retail payments considerably grew to 42.1%, supported by an increase of 611.7 million retail payments transactions from the previous year. Meanwhile, the share in terms of value of digital payments over total retail payments stand at 40.1% amounting to 78 billion USD.

**Figure 2: Share of digital payments
BY VALUE in 2022**



The diagnostic report shows that merchant payments and person-to-person (P2P) fund transfers are the main drivers of greater digital payments adoption in the country. These payment use-cases are high-frequency, low-value transactions. Meanwhile, it has been noted that there was a decline in the value of monthly transactions in 2022.

Table 1: Shift and share of digital and non-digital payments BY VOLUME in 2022

	OVERALL	P2X	B2X	G2X	
NON-DIGITAL	2,810	1,480	1,328	2	
DIGITAL	2,044	1,849	144	51	
SHARE OF DIGITAL PAYMENTS	2022	42.1%	55.5%	9.8%	95.9%
	2021	30.3%	36.1%	9.8%	95.3%
	2020	20.1%	23.4%	5.4%	93.2%
	2019	14%	15%	6%	80%

Digital and Non-digital Payments

Payments made by persons (P2X) remain to have the largest share of the total retail payments volume at 68.6%, followed by payments made by the businesses (B2X) at 30.3, then payments made by the government (G2X) at 1.1%.

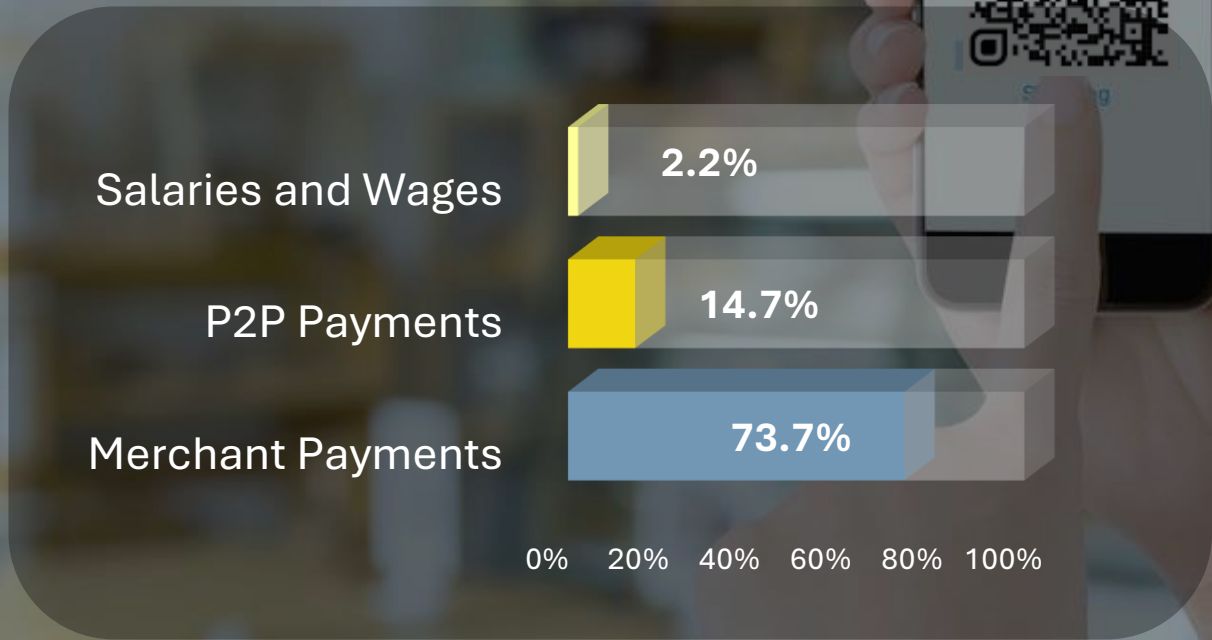
Among the three types of payors, the government remains to be the most cash-lite as 95.9% of its payments are done digitally. Followed by payments made by persons, where 55.5% are already in digital form, and finally, the payments made by businesses (B2X) at 9.8% digital.

