



Forging Pathways TO A CASH-LITE SOCIETY



Status of Digital Payments in the Philippines
2021 Edition

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MESSAGE FROM THE GOVERNOR

Benjamin E. Diokno



Amidst the challenges we faced with the sudden onset of the COVID-19 pandemic in 2020, the Bangko Sentral persisted in fulfilling its mandate to establish a safe, efficient and reliable payment system that supports the sustainable economic growth of the country. The Bangko Sentral has worked closely with government agencies and leaders in the financial, retail and regulatory sectors to accelerate the adoption of digital payments.

The outcome of the BSP's diagnostic study on the measurement of the level of digital payments adoption in 2020 is remarkably promising. According to the report, the volume of digital payments has grown substantially to 20.1 percent of total average monthly payments, up from 14 percent in 2019, and equivalent to 26.8 percent share in terms of value. These figures demonstrate that the Philippines has made tremendous strides toward growing an inclusive digital payment ecosystem.

We are optimistic that digital payments adoption will sustain the upward momentum during the post-pandemic years and would allow us to achieve the 50 percent target by 2023, as the BSP has laid out regulatory reforms that served as strong foundations and is well positioned to take advantage of fintechs in boosting the adoption of digital payments toward a cash-lite economy. In keeping with our commitment to inclusive growth, we shall continue with our goal in providing universal access to safe, affordable and convenient digital payments and financial services to every Filipino. *Mabuhay po tayong lahat!*

MESSAGE FROM THE DEPUTY GOVERNOR

Mamerto E. Tangonan



The year 2020 highlighted BSP's critical role in carrying out key initiatives to promote digital payments in the country in the midst of a global pandemic. The health concerns surrounding the COVID-19 pandemic helped in the transition of more digitally-engaged Filipino consumers that have begun to use and experience the benefits of digital payments as physical distancing rules become the norm.

The Philippines has hit a significant milestone of achieving the "20% by 2020" target¹ set in 2015, in which the volume of digital payments rose to 20.1 percent of overall average payments per month, higher by 6.4% percentage points than in 2019, corresponding to 910 million transactions made digitally. This significant progress is indicative that the adoption of digital payments remains on-track to reach at least the 50 percent mark by 2023.

While much work remains to be done, the Philippines has undoubtedly made substantial progress as we move closer toward our vision of a cash-lite society. In line with the objective of the BSP's Digital Payments Transformation Roadmap, the BSP will continue to drive the widespread use of digital payments and ensure that every Filipino reaps the benefits of a growing and inclusive Philippine digital economy.

¹ The "20% in 2020" was the initial target when the NRPS was launched in 2015 and 20% refers to the level of digitalization of payments in terms of volume.

EXECUTIVE SUMMARY

The 2020 e-payments measurement results show that the volume of monthly digital payments in 2020 reached 20.1%, slightly surpassing its goal of "20% in 2020". The value of monthly digital payments likewise grew to 26.8% based on the latest update of the regular assessment of the level of digital payments usage by government, businesses and individual consumers.

P2X or payments by individuals continue to account for a significant share of the 4.5 billion monthly payments volume at 78.1%, followed by B2X or business payments at 21.2% and lastly, G2X or payments by the government at 0.7%.

Figure 1: Shift and share of digital payments BY VOLUME in 2020

Classified by the payer and overall

All numbers are in millions

		OVERALL	P2X	B2X	G2X
NON-DIGITAL		3,624	2,712	910	2
DIGITAL		910	828	52	30
SHARE OF DIGITAL PAYMENTS	2020	20.1%	23.4%	5.4%	93.2%
	2019	14%	15%	6%	80%

The growth in the monthly digital payments volume is primarily driven by high-frequency, low-value retail transactions made by individuals such as merchant payments and person-to-person (P2P) payments. P2X monthly digital payments volume has significantly increased from 15.3% in 2019 to 23.4% in 2020.

While government payments, or G2X, is just a small fraction of the total monthly retail payments volume, it remains to be the most cash-lite among payers with 93.2% of its total monthly retail payments volume already in digital form. The monthly volume of government digital payments improved by 17.2%, indicating that the digitalization efforts of the government are paying off. As a significant stakeholder, the government must spearhead the promotion of policies and initiatives to drive the adoption of digital payments.

Meanwhile, the payments made by businesses, or B2X, appeared to have been the most affected by the pandemic as we saw a decline in the total number of payments made by businesses in 2020. B2X payments volume dropped by 19.8% from 65 million in 2019 to 52 million monthly digital payments in 2020. Supplier payments, making up 88.2% of the B2X payments, have less than one percent of monthly retail payments volume in digital form. The ongoing initiatives on electronic receipt (e-OR) and e-Invoicing aim to overcome some of the challenges to effectively digitalizing the B2X use-cases.

