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'Structural weaknesses capping PH fintech growth'

By Ronnel W. Domingo – January 26, 2022

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The financial technology or fintech industry in the Philippines has seen strong growth, but there remain weaknesses that need to be addressed in order to sustain such growth, according to government think tank Philippine Institute for Development Studies (PIDS).

In a 62-page paper penned by Francis Mark Quimba, Mark Anthony Barral and Jean Clarisse Carlos, the researchers said the local fintech industry was "very promising" considering that the Philippines was cited in the Global Fintech Index 2020 as one of the fastest-growing fintech destinations.

"[The report] identified the Philippines and Vietnam as among the countries to watch out for because of their rapidly increasing fintech scores," they said.

"Findexable, [the United Kingdom-based group behind the report], also found the Philippines excelling in the following fintech categories—payments, enabling processes and technology, and banking and lending," they added.

The PIDS researchers estimate the growth of digital payments in the Philippines at 27 percent to 30 percent, faster than the 25-percent growth in emerging Asian neighbors.

Also, in 2021, Findexable listed 183 fintech firms in the Philippines, most of which are located in the National Capital Region and others in Cebu.

PIDS noted that the COVID-19 pandemic has contributed to the growth in demand for fintech services as shown by the increased use of digital payment platforms.

However, the researchers said the fintech ecosystem needed to be strengthened for the sector to flourish, such as addressing consumers' lingering distrust in using fintech.

"Poor connectivity and the high cost of internet in the country also affect the industry's growth," they said. Also, "the lack of statistics on the sector prevents a thorough assessment of its progress."