In terms of value, payments to businesses continue to dominate the high-value transactions, representing 55.6% of the total value of retail payments transactions in 2022, followed by P2X payments at 38.7%, and G2X payments at 5.6%.

Table 2: Shift and share of digital and non-digital payments BY VALUE in 2022

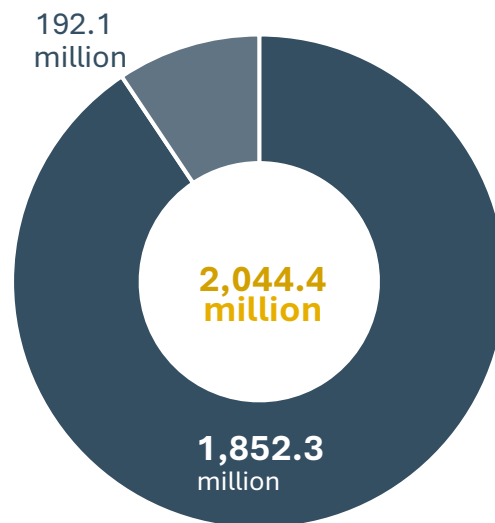
	OVERALL	P2X	B2X	G2X	
NON-DIGITAL	116,876	27,875	88,738	263	
DIGITAL	78,173	47,642	19,785	10,746	
SHARE OF DIGITAL PAYMENTS	2022	40.1%	63.1%	18.2%	97.6%
	2021	44.1%	55.9%	35.3%	62.9%
	2020	26.8%	44.1%	12.8%	82.8%
	2019	24%	28%	17%	87%

Figure 3: Share of key contributors per use-case BY VOLUME in 2022



Key Contributors

The recent diagnostic shows that the increase was mainly driven by these use-cases: person-to-business (P2B) merchant payments, with more than 1,500 million transactions representing 73.7% of the total 2,044.4 million digital transactions; followed by person-to-person (P2P) payments and business-to-person (B2P) salaries and wage payments whose share over total digital payments volume are at 14.7% and 2.2%, respectively. All of these use-cases are high-frequency, low-value retail transactions.



