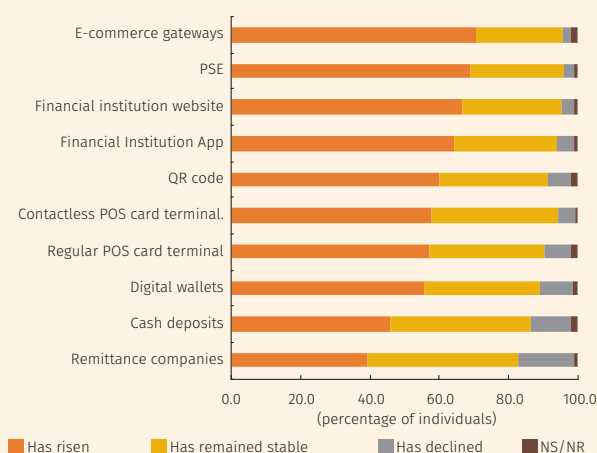


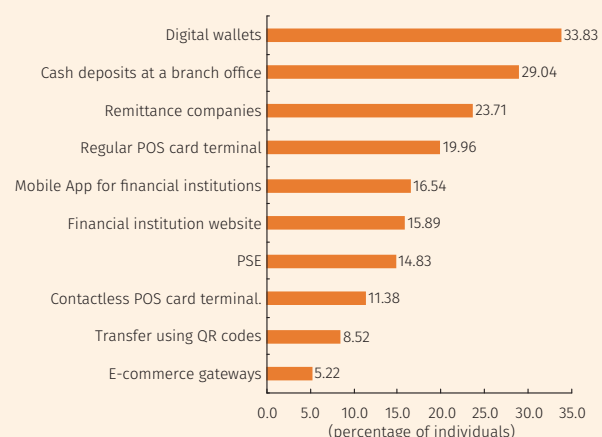
Box 4 The Recent Digitization of Payments in Colombia*

Graph B4.1
Frequency of Electronic Channel Use Compared to Two Years Ago



Source: Financial Inclusion Demand Survey (BDO, 2022), calculations by Banco de la República.

Graph B4.2
Usage of Payment Channels during the Past Month



Source: Financial Inclusion Demand Survey (BDO, 2022), calculations by Banco de la República.

In recent years, Colombia economy has seen a growing trend in the digitalization of payments (perhaps partly as a consequence of the pandemic). This is evident in the increased use of electronic channels. According to the *Banca de las Oportunidades* (BdO) Financial Inclusion Demand Survey done in collaboration with the Office of the Financial Superintendent of Colombia (FSC) and *Banco de la República* (Banrep) in 2022,¹ the use of e-commerce gateways by the adult population in Colombia rose 71% compared to two years ago, 64% reported an increase in the frequency of using financial institutions' mobile applications, and 56% reported an increase in the use of digital wallets in the same period (Graph B4.1).

The increase in the use of digital channels² in the last two years was greater in cities than in rural areas (54% versus 45.6%). These differences in the use of digital channels were also found among individuals belonging to high-income households³ (73%) versus low-income households⁴ (42%), and among those with higher levels of education (70.7% of adults with postgraduate studies and 64.9% with university studies). By age, the greatest growth in the use of digital payments was seen in the 46-55 and 18-35 age groups (62% and 55%, respectively) while a smaller proportion of adults between 36 and 45 used them more (46%).

It should be noted that in the month immediately prior to the time the survey was done, Colombians made significant use of digital channels to make their payments (Graph B4.2). There is, in particular, a higher use of digital wallets by individuals with higher incomes and in urban areas (65% and 39.4%). Nonetheless, their use is also important in low-income households and rural areas (26.6% and 25.3%) although at lower levels.

In terms of digital wallet ownership, levels similar to those of savings accounts are found in cities and proportionally higher ones in rural areas (Graph B4.3). Likewise, the ownership of digital wallets stands out in the low-income population while the ownership of savings accounts and debit cards is higher in high-income groups (Graph B4.4). By gender, men have more savings accounts and debit cards (48.2% and 36.2%) than women (32.9% and 21.4%).

* This is an extended version of the Banrep Blog: "Gaps in the development of digital payments in Colombia" of 31 May 2023.

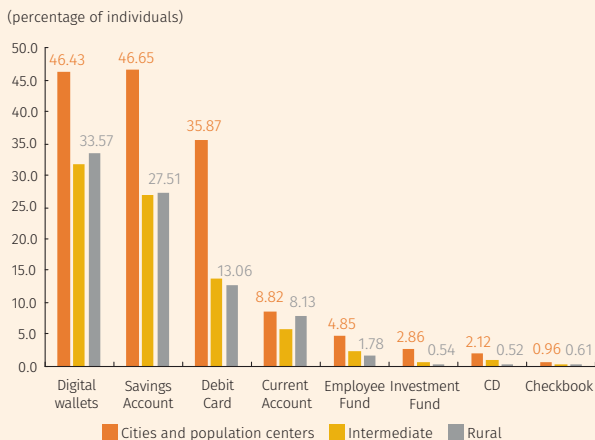
1 The survey was done between April and May 2022 of people over 18 years of age, men and women residing in all municipalities around the country with a sample of 5,513 surveys. The main results of the survey are available at: <https://www.ban-cadelasoportunidades.gov.co/sites/default/files/2022-12/Encuesta%20de%20demanda%202022%20VF.pdf>

2 Such as e-commerce gateways, PSE payments, financial institution websites, QR codes, dataphones and electronic wallets.

