

The Philippines Works Towards National e-Payment System

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With the largest English speaking population in the ASEAN region, Facebook's eighth largest member base, and a 531 percent growth in internet penetration since 2010, the Philippines boasts a substantial social media market. However, despite increased internet usage, the nation currently lacks a national E-payment platform. The absence of a uniform e-payment system has stunted the development of the country's e-commerce market in recent years, and the government is hoping to transform the Philippines from a primarily cash based society into an e-payment platform consumer base.

New e-Payment System

Currently, over 98 percent of all transactions within the Philippines are done in cash. The Philippines' government has compared the nation's high cash usage frequency to nations such as the United States and the Australia (which rely on cash for only 57 and 61 percent of all transactions, respectively) in order to illustrate the need to establish an online system. In order to reduce its own dependence on cash transactions, the Philippines pledged in early 2015 to transform its economy from a cash heavy to a "cash lite" society with the next twenty years. To accomplish this goal, the government plans to establish a national online payment platform capable of managing business-to-business, business-to-consumer, and consumer-to-consumer transactions.

The Philippines has partnered with the United States Agency for International Development (USAID) in the hopes to create a nationwide e-payment system by 2018. Once established, the platform will replace any currently existing small-scale E-payment platforms across the country.

The United States and the Philippines are currently amidst negotiations regarding the specific design aspects of the platform, but have discussed plans to potentially mirror South Korea's e-payment platform model, which would allow Filipino users to withdraw from banks, stocks, and bonds in addition to typical transaction activities.

According to USAID estimates, a national e-payment system will lower transaction costs in the Philippines by as much as 90 percent.

In addition to establishing a national E-payment platform, the USAID partnered with the City Government of Batangas last year to instate an online tax paying system through mobile phone. Since its launch, the system has accumulated over 4,000 members, and the USAID has announced its intention expand the scope of similar projects in coming years.

Benefits of an e-Payment System

Establishing a national e-payment system is likely to bring significant benefits to both the Philippines' domestic and global markets. In the past five years, non-cash payment methods have increased by 7.1 percent globally, and by a striking average of 16.1 percent amongst developing nations.

USAID predicts that a shift to an e-payment platform will not only increase transparency of both customers and businesses, but also allow the nation to increasingly engage with the global market. The Philippines currently boasts a relatively high internet penetration rate that is expected to surpass 50 percent of the population by 2017. This compares to a current internet penetration rate of 25 percent and 28 percent of its Cambodian and Indonesian neighbors, respectively.

However, the Philippines' lower socioeconomic classes often lack access to online financial and transaction systems, rendering them unable to interact directly with the global market. Currently, only 26 percent of Filipinos can access formal financial channels, either online or offline, and 610 of the nation's 1,635 municipalities do not have banks. Additionally, roughly 50 percent of all mobile phone users prefer to hold their savings solely in personal cash reserves instead of in banking institutions.

The government hopes that a uniform e-payment system will encourage its citizens not only to take advantage of online banking, but also conduct transactions across a larger-scale market. The USAID has anticipated that the Philippines will witness a 0.5 percent growth in consumer spending for each 10 percent increase in electronic payments.

Challenges Facing the Philippines e-Payment Platform Development

Despite anticipated financial benefits on an individual level and national economy as a whole, the Philippines still faces numerous challenges in the establishment of an e-payment system. According to USAID, the primary difficulty facing the nation will be to either integrate the multiple private E-payment platforms into a national system, or devise a national platform to replace all existing models.

In addition to logistical difficulties, the Philippines' consumer base is wary of a dependence on an independent online agency method of banking. Of the 40 percent of Filipinos with savings, over 68 percent of them keep their money at home rather than in a bank. Moreover, lending is typically established on a personal basis and is often accompanied by high interest rates

In order to promote consumer usage of e-payment systems, the nation's president Benigno Aquino III announced in early 2015 his plans to purchase all governmental medical supplies, meals, transportation, air tickets, and construction materials through non-cash payment methods. Additionally, the nation has paid all government salaries, welfare stipends, and pensions through online accounts.

The State of the Philippines' e-Commerce Market

In addition to promoting a national online payment system, the Philippines has also sought to develop its e-commerce market. The nation currently boasts a 41 percent internet penetration rate, with over 60 percent of internet users under the age of 30 years old.

E-commerce business-to-consumer transactions within the Philippines are divided evenly between travel and non-travel related services or products. Among non-travel related transactions, online retail, online financial services, and digital downloads comprise the majority of e-commerce purchases.

With the development of both its online payment system and e-commerce market, the Philippines presents numerous opportunities for foreign investors. Due to the size of its English-speaking consumer base, Western companies have gained significant foothold into the market without requiring a physical local presence. For example, the company of Amazon ranks among the nation's top 20 most frequently visited sites without occupying a branch office in the country. By the end of 2015, the nation's e-commerce market is predicted reach more than USD two billion, a 100 percent increase from the year prior. Over the course of 2013 to 2018, the industry is expected to grow by nearly 190 percent.

Looking Ahead

Establishing a uniform e-payment platform within the Philippines will not only affect local businesses, but also the global market as a whole and particularly within the ASEAN region. The Philippines is currently amidst discussions with other ASEAN nations to establish a transnational ASEAN ATM system that will reduce complications in both trade and traveling throughout the region. With the addition of a standard online transaction system, foreign investors and local businesses alike will have greater access to both the Philippines' and the ASEAN region's massive online consumer bases.

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