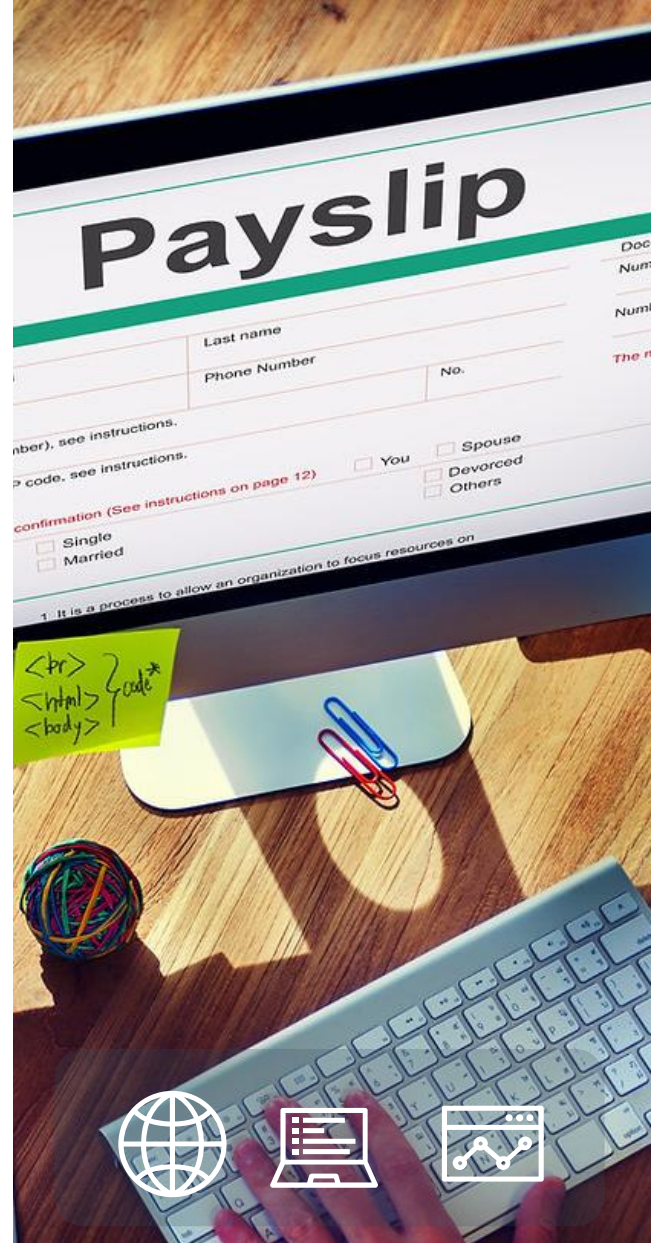
90.6% of digital payments volume

The three payment use-cases that served as the top contributors to the increase in digital payments comprised 90.6% of the total volume, which corresponds to 1,852.3 million digital transactions.



P2P Remittances

Since 2021, P2P transfers almost doubled with an upsurge of 91.2% year-on-year, from 156.7 million to 299.7 million transactions in 2022. The P2X use-case continues to take over the digital payment landscape through the widening usage of the account-to-account electronic fund transfer services.



Merchant Payment

In the recent study, merchant payments continue to be the lead contributor in the rise of digital payments usage. By end-2022, the volume of digital merchant payments grew by 35.6%

From 1,112.1 million transactions in 2021, electronic payments to merchants have reached 1,507.5 million transactions in 2022.



Salaries and Wages

Meanwhile, commitments from the private sector to support the digital transformation agenda of the BSP were evident as the salaries and wage payments use-case exhibited a remarkable growth of 41.1% from its volume in 2021.

PESONet MBS



PESONet multiple batch settlement (MBS) was launched on 24 January 2022, increasing the daily batch settlement to two cycles within a banking day. This service enhancement provides heightened efficiency for individuals and businesses in managing their cash flows. With the MBS in place, PESONet users can receive funds at an earlier time than the usual end of banking day, enabling users to settle payments faster, and consequently, enhancing PESONet's viability as an alternative to the paper-based check system.

January

November

Bills Pay Ph was launched on 29 November 2022. It seeks to address the currently fragmented bills payment facilities in the country. With this facility, businesses that are onboarded as billers and which prefer to collect payments digitally are no longer limited to bilateral arrangements with multiple payment service providers. Businesses are also able to capture a wider base of end-users that prefer to pay their bills digitally.



Bills Pay Ph

Launched Initiatives in 2022

The development of new and innovative payment streams to digitalize key payment use-cases aims to make digital payments **more accessible, ubiquitous and convenient**. Strategic initiatives pursued by the BSP in 2022, in collaboration with the payments industry, led by the Philippine Payments Management, Inc. (PPMI), included:

First, the Multiple Batch Settlement of PESONet transfers; and

Second, the Interoperable Bills Pay Facility.



KEY TAKEAWAYS

- 1** The use of digital payments has been rapidly increasing and this is evidenced by the accelerated growth rates in the annual measurement of digital payments from 2018 to 2022.
- 2** Digital payments volume increased by 42.7% YoY, exhibiting a sustained momentum in the shifting preference to use and accept digital payments services in recent years.
- 3** Person-to-business (P2B) and business-to-business (B2B) payments continue to be the use-cases that need to be prioritized considering their significant share over the total retail payments volume.
- 4** Merchant payments and person-to-person (P2P) fund transfers once again proved to be the top contributors in the growth of digital payments volume.
- 5** The government continues to lead the path to digitalization with 96% of its total payment transactions and disbursements already in digital form.
- 6** There was a significant increase in the volume of account-to-account electronic fund transfers, which could be attributed to the expanding access to transaction accounts that are now being utilized to perform various payment transactions alongside the increasing preference to use digital modes and channels in making payments.
- 7** With digital payments poised to continue to grow with this upward trajectory, we are optimistic in reaching our target of transforming 50% of the total retail payments volume into digital form by 2023.