NOTE:

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Figure 2: Shift and share of digital payments BY VALUE in 2020

Classified by the payer and overall

All numbers are in USD millions

		OVERALL	P2X	B2X	G2X
NON-DIGITAL		90,199.3	19,548.7	69,099.0	1,551.6
DIGITAL		33,027.8	15,422.8	10,132.5	7,472.5
SHARE OF DIGITAL PAYMENTS	2020	26.8%	44.1%	12.8%	82.8%
	2019	24%	28%	17%	87%

In terms of value, the total monthly digital payments increased to 26.8% in 2020, compared to 23.5% in 2019. Government payments remain the most cash-lite in 2020, with monthly digital payments value at 82.8% (USD 7.5 billion), followed by payments made by individual consumers, or P2X, with 44.1% (USD 15.4 billion), and payments made by businesses, or B2X, with 12.8% (USD 10.1 billion).

Figure 3: Shift and share of digital payments BY VOLUME

Key use cases driving growth

All numbers are in millions

	2018	2019	2020
MERCHANT PAYMENT			
DIGITAL	394	523	773
SHARE OF DIGITAL PAYMENTS	13%	15%	23.8%
P2P PAYMENT			
DIGITAL	11	36	42
SHARE OF DIGITAL PAYMENTS	8%	24%	27.0%
SALARIES and PAYROLL			
DIGITAL	11	12	15
SHARE OF DIGITAL PAYMENTS	80%	80%	100.0%

Digital merchant payments have been in an upward trend since 2018, exhibiting a growth of 47.8%, from 523 million in 2019 to 773 million monthly digital payments volume by 2020. Nearly all payments by individual consumers were made to merchants and this payments use-case continue to have the largest share among all P2X use-cases in 2020 – merchant payments account for 3.2 billion total monthly retail payments, of which about 773 million are digital. This rise substantially contributed to the increasing trend in total merchant payment volume, which was facilitated by the increased use of prepaid cards and electronic fund transfers (EFT).

P2P monthly digital payments volume reached 42 million, registering an 18.1% increase in 2020. The increase in P2P payments was completely driven by remittances - out of the 157 million transactions made by individuals every month, valued at USD 9.2 billion, 27.0% represents digital remittances. P2P payments continue to be one of the primary drivers of the country's digital payments transformation.

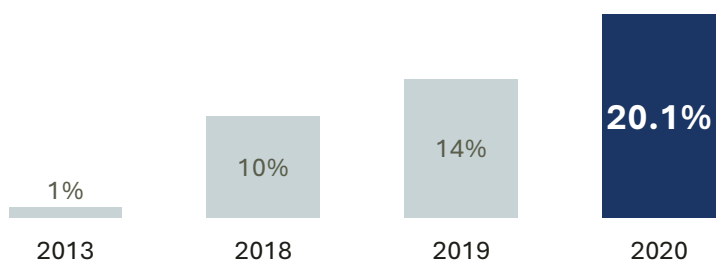
Digital disbursement of salaries and payroll continue to demonstrate an upward trend in the past two years. As of 2020, the monthly digital payments volume increased by 21.1% to 15 million from 12 million in 2019, reflecting a 100.0% digital disbursement of salaries for government employees.



Digital payments adoption in the country further widens to 20.1% for the full year 2020 assessment

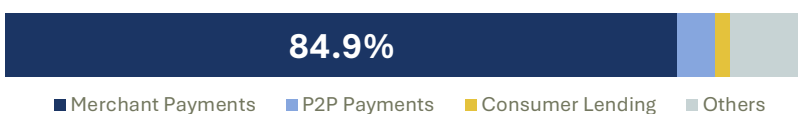
Coming from the first semester 2020 measure of 17% digital monthly payments, the Bangko Sentral updated its measure for the full year 2020 which increased to 20.1% in volume and 26.8% in value.

Figure 4: Share of digital to total payments BY VOLUME (2013-2020)



The rise in digital payments was mainly driven by merchant payments which comprised more than 84.9% of total digital payments volume, followed by P2P payments and consumer lending pegged at 4.7% and 1.9%, respectively.

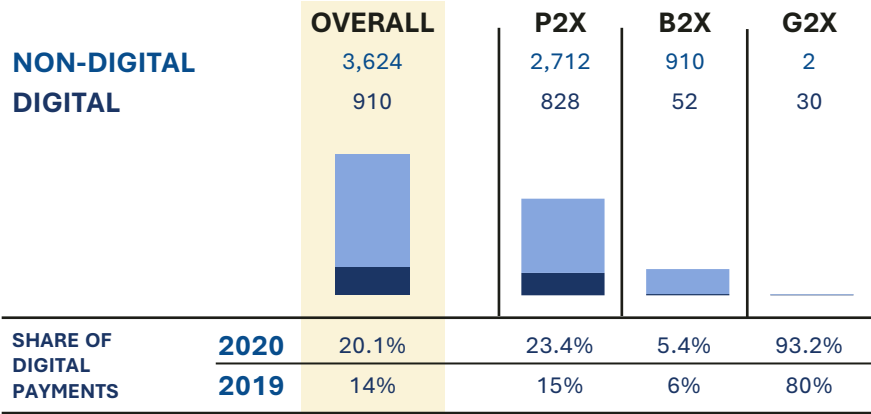
Figure 5: Share to total digital payments BY VOLUME