3 Households with monthly incomes above four million pesos.

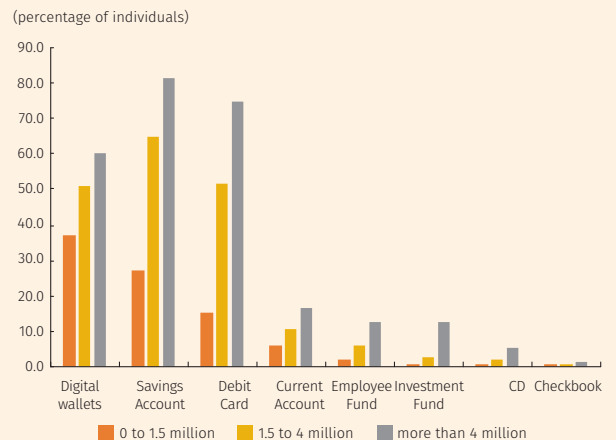
4 Households with monthly incomes of less than 1.5 million pesos.

Graph B4.3
Holdings of products or Means of Payment by Geographic Area



Note: According to the DNP, the category of intermediate municipalities, includes those with populations between 25,000 and 100,000 inhabitants or those with a high population density (more than 10 inhabitants/km²).
Source: Financial Inclusion Demand Survey (BDO, 2022), calculations by Banco de la República.

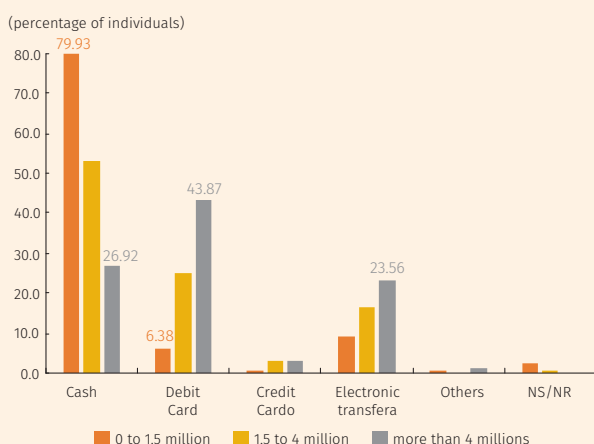
Graph B4.4
Holding of Products or Means of Payment by Household Income



Source: Financial Inclusion Demand Survey (BDO, 2022), calculations by Banco de la República.

The increased digitalization of the economy is also seen in the way individuals receive their main income. According to the survey, about 53% of the adult population in Colombia receives their income through electronic transfers (35% through transfers to bank accounts and 18% through transfers to mobile wallets and digital wallets). Meanwhile, 35% of individuals receive their income in cash, 10% through money orders, 0.2% through checks, and 0.8% through other options. In cities, income is most often received through electronic transfers (60% versus 34% in rural areas) and, in high-income households, it is received mainly through transfers to bank accounts (64%). Cash as a means of receiving income, in turn, predominates in rural areas (42.5% versus 31.1% in cities) and in low-income households (43% versus 12% in high-income households).

Graph B4.5
Use of Payment Instruments by Household Income



Source: Financial Inclusion Demand Survey (BDO, 2022), calculations by Banco de la República.

Despite recent digitalization, cash is still the instrument most used by Colombians to make their regular payments. This is followed by electronic payment instruments such as debit cards and electronic transfers with a significant share. The preference for cash is more prevalent in low-income households and in rural areas (79.9% and 83.1% respectively) while the use of debit cards and electronic transfers is more prevalent in high-income households (Graph B4.5).

The increased use of digital means of payment can be explained, in part, by the perception that users have about the low costs and ease of use compared to other electronic payment instruments, especially cards. According to the survey, a high percentage of individuals perceive cash, e-wallets, and the internet to be inexpensive or not expensive at all (74%, 66%, and 50% respectively). Meanwhile, cards, especially credit cards, are perceived as highly expensive. At the same time, 57% of the individuals surveyed perceive digital wallets as a very easy-to-use instrument for making payments.

The survey shows that 54.4% of the adult population in Colombia does not save. Among those who save, in turn, 39.5% keep their sav-

ings in cash, 20.8% in banks, cooperatives or employee funds, 17.7% in electronic wallets, 3.3% do so by buying bonds, stocks, and currencies, and 3.1% buy cryptoassets. Specifically, individuals in high-income households prefer to save in the financial system while low-income individuals keep their money at home. Likewise, cash savings is the preferred option for young people between 18 and 25 years of age (49.6%), and between 26 and 35 (38.4%). Note that 1.3% of low-income individuals and 5.9% of middle-income individuals⁵ prefer to invest their savings in cryptoassets while their investments in stocks, bonds, or currencies are significantly lower (0.7% and 2.9% respectively).

The growing use of electronic payments, and their importance in the development of the payment ecosystem is a significant step forward in achieving the objectives of efficiency in public payment policy. Nevertheless, it is necessary to continue with efforts to close the significant existing gaps in access to and use of electronic payments, transactional products, and formal savings products by the lower income, less educated, and rural populations.

⁵ Households with monthly incomes between 1.5 and 4 million pesos.