

# Consumer Finance in the Philippines

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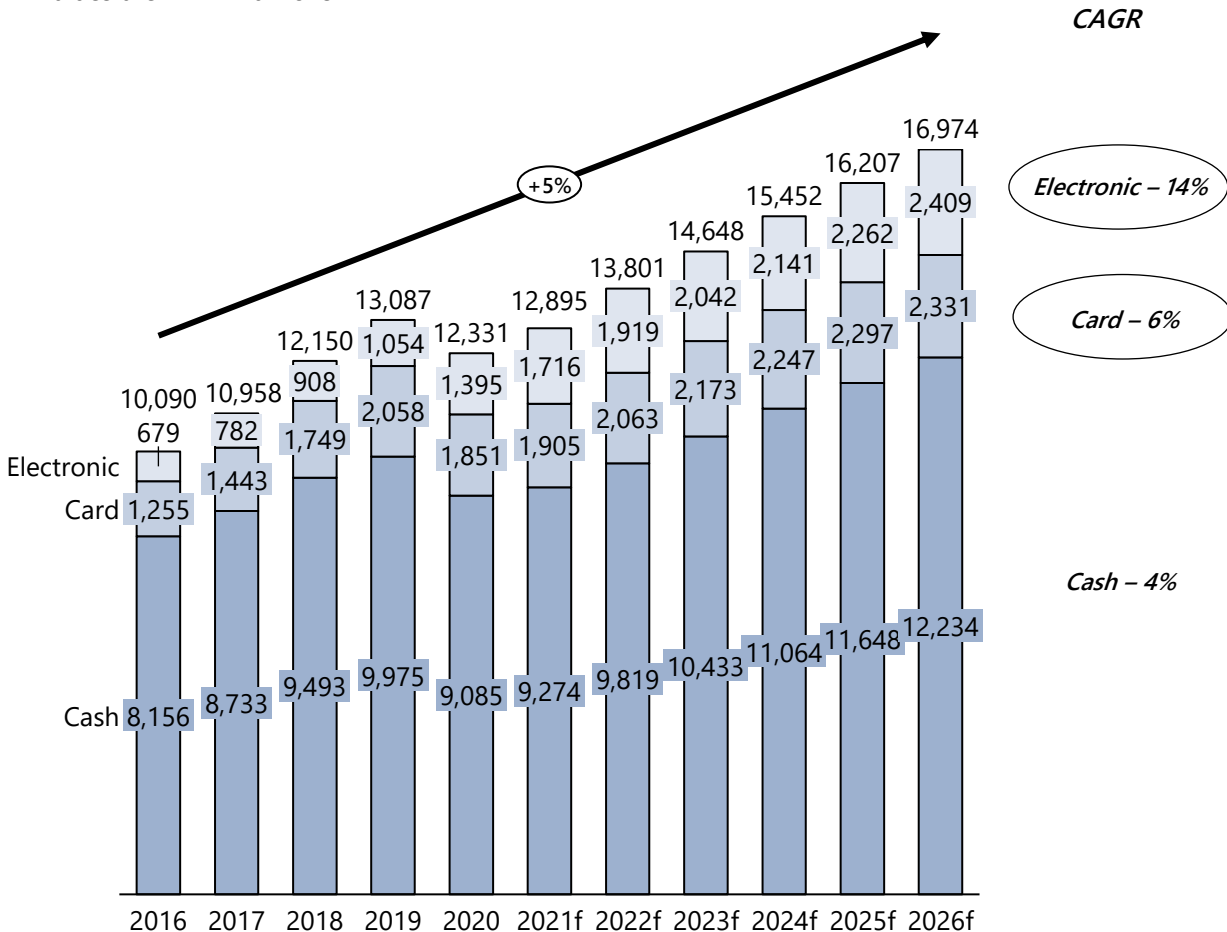


## Consumer Payments in the Philippines

Non-cash payments have been significantly growing even before COVID, and are seen to further expand given its increased acceptance throughout the pandemic.

### Consumer Payments in the Philippines, Value of Transactions

Values are in PHP billions



Payments are still mostly made in cash; however, significant growth is seen in non-cash transactions.