Merchant Payments continue to be the leading use case in terms of volume of transactions



Figure 6: Shift and share of digital payments BY VOLUME in 2020
 Classified by the payer and overall
 All numbers are in millions

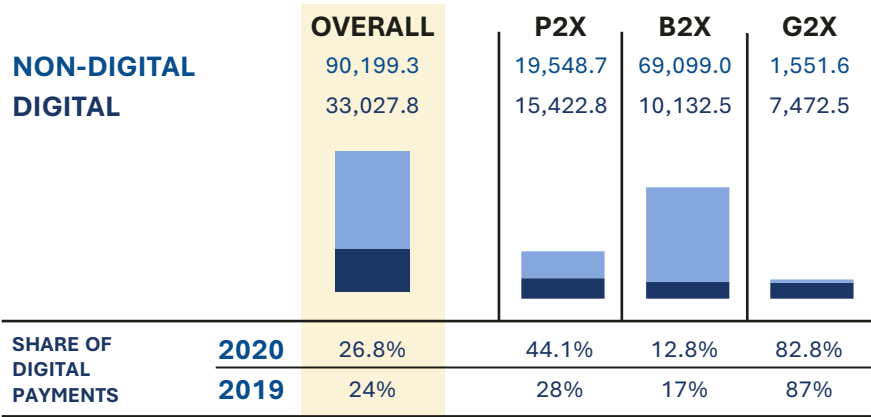


Payments made by persons (P2X) remain to have the largest share of the total retail payments volume at 78.1%, followed by payments made by the businesses (B2X) at 21.2%, then payments made by the government (G2X) at 0.7%. In terms of total retail payments value, B2X payments continue to dominate the high value transactions, comprising 64.3% of the total retail payments value, followed by P2X at 28.4%, and G2X at 7.3%.

In terms of digitalization of payments, the government continues to be the most cash-lite as 93.2% of its payments are done digitally. The most improved sub use-cases are the payments for procurements and utilities. Next are payments made by consumers, where 23.4% are already in digital form, and finally, the payments made by businesses (B2X) at 5.4% digital.

38% increase in volume of digital payments in 2020 driven primarily by Merchant payments

Figure 7: Shift and share of digital payments BY VALUE in 2020
 Classified by the payer and overall
 All numbers are in USD millions



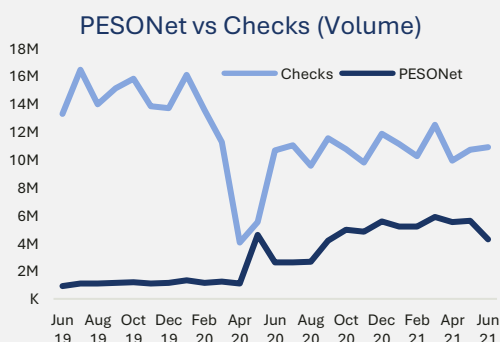
COVID-19 appears to have boosted consumer and merchant adoption of digital payments

With the onset of the COVID-19 global pandemic, the Philippine government took necessary precautions, resulting in lockdowns with varying levels of restriction in different regions in the country. During the community lockdowns, digital payment services have emerged as vital and inevitable solutions to enable Filipinos to continue to make payments and settle their financial obligations without physical contact, thereby avoiding the health risks associated with face-to-face paper-based transactions. For these reasons, the COVID-19 crisis has emerged to be a catalyst for the growth of digital payments.

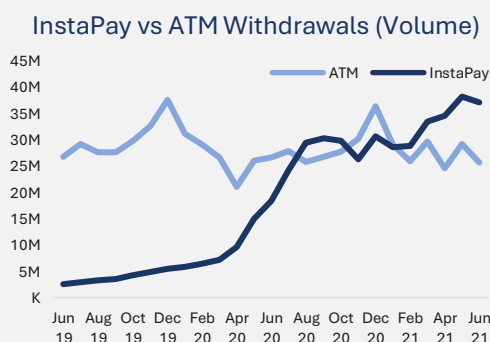
PESONet and InstaPay Transfers Continue with Upward Trajectory in 2020

A full year comparison of payments made in 2019 and 2020 revealed that the combined PESONet and InstaPay transfers expanded in volume by 484.7%, from 46 million to 270 million, and 165.4% in value, from Php 1,517.7 billion to Php 4,027.7 billion. This notable trend indicates a substantial influx of consumers leveraging on the benefits of these interoperable digital payment services during the pandemic.

InstaPay transfers have overtaken off-us ATM withdrawals while PESONet is on-track in minimizing the gaps and may exceed check volume over time.



Given the relatively stable trend of Checks for the period, we can see that PESONet may approach Check volume over time, assuming that PESONet will maintain its steady increase.