Acknowledgement

We are deeply grateful to Governor Felipe M. Medalla, for his unwavering leadership and invaluable support to promote digital payment transformation throughout the country.

We give special recognition to Deputy Governor Mamerto E. Tangonan, Senior Assistant Governor Edna C. Villa and Managing Director Bella S. Santos, for their thoughtful guidance and mentorship. We also thank the rest of the BSP Payments and Policy Development Department (PPDD) for their tremendous efforts and unremitting assistance.

The authors would also like to thank the Better Than Cash Alliance (BTCA) and Dalberg, a critical technical partner commissioned by the Alliance to develop the 2019 diagnostic model.

E-Payments Measurement Report

The BSP measurement model (previously known as the BTCA model¹) measures the volume and value of digital payments by assessing the state of retail payments in the country made to and by three (3) general categories:

The regular monitoring of the status of digital payments in the Philippines allows the BSP to monitor the progress of issued policies, help identify long-standing barriers to digital adoption, and make informed decisions on the appropriate interventions to pursue with relevant stakeholders.



Methodology

To quantify the progress on digital payments, available datasets were analyzed to measure the share of digital payments across government institutions, businesses, and persons/individuals. The measurement activity may be broken down into three (3) core activities:

- Identifying the largest and most relevant payment use cases** to arrive at an estimation of total and digitalized retail payment transactions in the country;
- Running an estimation exercise for each use case** to arrive at an overall understanding of the uptake of digital payments. This includes the use of quantitative data available from disaggregated sources as well as making critical assumptions to fill in the gaps;
- Knowing the why and how behind key estimations**, and providing a narrative on the drivers and challenges as well as opportunities for further improvement.

Payment Grid with Focus Use-Cases

The payment grid below, which is foundational to the BSP measurement model, consists of twenty-four (24) payments use-cases based on the different types of payments made among the three general categories of the payer and payee.

		PAYEE		
		GOVT	BUSINESSES	PERSONS
PAYER	GOVT (0.92%)	<ul style="list-style-type: none"> Transfers from center to LGUs Social welfare contributions Procurements for common use items <p style="text-align: right;">0.12%</p>	<ul style="list-style-type: none"> Procurement and supplier payments Utilities <p style="text-align: right;">0.13%</p>	<ul style="list-style-type: none"> Social welfare contributions Salaries and payroll <p style="text-align: right;">0.85%</p>
	BUSINESS (24.05%)	<ul style="list-style-type: none"> National taxes and fees State taxes and fees Social welfare contributions <p style="text-align: right;">0.07%</p>	<ul style="list-style-type: none"> Supplier payments Business lending Interest payments <p style="text-align: right;">27.92%</p>	<ul style="list-style-type: none"> Salaries and payroll Social welfare contributions Consumer lending <p style="text-align: right;">2.35%</p>
	PERSONS (75.03%)	<ul style="list-style-type: none"> Tax collections Government fees levied for services Social welfare contributions <p style="text-align: right;">0.07%</p>	<ul style="list-style-type: none"> Merchant payments Utility payments Interest and loans <p style="text-align: right;">60.22%</p>	<ul style="list-style-type: none"> Remittances P2P lending <p style="text-align: right;">8.27%</p>

The matrix shows a 3x3 grid, representing 9 possible payment combinations between the government, businesses and individuals. The percentages indicated in the payment grid above represent the percentage share of the payments sub-use case to the total monthly payments transaction volume for 2022. This vital information allows us to identify which payments use-cases might yield the maximum impact in terms of identifying priorities for digitalization.

¹Enhancements have been incorporated into the BSP measurement model based on the first measurement model developed with the assistance of Better Than Cash Alliance (BTCA).