- Development and growth of e-commerce have driven the use of prepaid cards

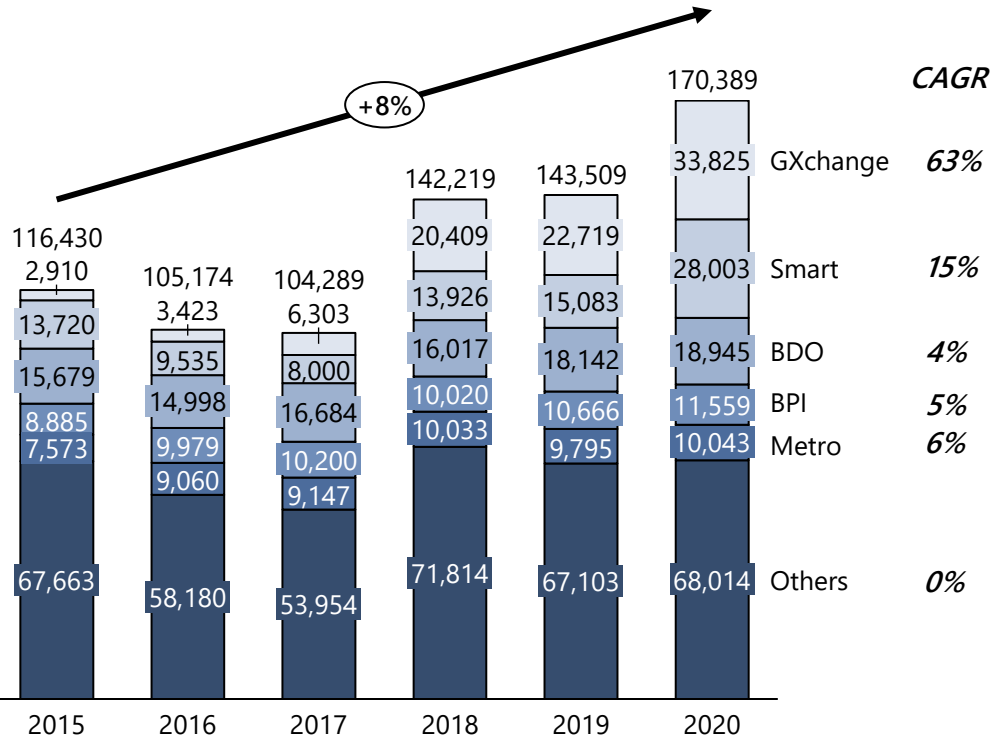
**Widespread adoption of technological advancements will carry over into future consumption habits**

- Due to the pandemic, the government has urged establishments and the general public to utilize electronic contactless payment options
- Revenge spending, especially for discretionary items such as travel and luxury goods, will be a key driver for growth as pent up consumer demand is expected to further spur growth in the mid term

