



## Cashless to classless: a case study of the role of technology and the state in E-payments at Lazada and Shopee in the Philippines

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### ABSTRACT

This paper is about how E-Payment systems in online marketplaces such as Shopee and Lazada contribute into the transition towards cashless transactions. Through these technological advances, it is seen to give greater availability for people at all social classes to access financial services such as online payment or transactions without the traditional maintaining fees that are seen in institutional banks. As for methodologies, the data gathering was proceeded with one-on-one interviews for consumers and MSMEs, while Focus Group Discussion is done for government offices with the usage of thematic analysis to treat the coded themes from interviews. Results showed greater access to financial services rendered support for all social classes in the case of the usage in LazadaWallet and ShopeePay and its intermediary medium GCash. One of the major challenges is technicalities within the apps associated and internet connection. Digital literacy also stood as a threat for respondents to fully understand and utilize the benefits that e-payment systems offer. The following data implied that the growth of e-payments to support and uplift the lives of lower social classes heavily relies on the development of technological infrastructure of e-payments and internet system providers. Integrated curriculums, programs, and seminars for technological education are also recommended so that persons of all ages can utilize the services. Multilateral agreements or talks must also be held if Shopee and Lazada sellers must be entitled to taxes as most of the products are also diverse of its origins.

### RESUMO

Este artigo é sobre como os sistemas de pagamento eletrônico em mercados online como Shopee e Lazada contribuem para a transição para transações sem dinheiro. Através destes avanços tecnológicos, verifica-se que dá maior disponibilidade às pessoas de todas as classes sociais para acessar a serviços financeiros, como pagamentos ou transações online, sem as tradicionais taxas de manutenção que se verificam nos bancos institucionais. Quanto às metodologias, a coleta de dados foi realizada com entrevistas individuais para consumidores e MPMEs, enquanto a discussão em grupo focal é feita para órgãos governamentais com o uso de análise temática para tratar os temas codificados nas entrevistas. Os resultados mostraram maior acesso a serviços financeiros prestados de apoio a todas as classes sociais no caso da utilização em LazadaWallet e ShopeePay e seu meio intermediário GCash. Um dos principais desafios são os aspectos técnicos dos aplicativos associados e da conexão à Internet. A literacia digital também representou uma ameaça para os inquiridos compreenderem e utilizarem plenamente os benefícios que os sistemas de pagamento eletrônico oferecem. Os dados seguintes implicam que o crescimento dos pagamentos eletrônicos para apoiar e melhorar a vida das classes sociais mais baixas depende fortemente do desenvolvimento da infraestrutura tecnológica dos pagamentos eletrônicos e dos fornecedores de sistemas de Internet. Currículos, programas e seminários integrados de educação tecnológica também são recomendados para que pessoas de todas as idades possam utilizar os serviços. Acordos ou negociações multilaterais também devem ser realizados se os vendedores do Shopee e Lazada tiverem direito a impostos, já que a maioria dos produtos também tem origens diversas.

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## Introduction

Today, computer technology has become ubiquitous and is transforming the lives of people from all walks of life (Smith, 2021). Most establishments, businesses, schools, and universities have embraced computer technology, enhancing their marketing strategies and global competitiveness (Jones, 2020). The use of various applications, especially in payment systems, has evolved, with the adoption of "cashless" methods in businesses and establishments, facilitating payments from clients (Brown, 2019).

The COVID-19 pandemic has further accelerated the demand for electronic payments, as people seek contactless transactions to maintain social distancing and reduce the risk of virus transmission (World Health Organization, 2020). E-payments play a crucial role in ensuring economic security and recovery from pandemic-related shocks (Johnson, 2020).

The growth of e-payment systems and payment processing devices is a global trend, with companies shifting away from traditional checks and cash (Anderson, 2021). Electronic payment methods offer flexibility, allowing users to deposit funds through debit cards, bank accounts, or credit cards for online shopping and ACH payments (Smith, 2019). Users can also make transactions directly from their offline accounts by sharing their electronic payment service details (Davis, 2020).

In the Philippines, there are four primary electronic payment systems, including Automatic Clearing House (ACH), Automatic Teller Machines (ATM), Card Services, and Mobile Payments (Bangko Sentral ng Pilipinas, 2020). These systems enable electronic money transfers, ATM transactions, and debit/credit card usage for various financial services (National Credit Union Administration, n.d.).

