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From Digital G2P Payments to Greater Financial Inclusion—Latest Findings from the Philippines

Innovations for Poverty Action

Photo: USAID Digital Development

Sheila, who lives in Bacoor, a town close to Manila, in the Philippines, received an SMS notification that she is qualified to receive the second tranche of her COVID-19 emergency subsidy. She traveled to the nearby pawnshop, presented the SMS and her ID, and received Php 5,000 (about US$100) in cash. She was happy with the short wait time, remembering that she had to queue for hours in the crowded *barangay* (or community) hall to receive the first tranche a few months ago.

However, what Sheila didn't realize was her experience could have been even easier with digital payments. She did not know that a mobile money account had been created under her name by a financial service provider (FSP) and the cash transfer had been disbursed into this account, even though she was also able to cash it out through the FSP's partner pawnshop. She could have accessed this mobile money account on her smartphone and spent the cash aid directly on a variety of services—such as buying food at a nearby *sari-sari* (neighborhood convenience store), paying bills, and sending remittances digitally—without having to travel to and queue at the pawnshop.

Sheila's story, though fictional, is representative of a typical beneficiary of the **Social Amelioration Program (SAP)**,[1] an unconditional emergency cash transfer program implemented by the Philippines Department of Social Welfare and Development (DSWD) to provide economic relief to millions of families affected by the government's COVID-19 lockdown measures. Due to reports of overcrowding during the disbursement of its first tranche,[2] the DSWD and the Central Bank of the Philippines (*Bangko Sentral ng Pilipinas*) contracted six FSPs to create accounts and disburse the second tranche known as SAP 2.

IPA partnered with DSWD and the World Bank to survey 5,000 randomly selected beneficiaries in 2021 to better understand their experience of digital cash transfer beneficiaries and the use of formal financial products. Most of the respondents did not have formal employment and reported reduced income or unemployment since the onset of the pandemic. Many also had outstanding loans and limited access to emergency funds and formal financial services.

On average, beneficiaries spent around one hour in queue and approximately PhP50[3] (around US$1) to withdraw the cash aid as compared to longer queue times (usually several hours) during SAP 1 manual payments,[2] but **90 percent still reported high satisfaction with their withdrawal of the digital transfers**. A majority (63 percent) reported having no difficulty in withdrawing payments. Among beneficiaries who decided how to use the money, most said they spent it to purchase food. Findings indicate that the time and monetary costs of withdrawals were favorable compared to the respondents' past experiences of in-person payments.

Only 16 percent of respondents were aware they were provided with financial accounts.

Another goal of the program was to help bring millions of unbanked beneficiaries like Sheila into the financial system with the new accounts. Beneficiaries can upgrade from basic accounts (with only cash-in/cash-out features) to ones allowing unrestricted financial transactions, withdrawals, and deposits. But only 16 percent of respondents were aware they were provided with financial accounts. Even fewer—only 6 percent—had used features other than receiving their SAP payment, such as sending or receiving remittances or making online purchases. This suggests that it is unlikely that most respondents will keep using their accounts after this program ends. **This is a common pattern researchers have found in other countries where beneficiaries were provided a simple account** (see for example Field et al. 2019,[4] Dupas et al. 2018,[5] and Chiapa and Prina 2015[6]). Beneficiaries were not given enough information to let them know that the mobile money accounts created for them were temporary and restricted, but they could convert it in order to continue using the account for other transactions. IPA has found similar poor new financial product communication with digital transfers in Bangladesh and Colombia.

The Philippines' experience shows efficiency and satisfaction benefits to disbursing aid through digital channels but improved collaboration between FSPs and the government could improve the onboarding process for beneficiaries. Standardizing onboarding processes, developing communication strategies to support account usage, and supporting efforts to improve digital literacy are some of the key areas in which government and FSPs may work together to achieve the benefits of shifting to digital payments and provide greater choice in payment platforms for beneficiaries.

To address the information gaps regarding the SAP 2 financial accounts and their benefits, IPA has partnered with the United Nations Development Programme (UNDP) to identify effective communication strategies to encourage SAP 2 beneficiaries to convert their restricted accounts into formal accounts and sustain regular usage of financial services available in those accounts.

In the long term, we can explore whether consistent and frequent communication from governments and banks to encourage regular account usage can help achieve the country's financial inclusion goals. For people like Shiela, simple and effective messaging informing them how to use their digital accounts could give them easier access to their finances and access to convenient and useful financial services.

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1. The first tranche grants eligible families cash aid of Php 5,000 to 8,000 (the equivalent of about US$100 to US$200).

2. Lalu, G. (2020, April 28). Lucena residents slam long lines, lack of distancing in aid distribution. Inquirer. Retrieved from https://newsinfo.inquirer.net/1266272/lucena-residents-slam-lack-of-physical-distancing-long-lines-in-sap-disbursement.

3. The withdrawal fee of PhP50 is in line with the terms set by the government for the FSPs.

4. Field, Erica, Rohini Pande, Natalia Rigol, Simone Schaner, and Charity Troye Moore. (2021). Field, E. Pande, R., Rigol, N, Schaner, S., and Charity Troyer Moore. 2021. On her own account: How strengthening women's financial control impacts labor supply and gender norms. *American Economics Review 111*, no.7: 2342-2375. https://doi.org/10.1257/aer.20200705.

5. Dupas, Pascaline, Dean Karlan, Jonathan Robinson, and Diego Ubfal. (2018). Banking the Unbanked? Evidence from Three Countries. American Economic Journal: Applied Economics 10, no. 2: 257-97. https://doi.org/10.1257/app.20160597.

6. Chiapa, Carlos, and Silvia Prina. (2015). Delivering Conditional Cash Transfers via Savings Accounts. International Policy Centre for Inclusive

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