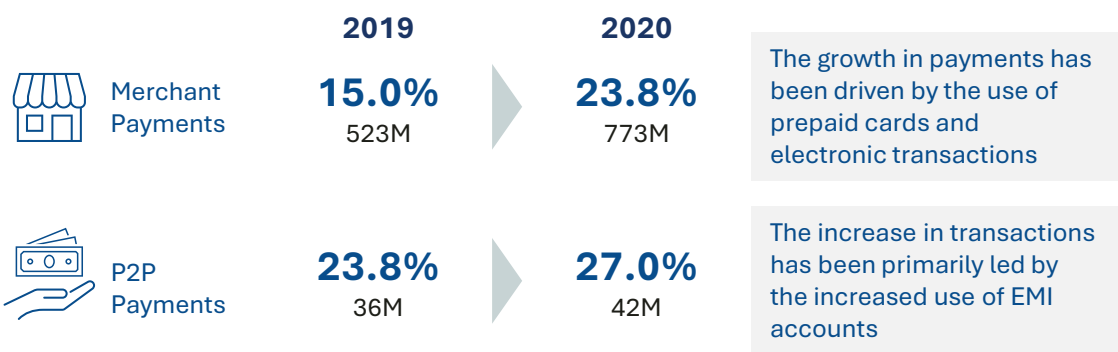
InstaPay volume overtook off-us ATM withdrawals starting August 2020, with the exception only in November and December 2020 where a series of typhoons may have adversely impacted access to digital payment services in affected regions.

Payments made by individuals continue to be the driving force in achieving the initial NRPS target² of 20% in 2020

Person (P2X) Payments

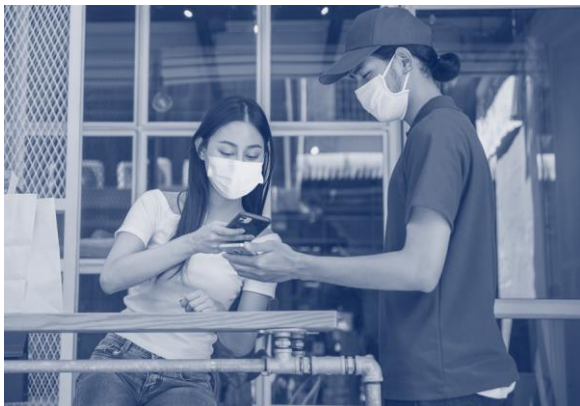
The most significant use case in terms of volume continues to be the payments made by persons as these transactions comprise over 78.1% or 3.5 Billion of the total 4.5 Billion retail payments in the country. The share of digital payments for P2X increased to 23.4% in 2020, up from 15.2% in 2019. The increase has been consistently propelled by payments to merchants and P2P transactions which comprised 91.7% and 4.4% of total P2X payments, respectively.

Figure 8: Share of digital payments for P2X BY VOLUME



Aligned with this result is the noteworthy increase in the number of e-money accounts - from 41 million in 2019 to almost 140 million in 2020, which translates to more than 200% growth. 53% of Filipino adults³ or 41 million are using the internet⁴ and it is reported that 80% of internet users have purchased a product or service online.⁵ With over one year into the pandemic, financial consumers have learned to adapt to the current situation and leverage on the use of technology to continue with their conduct of business.

In 2019, it was reported that while 69% of Filipino adults have mobile phones, only 8% use their mobile phones for their financial transactions.⁶ We expect this indicator to improve in the next run of the survey to capture the impact of the recent pandemic to the overall take up of digital payments. We anticipate the ripple effect that as more consumers deepen their use of technology, they will be more adept and continue to prefer digital payments in all their financial transactions.



² The “20% in 2020” was the initial target when the NRPS was launched in 2015 and 20% refers to the level of digitalization of payments in terms of volume.

³ Defined as individuals aged 15+

⁴ Source: 2019 BSP Financial Inclusion Survey

⁵ Source: We Are Social, Jan 2021

⁶ Source: 2019 BSP Financial Inclusion Survey

The Bangko Sentral continues to spur payments development to further support the P2X segment by proactively working with the Philippine Payments Management, Inc. (PPMI) and relevant stakeholders for the creation of various Automated Clearing Houses (ACHs) that would cover prospective digital payments streams such as:

QR Ph P2M

The QR Ph P2M will facilitate efficient digital payments to the small unbanked vendors such as sari-sari store owners and tricycle drivers, thereby empowering our small economic actors to participate in the digital payments ecosystem and allow them to build financial profiles which may eventually enable them to gain access to other financial products and services.

Interoperable Bills Payment Facility

This facility seeks to harmonize the fragmented bills payment mechanism where a biller typically has to make a bilateral arrangement with a payment service provider (PSP) if the biller wants to electronically collect from the clients of such PSP. With this initiative, the billers will be capable of collecting from their customer through digital means even if the PSP of the billers are different from those of the customers.

Request to Pay Facility

This will empower payees to initiate collections by simply sending a “request to pay” to the payor. Payors will find it more convenient to make payments under the facility since they need not initiate the payment and will just need to respond to the payee’s request for their payment.

Direct Debit

A direct debit will allow customers to better manage their recurring payments such as monthly rentals by simply authorizing the payees to pull funds from the account of the payors. On the part of the payees, having a direct debit arrangement would help streamline collection efforts and improve liquidity management since the arrangement provides assurance that expected cash inflows are realized on time.