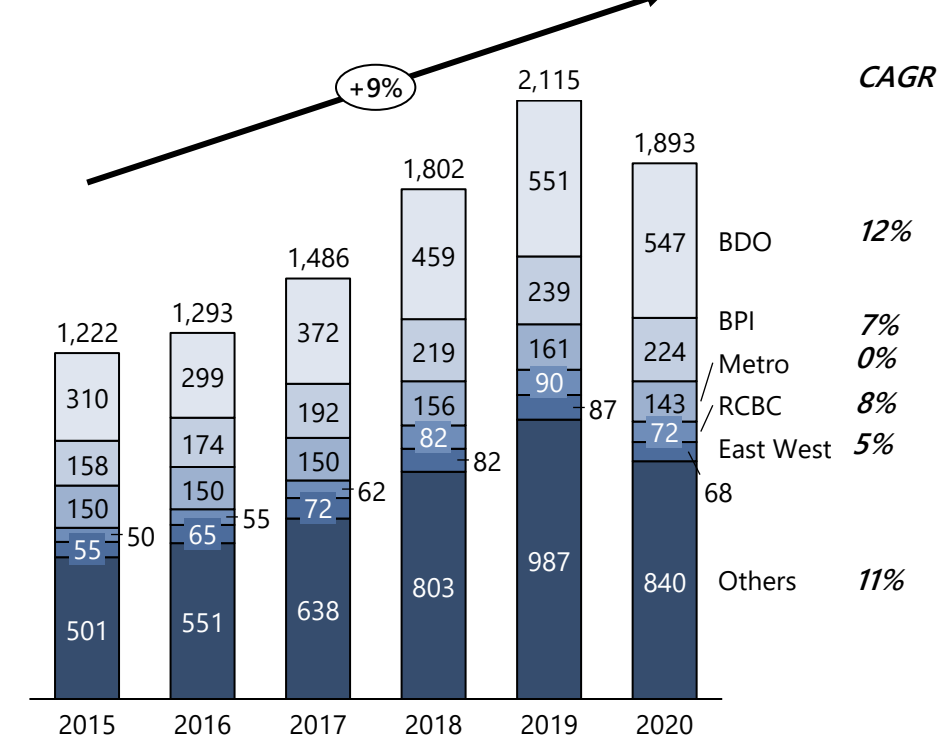
## Consumer Finance in the Philippines

Despite traditional banks dominating the market in terms of transaction value, Gcash and Maya were both able to achieve aggressive user expansion.

Number of Cards by Issuer; Top 5 issuers  
'000 cards



Transaction Value of Cards by Issuer; Top 5 issuers  
PHP billion



- Cards above include both digital and physical cards.
- The pandemic saw a massive increase in the issuance of new cards especially by GCash and Maya as more consumers sought to create accounts in order to transact via contactless means
- The likes of BDO, BPI, and Metrobank continue to dominate the market in terms of transaction value as credit cards continue to be the major source of consumer transactions as they have more developed transaction channels that consumers frequent due to brand loyalty and spending habit

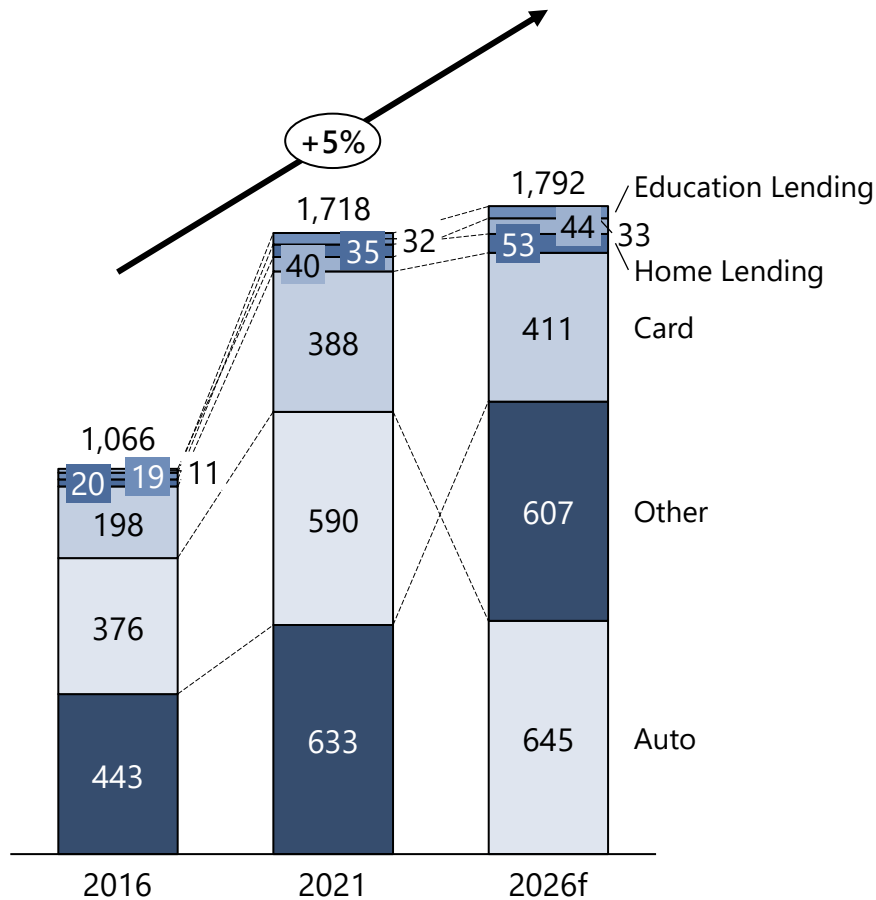
# Major players such as Gcash, Maya, and GrabPay continue to offer all around financial services beyond money transfer services