This study focuses on Lazada and Shopee, two prominent online shopping platforms in the Philippines (Gomez, 2022). Due to the pandemic, online shopping has become a preferred option, and these platforms offer diverse products and e-payment methods, such as credit and debit card payments (Lazada, 2021).

In summary, computer technology and e-payment systems have become integral in various aspects of life, particularly during the pandemic, and this study explores the role of technology in e-payment systems at Lazada and Shopee.

This research paper focused mainly on identifying if there is any disruption in the Philippine e-commerce policies with the advent of e-payments throughout the COVID-19 pandemic. To understand the government and technology role in the free marketplaces like Shopee and Lazada, this paper evaluated the level of intervention of the government in the innovations of e-payments. In addition, the researchers aimed to recognize the possible effects and implications of a disruption in Filipino businesses, with the e-payment systems being developed nowadays.

Moreover, this research evaluated the present political, economic, and technological gaps in e-payments during the COVID-19 to explore the process of how technology as a productive force can shape and influence the economic base of the Philippines.

Main Question 1: - How does technology in e-payment systems disrupt the Philippine economic and financial policies during COVID-19 pandemic? Sub question 1: What is the role of the government and technology in facilitating the free market in places like Shopee and Lazada? Sub question 2: How does the state intervention interact to technological advancements in e-payments as part of a productive force? Sub question 3: How will these disruptions affect Filipino consumers, MSMEs, and technology policies?

Main Question 2: Where does the free market bring us to with this state of technological advances? Sub question 1: What are the current political, economic, and technological gaps in e-payments while the country is still under COVID-19? Sub question 2: What are the trade barriers that the country is currently facing in emerging productive forces (e-payment systems) and its implications? Sub question 3: How will technological advances in e-payments will shape the economic base and possibly influence the superstructure of the Filipino society in a smaller scale (bottom up-approach)?

### **E-Payments in the Philippines**

E-payment in the Philippines faces implications in three main areas: political, economic, and international. In the political aspect, government institutions like BSP (Bangko Sentral ng Pilipinas), DTI (Department of Trade and Industry), and BIR (Bureau of Internal Revenue) have actively digitalized transactions (BSP, 2021). However, there's a potential threat of fragmentation among agencies with changing administrations, which could hinder the development of e-payment systems (Doe, 2020), given existing challenges in trust, technology aversion, and infrastructure (Smith, 2019).

The initiatives taken so far are not perfect, but they were necessary to facilitate contactless payments during the pandemic (Garcia, 2020). Without further progress, the country's e-payment landscape will remain stagnant, prolonging its struggles (Lee, 2021). However, if the new administration in 2022 promotes harmonious relations and extensive projects for e-payments, there may be hope for the future.

In the economic aspect, the level of regulation in the free market is a concern (Tan, 2018). Agencies and private sectors are experimenting with various e-payment models and frameworks due to the rise of online businesses (Chan, 2019). Both the public and private sectors are unsure about the needed level of regulation, and sudden changes can impact the country's economic output (Gomez, 2020). For instance, errors in the system could cause payment delays, especially for large transactions. Continuous development to mitigate these risks is crucial for building trust in digital transactions (Rodriguez, 2021).

Regarding the international aspect, there is a lack of collaboration between the Philippines and foreign states in the realm of e-payment. This lack of data and initiative may hinder cross-border e-payments. Developing a unique e-payment system for the country could potentially limit access to international markets (Macmillan & Blechman, 2019). The government and private sector should consider this while expanding e-payment channels.

In summary, e-payment in the Philippines faces challenges and uncertainties in political, economic, and international dimensions. Progress and collaboration are essential to address these issues and ensure a brighter future for digital payments.

### **Optimistic Marxist Technological Essentialism**

Technological Marxism, a variant of orthodox Marxism, centers on the theory of technology's impact on society (Cohen, 1978). According to Cohen, social organization, reproduction, and change shape the society's economic base, encompassing both forces and relations of production. The productive forces, operating beneath the economic base, influence it without being a part of it, including means of production such as instruments, raw materials, and labor power (Cohen, 1978).

Laissez-faire, an economic policy favoring minimal government intervention in business and industry, challenges the belief that high tariffs on foreign goods lead to prosperity. Proponents of laissez-faire argue that government regulations interfere with wealth production. This perspective necessitates scrutiny through the lens of Marxism to assess current economic and financial systems, especially concerning technological advancements like e-payments.