The development of new payment streams to digitalize key payments use cases aim to make digital payments more accessible, ubiquitous and convenient

The government leads the path to digitalization



The government leads the path to digitalization as it remains to be the most cash-lite among the payers in the payment grid. Out of the 33 Million total payments made by the government in 2020, 30 million payments are already in digital form. Payments for salaries and wages and social welfare payments (conditional cash transfers) form the largest portion of payments by the government, equivalent to 80.2% of the total volume. Payments related to these sub use cases are already 94.5% digital.

Government monthly digital payments have grown in volume by 17.2% and 21.1% in value in 2020. The increase in volume was primarily driven by payments related to the procurement of common use items and utilities.

Figure 9: Government digital payments BY VOLUME

All numbers are in millions

	2019	2020
Procurement for common-use items	0.2	3.0
Utilities	0.01	0.2

The government is leading by example, evidenced by the shift of most of its payments to digital form

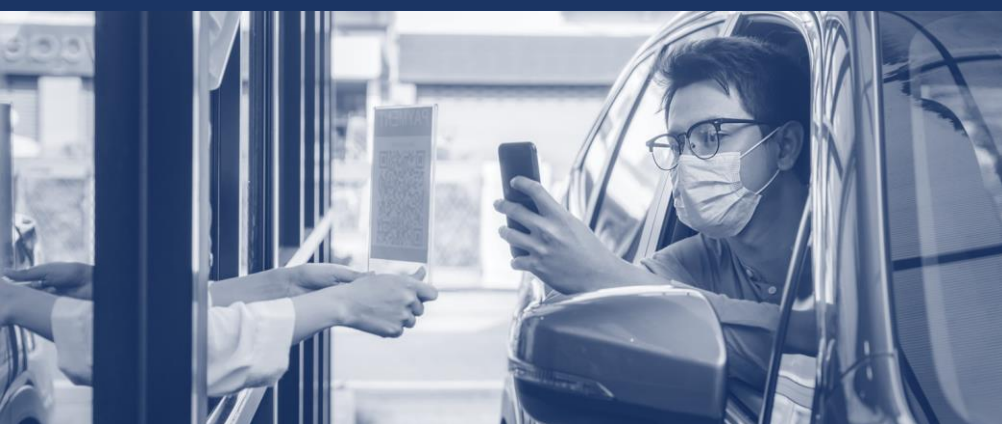
In 2020, the government broadened awareness and the use of digital payments even further

In response to COVID-19, the BSP, in collaboration with other government agencies, has taken initiatives to boost awareness and adoption of digital payments among Filipinos, such as the digital delivery of emergency subsidies, conversion of cash cards to transaction accounts, and encouraging digital salary payments. This demonstrates that through a more coordinated and unified approach by the whole government, we can accomplish digital payment transformation at scale.

Automated Fare Collection System (AFCS)

The Department of Transportation (DOTr) has made steps toward the implementation of a nationwide interoperable AFCS for all transport modes to provide convenient payment options to the riding public. This project is expected to benefit both the passengers and the transport operators through seamless, interoperable, and contactless fare collection. These advantages of shifting transport fare collection into digital form has been demonstrated in the implementation of the cashless toll collections in major expressways in the National Capital Region.

Innovations by our partners in the industry have empowered the government to support the rising demand for safe and convenient payment options particularly in P2X and B2X transactions



Issuance of Electronic Official Receipts and E-Invoicing

The Bureau of Internal Revenue (BIR) is set to pilot next year its electronic receipts and E-invoicing system to facilitate tax administration and ease transactions for taxpayers.⁷

Social Benefit Transfers

The 2nd tranche of the Department of Social Welfare (DSWD) Social Improvement Program was mainly distributed through nearly 10 million new transaction accounts, which substantially propelled financial inclusion in 2020.⁸ The DSWD has committed to eventually convert the limited-purpose cash cards used for its Pantawid Pamilyang Pilipino Program (4Ps) into full-service transaction accounts. Beneficiaries of the cash grant may use the funds received to purchase food and other necessities using the said full-service transaction accounts. Plans for a unified beneficiary database for DSWD programs as well as the expansion of payment alternatives are also under way.⁹ The integration of the new national ID system (PhilSys ID) will also allow timely and accurate verification and enrollment of new beneficiaries.



Distribution of the Social Amelioration Program (SAP) in Muntinlupa last December 2020
Photo Credits: Muntinlupa Public Information Office

With the wide availability of remittance options, local government units (LGUs) have taken the initiative to utilize digital payments for the convenience and safety of their constituents

⁷ Source: The Philippine Star, Oct 2020

⁸ Source: 2020 No One Left Behind: The Philippine Financial Inclusion Story

⁹ Source: Beneficiary FIRST Stakeholder Engagement Plan, 2020, World Bank

Payments by businesses stand to benefit with the planned roll-out of e-receipt and e-invoicing initiatives to incentivize greater adoption of digital payments

Business (B2X) Payments

The business sector appeared to have been most affected by the pandemic as illustrated by its decline in volume of total payments from 1,067 million in 2019 to 962 million in 2020. Measuring progress for this use-case has been a challenge due to the availability of information, especially from the growing informal sector.