Data Tables

Full Year

2022

Volume

USE-CASE	Monthly volume of transactions		
	TOTAL (millions)	DIGITAL (millions)	% OF TOTAL
Total Volume of payments in Philippines	4,853.95	2,044.39	42.1%
Government to X (G2X)	53.61	51.42	95.9%
Government-to-Government (G2G)	6.06	5.33	87.9%
Transfers from center to LGUs	0.004	0.004	100.0%
Social welfare contributions	2.69	1.96	72.7%
Procurements for common use items	3.37	3.37	100.0%
Government-to-Business (G2B)	6.44	6.44	100.0%
Procurements and supplier payments	6.27	6.27	100.0%
Utility Payments	0.17	0.17	100.0%
Government-to-People (G2P)	41.11	39.64	96.4%
Salaries and payroll	17.51	17.51	100.0%
Welfare payments and conditional cash transfers	23.60	22.13	93.8%
Business to X (B2X)	1,472.20	144.46	9.8%
Business-to-Government (B2G)	3.22	0.76	23.6%
National taxes and fees	0.53	0.34	64.4%
State taxes and fees	1.37	0.01	1.0%
Social welfare contributions	1.32	0.40	30.7%
Business-to-Business (B2B)	1,355.10	56.84	4.2%
Supplier payments	1,348.14	49.88	3.7%
Business lending	1.55	1.55	100.0%
Interest payments	5.41	5.41	100.0%
Business-to-People (B2P)	113.88	86.86	76.3%
Salaries and payroll	51.81	45.08	87.0%
Consumer lending	30.25	29.87	98.7%
Social welfare contributions	31.82	11.91	37.4%
People to X (P2X)	3,328.13	1,848.51	55.5%
People-to-Government (P2G)	3.52	0.77	21.8%
Tax collections	0.91	0.28	30.7%
Government fees levied for services	1.15	0.03	3.0%
Social welfare contributions	1.46	0.45	30.9%
People-to-Business (P2B)	2,923.07	1,547.24	52.9%
Merchant payments	2,805.48	1,507.53	53.7%
Utility payments	109.69	31.81	29.0%
Interest and loans	7.90	7.90	100.0%
People-to-People (P2P)	401.54	300.50	74.8%
Remittances	399.18	299.69	75.1%
P2P lending	2.36	0.81	34.2%



Data Tables

Full Year

2022

Value

USE-CASE	Monthly value of transactions		
	TOTAL USD (millions)	DIGITAL USD (millions)	% OF TOTAL
Total Value of payments in Philippines	195,048.72	78,172.80	40.1%
Government to X (G2X)	11,009.31	10,746.25	97.6%
Government-to-Government (G2G)	2,245.53	2,193.18	97.7%
Transfers from center to LGUs	1,220.64	1,220.64	100.0%
Social welfare contributions	191.56	139.20	72.7%
Procurements for common use items	833.33	833.33	100.0%
Government-to-Business (G2B)	1,590.44	1,590.44	100.0%
Procurements and supplier payments	1,547.62	1,547.62	100.0%
Utility Payments	42.82	42.82	100.0%
Government-to-People (G2P)	7,173.35	6,962.63	97.1%
Salaries and payroll	1,716.03	1,716.03	100.0%
Welfare payments and conditional cash transfers	5,457.32	5,246.60	96.1%
Business to X (B2X)	108,522.73	19,784.85	18.2%
Business-to-Government (B2G)	4,692.01	3,966.68	84.5%
National taxes and fees	4,067.37	3,823.73	94.0%
State taxes and fees	97.37	0.97	1.0%
Social welfare contributions	527.28	141.98	26.9%
Business-to-Business (B2B)	95,559.46	8,516.12	8.9%
Supplier payments	92,924.59	5,881.25	6.3%
Business lending	1,553.26	1,553.26	100.0%
Interest payments	1,081.61	1,081.61	100.0%
Business-to-People (B2P)	8,271.26	7,081.05	88.3%
Salaries and payroll	5,370.63	4,672.45	87.0%
Consumer lending	2,536.50	2,493.27	98.3%
Social welfare contributions	364.12	136.33	37.4%
People to X (P2X)	75,516.68	47,641.71	63.1%
People-to-Government (P2G)	353.10	66.07	18.7%
Tax collections	198.87	43.38	21.8%
Government fees levied for services	87.85	2.64	3.0%
Social welfare contributions	66.37	20.06	30.2%
People-to-Business (P2B)	30,016.80	19,460.59	64.8%
Merchant payments	25,702.58	17,127.21	66.6%
Utility payments	3,660.86	1,680.00	45.9%
Interest and loans	653.37	653.37	100.0%
People-to-People (P2P)	45,146.78	28,115.06	62.3%
Remittances	44,879.29	28,023.57	62.4%
P2P lending	267.49	91.48	34.2%



