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Digital Payment System and the Level of Delivery of Basic Public Services in Local Government Unit of Marihatag, Surigao del Sur

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Abstract — This study examined the status of the implementation of the digital payment system and the level of delivery of basic services. The implementation of digital payment system represents a significant advancement in enhancing the transition to digital platforms that significantly streamline financial transactions, reduce operational costs, and improve efficiency in public service delivery. The research employed a descriptive correlation research design. There were 100 respondents, 47 LGU employees and 53 clients. Fifteen of the LGU employees, who are about 23-30 years old, the majority were females, and twenty-four were married. Thus, thirty (30) are college graduates and 14 employees attended on training for Operation on ICT literacy, and eighteen (18) employees belonged to 11-20 years in the service. Twenty (20) clients of them are between the age of 41-50 years old, thirty (37) of the clients are married, and twenty-five (25) of the clients who availed the type of services are business permits and licenses. Based on the

findings on the status of implementation of digital payment system in digital collection is implemented, digital payment is partially implemented, and the electronic fund transfer is implemented. Thus, the level of delivery of basic public services in terms of collection of taxes and other revenues and issuance of receipts is satisfactory. Most serious problem encountered in the implementation of digital payment system is loss of internet connection and disruption of power outage. Moreover, the null hypothesis is rejected because both one-tailed p-value and two-tailed p-value are lower than the 0.05 level of significance, therefore there is a significant relationship between the status of the implementation of the digital payment system and the level of quality service. Furthermore, the comprehensive digital payment system initiatives can be implemented.

Keywords — Digital Payment System, Delivery of Public Service, Public Management, Client Satisfaction, Descriptive Correlation

I. Introduction

Digital payment systems is a platform that allows for the electronic handling of funds, permitting taxpayers and citizens to make payments or receive services seamlessly. One of the main advantages of these systems is that they significantly reduce the opportunities for corruption. By utilizing online platforms for transactions, governments can track payments in real time, thus ensuring that funds are used for their intended purposes. For instance, the implementation of India's Direct Benefit Transfer scheme has vastly improved transparency in subsidy transfer by depositing funds directly into beneficiaries' bank accounts, thereby reducing the chances of fraud and leakages (Bhattacharya, 2020).

According to the National Automated Clearing House Association (NACHA) digital collection involves the collection of funds electronically, often facilitated by businesses. For example, companies now use digital platforms to streamline their invoice and payment processes. This can include automatic electronic billing, where customers are billed digitally on a regular basis. Businesses benefit from these processes by reducing the costs associated with paper-based invoices and improving cash flow through faster payments. Digital payment, digital collection, and electronic fund transfer represent a significant shift in financial transactions. These methods offer enhanced convenience and efficiency for both consumers and businesses while fostering a cashless economy. However, it is crucial to remain vigilant about potential security risks as digital transactions continue to rise. Understanding and adapting to these changes will empower individuals and organizations to thrive in an increasingly digital world.

The increasing integration of technology into various sectors has transformed how public services are delivered, especially through the rise of digital payment systems. World Bank (2020) highlights the critical role these systems play in enhancing transparency and accountability in public services. As governance becomes increasingly scrutinized, the need for transparent

operations has never been more vital. Digital payment systems serve as a tool to mitigate corruption and inefficiencies prevalent in traditional payment methods.

The concept of digital transformation encompasses a range of initiatives designed to integrate digital technology into all areas of government operations. This includes improving internal processes, enhancing citizen engagement, and fostering economic growth through digital solutions. In the Philippines, recent efforts have included the creation of online platforms for government services, such as the e-Government Master Plan, which aims to simplify public transactions and reduce bureaucratic inefficiencies. By streamlining these processes, the government seeks to increase transparency and accessibility, making it easier for citizens to interact with public services. The urgency of digital transformation in government is a global phenomenon. The Philippines stands as a notable example, where the national government has declared Digital Transformation a top priority. The goal is to become a digital and globally competitive nation by 2040 (Abarca, 2023).

The use of digital payment systems has transformed the transaction process, greatly increasing efficiency and improving record-keeping in a number of industries. The Department of Interior and Local Government (DILG) has been urging local government units (LGUs) to embrace online payment platforms, notably for procedures related to real estate taxes and company permits, which has led to an increase in the use of these technologies. This change improves the entire experience for people seeking government services and streamlines operations.

By facilitating quicker transaction processing and improved record-keeping, digital payment systems increase efficiency. For instance, the Department of Interior and Local Government (DILG) has urged local government units (LGUs) to utilize online payment platforms for services like real estate taxes and business licenses. With the aid of these tools, LGUs can shorten waiting times, ease the burden on municipal personnel, and offer citizens increased convenience. Nevertheless, as technology improves, the need for accountability—making sure that public money is spent wisely and openly—increases.