Supplier payments form majority of this use case, covering 88.2% of total B2X payments, where only 0.6% is transacted in digital form. This sub-use case has been the slowest to adopt digital payments, evidenced by the relatively unchanged volume and value since 2018. According to businesses, audit requirements for paper trails, and a preference for checks have been the key barriers in digitalizing the supplier payments.

Figure 10: Shift and share of digital supplier payments BY VOLUME and VALUE

	2018		2019		2020	
	VOLUME	VALUE	VOLUME	VALUE	VOLUME	VALUE
DIGITAL PAYMENT	5	2,747.8	5	2,785.9	5	2,609.4
SHARE OF DIGITAL PAYMENTS	0.6%	3.9%	0.6%	3.9%	0.6%	3.9%



As highlighted in the 2019 Report,¹⁰ digitalizing supplier payments has the potential to save an estimated USD 20–45 billion annually. Recognizing this potential, the Bureau of Internal Revenue has prioritized e-invoicing and e-receipt as two of the key online systems to be developed in accordance with the digital transformation roadmap. A pilot program is also being planned in 2021, and in preparation for the eventual roll-out, the requirements for registering computerized accounting systems have been eased, with businesses no longer being required a permit.

¹⁰ Source: 2019 The State of Digital Payments in the Philippines



Building trust and confidence among consumers has been crucial in sustaining the adoption of e-payments in the country

Digital Literacy Program

In 2020, the BSP implemented a Digital Literacy Program as part of our financial education advocacy. The Program aims to increase public trust and confidence in the digital finance ecosystem and encourage massive usage of digital payments and financial services by consumers across all sectors - individuals, corporations, businesses, and even government institutions.

A component of this Program is the *#Safe at Home with E-Payments* Campaign to promote the usage of e-payment solutions such as PESONet and InstaPay during the COVID-19 pandemic and beyond.

Cybersecurity Awareness Campaign

Another component of the Program is a Cybersecurity Awareness Campaign to ensure that financial consumers remain vigilant in practicing appropriate cyber hygiene to protect their accounts and online transactions.

The campaign focused on the following cybersecurity tips which allow the consumers to perform digital transactions safely and conveniently:



Use strong passwords and avoid writing them down or saving them in your computer.



Activate the multi-factor authentication and **account activity alerts** on your bank/EMI app.



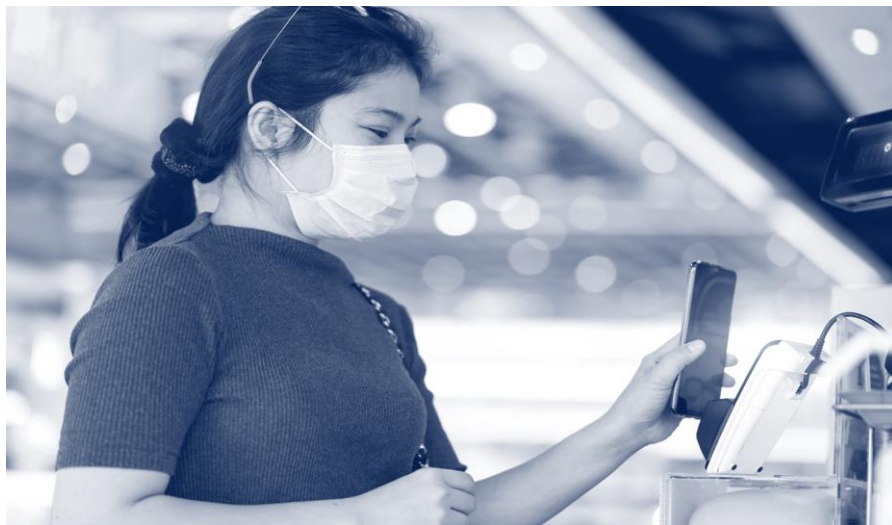
Keep your personal and account details private. Do not share your PIN, password, or one time password (OTP) with anyone.



Check if you are dealing or receiving a message from a legitimate entity/source.

Should consumers encounter any suspicious incidents or concerns, they should immediately contact and inform their payment service provider. Consumers may also reach the BSP through the BSP Online Buddy or “BOB”, a chatbot that may be accessed through the BSP website (www.bsp.gov.ph).

COVID-19 has provided an opportunity to ensure all payments are responsible.¹¹



The COVID-19 pandemic has served as a global wake-up call on the importance of having a safe, efficient and inclusive digital ecosystem that supports the smooth flow of funds to facilitate the seamless performance of various economic activities. The pandemic has thus emerged as a catalyst in the growth of digital payments acceptance. In the Philippines, great efforts in promoting interoperability, through the National Retail Payment System (NRPS), paved the way in allowing many Filipinos to leverage on the benefits of digital payments in times of crisis.