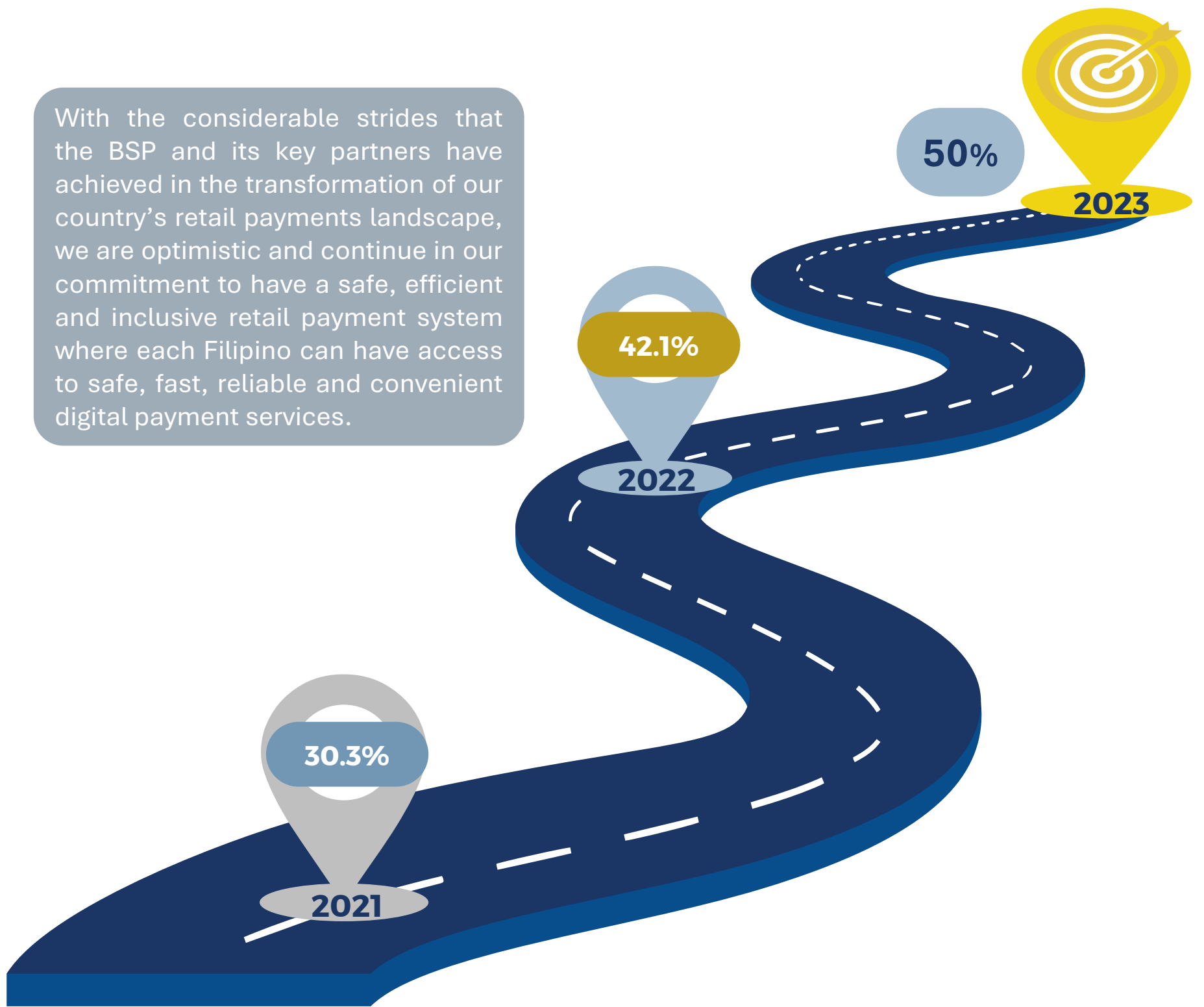
Sources of Data

USE-CASE	SUB USE-CASE	DATA SOURCE	
Government-to-Government (G2G)	Transfers from center to LGUs	DBM BTr	Local Budget Memorandum Report on volume and value of payments
	Social welfare contributions	PAG-IBIG	Report on volume and value of payments
		Philhealth	Report on volume and value of payments
Government-to-Business (G2B)	Procurements for common use items	DBM PCHC	Report on volume and value of payments, Stakeholders interview PCHC PESONet Daily Monitoring
	Procurements and supplier payments	DBM PCHC	Report on volume and value of payments, Stakeholders interview PCHC PESONet Daily Monitoring
Government-to-People (G2P)	Salaries and payroll	DBM	Report on volume and value of payments, Stakeholders interview
		PSA	Annual Labor and Employment Status
	Welfare payments and conditional cash transfers	SSS GSIS DSWD PAGIBIG Philhealth	SSS facts and figures Report on volume and value of payments Monthly Report on Pantawid Pamilya Implementation Report on volume and value of payments Stats and charts
Business-to-Government (B2G)	National taxes and fees	BIR BTr PCHC	Report on volume and value of payments NG Cash Operations PAS 5 Volume/Value
		State taxes and fees	BLGF
	Social welfare contributions	PAGIBIG Philhealth	Report on volume and value of payments Report on volume and value of payments
Business-to-Business (B2B)	Supplier payments	PSA PCHC	Gross Value Added, Annual Survey of Philippine Business and Industry, Stakeholders interview Average CICS Processing Stats
	Business lending	BSP-DSA	Loans Outstanding for Production and Consumer Loans, Stakeholders interview