Brand	GCash	Maya	GrabPay
Company	Globe	Smart	Grab
Year Started	2004	2007	2018
No. of Users	66 million	38 million	8 million
Products and Services	<ul style="list-style-type: none"> <li>Traditional services: GCash account holders can use their mobile apps to transfer and receive money and pay various bills.</li> <li>Non-traditional, higher value financial services: GCash account holders can borrow and avail BNPL, save, invest, and insure</li> <li>Business: GCash account holders that have businesses can be payment, and cash-in &amp; -out centers in communities to have new revenue stream</li> </ul>	<ul style="list-style-type: none"> <li>Traditional services: Maya users have the capacity to send and receive money to and from other e-wallets. Cash in is available through over 90,000 channels.</li> <li>Non-traditional, higher value financial services: Maya users can utilize their savings plan with 6% interest rate per annum, apply for loans instantly, and purchase crypto</li> </ul>	<ul style="list-style-type: none"> <li>Traditional services: GrabPay account holders can use their mobile apps to transfer and receive money and pay various bills.</li> <li>Non-traditional, higher value financial services: GrabPay account holders can buy insurance products.</li> <li>Customer retention: GrabPay account holders are rewarded with discounts, rebates, and points.</li> </ul>
Gross Transaction Value	PHP 500 billion (as of March 2022)	No information available	No information available
Daily transactions	19 million (as of March 2022)	No information available	No information available

## Consumer Lending in the Philippines

Outstanding balances are expected to remain stagnant in the mid-term, as consumers are expected to be hesitant to take out new loans following the decreased incomes due to the pandemic.

Consumer Lending: Outstanding Balance (in PHP billions)



Type of Consumer Lending	2016 To 2021 CAGR	2021 to 2026 CAGR
Education	10.7%	0.6%
Home	12.2%	8.4%
Card	14.4%	1.1%
Other	7.4%	0.8%
Auto	9.4%	1.8%

Credit cards will experience minimal growth in outstanding balance.

- While consumers are expected to minimize their discretionary spending, its use for essential goods spending will allow consumers to pay off more credit card debts.

Products associated with life-changing decisions will feel negative after-effects of pandemic.

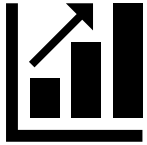
- Home and Auto loans for home renovations and for new vehicles will likely be postponed until household incomes can take additional expenses.

New Products are Crucial to Growth

- Despite the current outlook on outstanding balances in the mid-term, institutions are still looking to develop new products to offer such as "buy now, pay later" schemes.

## Recent Developments and Trends

Growth of digital transactions is mainly driven by the acquisition and retention of user base and the continued integration of other financial products and services beyond electronic banking.



### Continued Adoption and Expansion

Consumers are expected to continue using digital means of transacting after experiencing its convenience and ease of use throughout the pandemic. In turn, more merchants are adopting digital payment services such as GCash and ShopeePay to accommodate the increase in demand. Aligned with the thrust of digitalizing the payment system and increasing financial inclusions, the government has also adopted digital means of transacting such as by deploying financial aid through e-wallets such as GCash and Maya.



### Increase in On-Demand Credit

Banks and non-banks have begun utilizing digital platforms in accepting and granting loan applications to its different users. Maya and GCash have made it possible to apply and avail of loans up to Php 15,000 in a matter of minutes by simply upgrading one's account and providing personal details. Deferred payments and buy-now, pay-later schemes have also penetrated the e-commerce space; an example of which is Shopee's ShopeePay Later, which allows its consumers to check out their items and having them pay in **installments through their in-house wallet with interest of 1-5%**.



### Expansion of Product Offerings

Beyond services such as bank transfers and payments, electronic wallets have continued expanding their array of services to become one-stop shops for the financial needs of their users. Beyond credit, GCash also offers micro-insurance and micro-investments powered by their partners CIMB Bank and ATRAM. Maya, on the other hand, also offers savings account services of up to 6% interest per annum while also enabling their users to purchase cryptocurrencies within the app.

## About the Author



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Josh joined NRI Manila in 2021. He has worked on projects in the food and beverage, healthcare, and financial services industries. He has a Bachelor's Degree in Management Engineering from the Ateneo de Manila University.

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