In this time where digital transformation has become an imperative, it is important to ensure that the digital divide is not exacerbated. To achieve this, there must be a firm commitment to ensure equitable access to digital payments for all Filipinos, and to develop a better value proposition to traditionally underserved groups through efforts to include low-income people, micro and small businesses, and women in every way possible, thereby ensuring that no one is left behind.

¹¹ The Better than Cash Alliance's Responsible Digital Payment Guidebook offers nine guidelines to build trust in digital payments and adapt to continuous innovation.

Key takeaways from the 2020 E-payments Measurement

The periodic measurement of the level of digital payments adoption is a crucial component of the conduct of oversight activities by the BSP in relation to the payment systems in the country. It allows the BSP to monitor the progress, identify the key priorities and aid in evidence-based policy formulation. It is likewise important in tracking the strategic outcome stipulated in the BSP Digital Payments Transformation Roadmap 2020-2023 (DPTR), particularly the conversion of at least 50% of total retail payments volume to digital form.

1 Monthly digital payments volume in 2020 reached 20.1%, slightly surpassing the target “20% by 2020” set when NRPS was launched in 2015. The growth in the monthly digital payments volume is primarily driven by high-frequency, low-value retail transactions such as merchant payments and P2P payments.

2 Payments by individuals was the driving force in achieving the “20% by 2020” target. Payments made by individual consumers (P2X) continue to comprise a large portion of total monthly retail payments volume at 78.1%. The share of business payments (B2X) to total monthly retail payments volume is 21.1%, while the remaining less than one percent represent the payments made by government entities (G2X).

3 Among payments by individuals, merchant payments and P2P transactions hold the biggest potential in further accelerating e-payments adoption. The monthly digital payments volume for merchant payments increased by 47.8%, while P2P monthly digital payments volume grew by 18.1%. The growth in these sub use-cases could be attributed to the increased usage of transaction accounts for e-commerce and P2P remittances.

4 The government continues to lead the path to digitalization. While payments made by the government (G2X) represents a small share to the total monthly retail payments volume, the government remains to be the most cash-lite among payers with 93.2% of its total monthly retail payments volume already in digital form. This observation could signify that digitalization efforts by the government are paying off. As a key stakeholder, the government must continue to champion initiatives and policies that promote the usage of digital payments.



Distribution of the Social Amelioration Program (SAP) in Socorro, Surigao del Norte

Photo Credits: DSWD-CARAGA

- 5 Efforts focused on transforming B2X payments, including B2B supplier payments, into digital form have to be intensified to boost overall growth.** The payments made by businesses (B2X) seem to be the most affected by the pandemic as it posted a decline in its monthly digital payments volume, with a decrease of 19.8% from 65 million in 2019 to 52 million monthly digital payments volume in 2020. Supplier payments make up 88.2% of B2X payments, and less than one percent of its monthly retail payments volume is in digital form. The ongoing initiatives on e-OR and e-Invoicing, together with the digitalization of new payment streams, seek to address the challenges in digitalizing B2X use-cases.



- 6 EFTs, particularly, wallet-to-wallet fund transfers, emerged as the most used payment mode in the significant growth of e-payments.** The improvements in the digital payments adoption for the P2X and G2X payments use-cases have also been supported by the two interoperable ACHs under the National Retail Payment System (NRPS) project, specifically the PESONet and InstaPay, which made inter-institution account-to-account electronic fund transfers faster, easier and more convenient.
- 7 The initiatives of the BSP, together with key stakeholders, are properly directed towards converting key payment use cases into digital form.** The BSP espouses evidence-based policy formulation and deliberately pursues digitalization initiatives that strategically address the payment needs of the public and digitalize payment streams that are most relevant to them.

PRIORITY USE CASES

These sub use-cases were identified for prioritization in view of their huge potential to contribute the largest shift in the usage of digital payments since they cover a massive consumer base. These priority sub use-cases account for 96.1% of total retail payments volume in the country:



Merchant
Payments



Utility
Payments



Supplier
Payments



Remittances



Social
Benefits



The BSP will continue to perform its catalytic role to further advance the country's digital payments transformation to promote the economic empowerment of our fellow Filipinos and ensure that everyone reaps the benefits from having universal access to digital payment services, especially during these extraordinary times.



- Governor Benjamin E. Diokno

ACKNOWLEDGEMENTS

We thank Governor Benjamin E. Diokno, for his steadfast leadership and unwavering commitment to promote digital payment transformation throughout the country.

We give special gratitude to Deputy Governor Mamerto E. Tangonan, and Assistant Governor Edna C. Villa, for their strategic guidance and for encouraging us to achieve more. We also thank the rest of the BSP Payment System Oversight Department (PSOD) for their dedicated efforts and 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.

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

1



GOVERNMENT
(G2X)

2



BUSINESSES
(B2X)

3



PERSONS
(P2X)

The regular tracking of e-payment levels allows the BSP to monitor the progress of issued policies, help identify long standing barriers to e-payments adoption, and make informed decisions on the appropriate interventions to pursue with relevant stakeholders.