	Interest payments	BSP-DSA BSP-DSA	Loans Outstanding for Production and Consumer Loans, Stakeholders interview Income Statement Philippine Banking System
Business-to-People (B2P)	Salaries and payroll	PSA	Daily wages by class of worker
	Consumer Lending	BSP-DSA	Loans Outstanding for Production and Consumer Loans, Stakeholders interview
	Social welfare contributions	SSS	SSS facts and figures, Report on volume and value of payments

Sources of Data

USE-CASE	SUB USE-CASE	DATA SOURCE	
Person-to-Government (P2G)	Tax collections	BIR	Report on volume and value of payments
	Government fees levied for services	BLGF	Report on volume and value of payments
	Social welfare contributions	SSS	SSS facts and figures, Stakeholders interview
Person-to-Business (P2B)	Merchant payments	Euromonitor	Consumer Finance Report
		BancNet	Bancnet Summary of Cards Data
		BancNet	Instapay Daily CSO Report
	Utility Payments	TRB	Report on volume and value of payments
		PSA	National accounts
Interest and loans	Euromonitor	Consumer Finance Report	
	BSP-TRISD	EMI Report	
Person-to-Person (P2P)	Remittances	BSP-TRISD	EMI Report, Stakeholders interview
		BSP-FIO	Financial Inclusion Survey
		PCHC	PESONet Daily Monitoring
	P2P lending	BSP-FIO	Financial Inclusion Survey

With the considerable strides that the BSP and its key partners have achieved in the transformation of our country's retail payments landscape, we are optimistic and continue in our commitment to have a safe, efficient and inclusive retail payment system where each Filipino can have access to safe, fast, reliable and convenient digital payment services.



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