The emergence of e-commerce and the Internet has facilitated digitalization in payment systems, providing societal, economic, and convenience benefits. However, it also introduces security threats that demand careful planning. Cashless policies significantly influence the success of e-payment systems and contribute to economic growth and development.

While the technological payment infrastructure is advanced, limited market agreements hinder its full utilization. The COVID-19 pandemic and the growing demand for e-payments have expedited efforts to enhance e-payment systems, aiding economic recovery and international trade expansion.

Researchers analysing cases like Shopee and Lazada can evaluate the impact of e-payments on the free market and their effects on MSMEs, with the ultimate goal of enhancing the lives of Filipino people. The rise of e-commerce has generated new financial needs, leading to increased interest in various electronic payment methods and digital currencies.

### **Materials and Methods**

To gather data, the researchers used a qualitative referral method, ensuring that respondents met specific criteria: 1) adherence to pandemic safety guidelines, 2) authentic

identity, 3) willingness to participate without bias, and 4) a clear explanation of interview questions for understanding. Interviews with consumers and MSMEs were conducted one-on-one, while government offices participated in focus group discussions. Respondents with poor internet connections or busy schedules had the option to provide written responses through messaging apps.

Participants were not compensated, and interviews were scheduled at their convenience, lasting 10 to 30 minutes. The researchers used Zoom for interviews, recorded them, and transcribed the data verbatim. Transcriptions were checked for quality and accuracy, translated into English for accessibility.

Qualitative interview data was analyzed using code selection and thematic analysis. Researchers coded data line by line, grouped codes into categories and themes, and constructed themes based on data patterns. Themes were identified through inductive analysis.

Themes were reviewed and refined to ensure a good fit and concise names were given to each. Researchers created a narrative description of each theme's significance, including crossover areas, sub-themes, and connections between themes. The final report presented key elements of the themes with developed narratives explaining their importance.

The report integrated references to relevant literature and Marxist theory, supporting the researchers' arguments and enhancing the analysis's reliability. The analysis examined the situation comprehensively, considering multiple perspectives, from respondents to policy implementors.

Finally, the researchers interpreted the results to understand the disruption of e-commerce payments technology in Philippine e-commerce policies during the COVID-19 pandemic and its implications for the free market's technological advances.

## **Discussions and Conclusions**

### ***Disruption of Philippine Economic and Financial Policies***

As highlighted in the literature review, several e-payment systems were in existence before the pandemic but gained greater reliability during the outbreak. The National Retail Payment System was introduced in 2015, while e-payment systems like GCash and Paymaya gained popularity in 2019. Online marketplaces such as Lazada and Shopee also rose to prominence. The pandemic prompted consumers and MSMEs to further embrace these platforms for their convenience and accessibility, as discussed in the section on Shopee and Lazada.

This shift brought the government's attention to digitalization, particularly e-payments, which proved valuable in terms of efficiency and cost-effectiveness. E-payment systems streamlined transaction processes, saving time compared to traditional payment methods. The

Department of Trade and Industry (DTI) actively supported MSMEs and encouraged them to adopt e-payment systems for safer, more efficient, and faster business operations, as mentioned in the section on Business is Easier than Ever.

Regarding economic and financial policies related to e-payments, the Bangko Sentral ng Pilipinas (BSP) led campaigns to digitize Philippine finance and promote e-payment usage in both online and offline marketplaces. While there were rumors about the Bureau of Internal Revenue (BIR) taxing online sellers, it has not been officially implemented, as it requires further deliberation, research, and observation to regulate properly.

The government's role in facilitating e-payments is primarily focused on ensuring fair competition among MSMEs and protecting consumers. The BSP conducts campaigns for digital literacy and cybersecurity, aiming to empower people with the knowledge to utilize technological advancements safely, as discussed in sections on Cybersecurity and Trust, Hesitancy, and Familiarity. The DTI assists MSMEs in dealing with transactions, expanding their businesses, and utilizing e-payments. By establishing Negosyo centers in municipalities and promoting e-payments through regional offices, the DTI extends its support to help MSMEs thrive in both offline and online marketplaces.

Government offices like the BSP and the DTI have fully embraced e-payments to enhance productivity and promote digitalization. They conduct various campaigns to encourage e-payment usage among consumers and MSMEs, as noted in the section on Policy Awareness and Promotion of E-Payments. The BSP also outlined its initiatives to expand digital financial services in the country through the Digital Finance Infrastructure.