Methodology

To quantify the progress on the 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 core activities:

1. **Identifying the largest and most relevant payment use cases** to arrive at an estimation of total and digitalized retail payment transactions in the country;
2. **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;
3. **Knowing the why and how behind key estimations**, and providing a narrative on 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 (0.7%)	<div>▪ Transfers from center to LGUs</div> <div>▪ Social welfare contributions</div> <div>▪ Procurements for common use items</div> <div>0.1%</div>	<div>▪ Procurement and supplier payments</div> <div>▪ Utilities</div> <div>0.01%</div>	<div>▪ Social welfare contributions</div> <div>▪ Salaries and payroll</div> <div>0.6%</div>
	BUSINESS (21.2%)	<div>▪ National taxes and fees</div> <div>▪ State taxes and fees</div> <div>▪ Social welfare contributions</div> <div>0.2%</div>	<div>▪ Supplier payments</div> <div>▪ Business lending</div> <div>▪ Interest payments</div> <div>18.8%</div>	<div>▪ Salaries and payroll</div> <div>▪ Social welfare contributions</div> <div>▪ Consumer lending</div> <div>2.2%</div>
	PERSONS (78.1%)	<div>▪ Tax collections</div> <div>▪ Government fees levied for services</div> <div>▪ Social welfare contributions</div> <div>0.7%</div>	<div>▪ Merchant payments</div> <div>▪ Utility payments</div> <div>▪ Interest and loans</div> <div>73.7%</div>	<div>▪ Remittances</div> <div>▪ P2P lending</div> <div>3.6%</div>

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 2020. This vital information allows us to identify which payments use cases might yield the maximum impact in terms of identifying priorities for digitalization.

USE CASE	Monthly volume of transactions			Monthly value of transactions		
	TOTAL (millions)	DIGITAL (millions)	% OF TOTAL	TOTAL USD (millions)	DIGITAL USD (millions)	% OF TOTAL
Total Volume and Value of payments in the Philippines	4,535	910	20.1%	123,227.1	33,027.8	26.8%
Government to X (G2X)	33	30	93.2%	9,024.0	7,472.5	82.8%
Government to Government (G2G)	6	5	86.7%	3,348.9	1,988.7	59.4%
Transfers from center to LGUs	0.04	0.04	100.0%	1,081.5	1,081.5	100.0%
Social welfare contributions	3	2	72.5%	1,517.3	157.2	10.4%
Procurements for common use items	3	3	100.0%	750.0	750.0	100.0%
Government to Business (G2B)	1	1	100.0%	2,191.8	2,191.8	100.0%
Procurements and supplier payments	0.4	0.4	100.0%	2,144.7	2,144.7	100.0%
Utility Payments	0.2	0.2	100.0%	47.1	47.1	100.0%
Government to People (G2P)	26	25	94.5%	3,483.4	3,292.0	94.5%
Salaries and payroll	15	15	100.0%	1,752.8	1,752.8	100.0%
Welfare payments and Conditional Cash Transfers	11	10	87.1%	1,730.5	1,539.1	88.9%
Business to X (B2X)	962	52	5.5%	79,231.6	10,132.5	12.8%
Business to Government (B2G)	11	1	12.2%	4,766.8	3,669.9	77.0%
National taxes and fees	1	1	87.3%	3,972.3	3,469.7	87.4%
State taxes and fees	8	0.1	1.0%	164.8	1.7	1.0%
Social welfare contributions	2	1	38.8%	629.7	198.6	31.5%
Business to Business (B2B)	852	8	0.9%	67,166.2	3,256.4	4.9%
Supplier payments	849	5	0.6%	66,519.3	2,609.4	3.9%
Business lending	0.2	0.2	100.0%	145.1	145.1	100.0%
Interest payments	3	3	100.0%	501.8	501.8	100.0%
Business to People (B2P)	100	44	43.6%	7,298.5	3,206.3	43.9%
Salaries and payroll	42	12	28.0%	5,219.1	1,461.4	28.0%
Consumer lending	19	18	93.8%	1,783.3	1,637.9	91.8%
Social welfare contributions	39	14	36.1%	296.1	107.0	36.1%
People to X (P2X)	3,540	828	23.4%	34,971.5	15,422.8	44.1%
People to Government (P2G)	32	2	5.1%	677.0	180.4	26.6%
Tax collections	1	1	85.0%	178.8	151.9	85.0%
Government fees levied for services	30	1	2.0%	453.2	9.1	2.0%
Social welfare contributions	1	0.3	43.0%	45.1	19.4	43.0%
People to Business (P2B)	3,344	784	23.4%	24,676.1	12,998.3	52.7%
Merchant payments	3,247	773	23.8%	17,079.7	7,396.0	43.3%
Utility payments	91	5	5.0%	2,625.4	631.3	24.1%
Interest and loans	6	6	100.0%	4,971.0	4,971.0	100.0%
People to People (P2P)	164	43	25.9%	9,618.4	2,244.1	23.3%
Remittances	157	42	27.0%	9,215.1	2,236.1	24.3%
P2P lending	7	0.1	1.0%	403.3	8.1	2.0%



BANGKO SENTRAL NG PILIPINAS