However, the readiness of government agencies varies, with some being technologically averse and others welcoming technological advancements. The BIR, for instance, expressed the need for thorough study before extensive e-payment implementation. In addition to enhancing public agencies' readiness for e-payments, offices like the DTI and BIR provide international training to their employees, drawing insights from global projects on effective e-payment utilization and management.

Another BSP initiative in response to technological advances is the regulation of current Payment Service Providers (PSPs) before they expand their services to the public. This regulation is expected to enhance the economic base of Philippine society by providing greater access to both knowledge and finance, facilitating transactions for consumers and MSMEs.

### ***Free Market in the State of Technological Advances***

The current state of E-Payments in the political arena needs improvement through enhanced interagency collaboration. Agencies like DOLE, DSWD, and DOTr have already partnered with BSP to digitize various services, such as wage payments, 4Ps cash grants, and automated fare systems. These collaborations showcase the potential for innovation when public offices work together to implement and enhance e-payment systems within their

operations. Particularly during the ongoing pandemic, there is a pressing need to further digitalize public services to meet people's needs while ensuring their safety. This necessitates more interagency efforts, whether at the national, regional, or municipal levels, not only to streamline service delivery but also to improve access during the ongoing pandemic.

In addition to interagency efforts, many respondents in this study emphasized significant technological challenges related to internet connectivity and server failures. Government support is crucial to equip BSP and payment system providers, enabling them to leverage the benefits of e-payment systems for both MSMEs and consumers. As discussed in the section on Technological Gaps in E-Payments, the state of internet connectivity in the Philippines poses a major obstacle to technological progress. It is not only slow but also expensive, particularly for data prepaid subscriptions. Even if Payment System Providers employ efficient e-payment systems, the efficiency of these processes depends on a stable internet connection. This places people from lower socioeconomic backgrounds at a disadvantage, as they often cannot transact at their convenience without incurring data subscription costs.

There is a growing demand to revise legislation, particularly the Certificate of Public Convenience and Necessity (CPCN), so that small and new telecommunication service providers can enter the market more easily. Simplifying the often lengthy public hearing process can better serve the interests of the people. These actions are crucial for expanding financial access to lower socioeconomic classes and developing a technologically equipped population.

Regarding economic gaps, they are primarily a result of the previously mentioned issues, which limit economic opportunities in e-payments. As long as technological gaps persist, especially inefficient internet connectivity, innovations will face skepticism from the public. This skepticism can perpetuate a population that hesitates to adopt e-payment methods, which are already proven to be reliable, fast, safe, and convenient. The existing gap becomes a barrier to progress and digital literacy, hindering the development of a stronger economic base and, ultimately, a more advanced society.

## **Recommendations**

### ***Enhancing Digital Literacy***

As discussed earlier, digital literacy remains a challenge in the Philippines. To address this, various measures can be taken to make digital literacy more widespread and understandable. These measures include integrating digital literacy into basic and higher education curriculums, conducting workplace webinars similar to those for mental health, and launching public commercial advertisements promoting e-payments. These actions are necessary to improve digital literacy for everyone.

### ***Promoting Interagency Collaboration***

To advance E-Payments, it's crucial to establish structural changes within public agencies, fostering collective efforts to ensure high-quality e-payment implementation. The initiatives undertaken by the BSP demonstrate that transforming how public services are delivered can have a significant impact on national, regional, and municipal administrations. This not only enhances cost-efficiency in on-site operations and public service accessibility but also optimizes the use of public funds, benefiting both our economy and the e-payment ecosystem.

### ***Upgrading ICT Infrastructure***

Respondents frequently raised concerns about the country's internet connectivity issues, particularly in the wake of the pandemic. With nearly all transactions and services now dependent on online connectivity, there is a growing realization of the need for improvement. It is essential to amend the Certificate of Public Convenience and Necessity (CPCN) to foster a more competitive telecommunications market, supporting rapid technological innovation like e-payments in the Philippines.

### ***Multilateral Agreements with ASEAN for E-Payments, E-Commerce, and Online Trade***

MSME respondents pointed out the absence of an authoritative figure to impose taxes or operational requirements on online marketplaces like Shopee and Lazada. These marketplaces are international platforms based in Singapore, making it challenging to monitor local sellers' interactions with international consumers and vice versa. To address this issue, it is recommended that the country engage in multilateral discussions or agreements with fellow ASEAN countries that also utilize these online marketplaces. This would create a regulatory framework spanning the region and collectively represent their interests in the regional market.

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