According to the Bangko Sentral ng Pilipinas (BSP) digital payment systems have significantly transformed the financial landscape in recent years, integrating convenience, efficiency, and security into everyday transactions. The Bangko Sentral ng Pilipinas (BSP), or Central Bank of the Philippines, plays a critical role in this transformation by facilitating and regulating digital payments through various initiatives. These initiatives include digital collections, digital payments, and electronic fund transfers, which collectively enhance the country's economic ecosystem.

Marihatag is a municipality located in the province of Surigao del Sur, Philippines. It is situated in the northeastern part of Mindanao and is known for its rich natural resources and scenic landscapes. The implementation of a digital payment system in Marihatag, Surigao del Sur, holds significant implications for the delivery of basic public services. According to the Treasurer’s

office the adoption of digital payments system was started on October 2024. This transition from traditional cash-based transactions to digital payments can enhance efficiency, transparency, and accessibility in various sectors.

Moreover, digital payment systems can enhance citizen engagement with government processes. When payments are streamlined and accessible, citizens are more likely to participate in public services and hold their governments accountable. By providing platforms for feedback and complaints related to public services, governments can address issues proactively, resulting in improved public trust and institutional integrity.

This study examined the status of implementation of digital payment system and the level of basic public services to the local government unit of Marihatag, Surigao del Sur. Specifically, the study aimed to determine the perceived by employee as to the status in the implementation of digital payment system as to the following features digital collection, digital payment and electronic fund transfer and determined the client respondents as to the level of quality service rendered by the Treasurer's Office through digital payment system as to the following collection of taxes and other revenues and issuance of receipts . This study also sought to find out if there is a significant relationship between the perceived status in the implementation of digital payment system and the level of quality service. Moreover, this study is to identify the challenges encountered in the implementation of digital payment system. Lastly, the goal is to determine comprehensive digital payment system initiatives that can be facilitated.

The findings of the study represent a significant step towards modernizing public service delivery, enhancing transparency, and improving efficiency in financial transactions. This initiative aligns with the broader goals of the Philippine government to promote digitalization and financial inclusion across the country. Moreover, the results of this study could be used to gain ideas on how to improve the implementation of digital payment system and basic public services of the LGU of Marihatag Treasurer's office. It would help the office in charge improve the service quality to clients. In addition, this study would have served as a helpful reference to future researchers who wished to conduct further related on this study.

Literature Review

Digital payment systems use digital devices or channels to transmit value electronically, rather than using physical money. The literature reviewed for this study encompasses both conceptual literature and research literature that were compiled by the researcher, and covered study-related ideas, concepts, generalizations, and findings

Conceptual Literature

Data security and privacy remain significant barriers to the adoption of e-governance. Trust in the integrity of digital platforms is essential to encourage citizen participation. Anxiety over potential data breaches or misuse of personal information can deter individuals from engaging with

e-governance systems. There is a need for robust cybersecurity measures and transparent communication to alleviate these concerns. In Eastern Visayas, the implementation of secure and user-friendly systems is crucial to building trust and addressing privacy concerns, thereby fostering greater adoption of e-governance Capistrano, P. (2019).

The implementation of digital payment systems in local government units (LGUs) has garnered significant attention in recent years due to its potential to enhance efficiency and transparency in financial transactions. According to Agur, Ari, and Catão (2020), the integration of digital payment systems allows for faster processing of payments, thereby improving the overall service delivery in local government operations. This is especially pertinent as governments strive to meet the growing demands of their constituents for timely and convenient services. Digital payment systems facilitate a seamless transaction process, which can significantly reduce the time and effort required for both officials and citizens.

Digital payment systems play a quintessential role in improving transparency and accountability within public services, as emphasized by the World Bank (2020). By enabling real-time transaction tracking, facilitating data analysis, and engaging citizens, these systems serve as vital tools in combating corruption and enhancing governance. As technology continues to evolve, it is paramount that governments worldwide harness the potential of digital payment systems to promote efficiency and integrity in public service delivery.

According to the Bangko Sentral ng Pilipinas (BSP) Financial Inclusion Survey 2017, most Filipinos still have no bank account due to failure to maintain the balance needed for these accounts. Banko Sentral ng Pilipinas reports that only 15.8 million or 22.6 percent of the total population own a bank account, mainly driven by perceived lack of need, lack of necessary documents, and high cost. However, only a few users from this population utilize banking's digital features due to the lack of awareness and trust in terms of security (Lopez, 2018). The BSP aims to change these figures and increase digital banking usage by 20 percent by 2020.

In 2022, the League of Municipalities of the Philippines (LMP) took a proactive stance by prioritizing open access to services among Local Government Units (LGUs) through digitalization. This approach aims to simplify procedures for the public when availing LGU services (Tubadeza, 2023). In the same year, Department of Finance Secretary Benjamin E. Diokno encouraged LGUs to embark on digital innovation and transformation, emphasizing the need to keep pace with digitalization, a crucial element in effectively working with it. The Local Government Code provided the roles of an accountant and a barangay treasurer for the installation of control systems in barangay transactions.

Similarly, Castro and Lopes (2022) emphasized the importance of digital channels in enhancing citizen engagement. When governments provide user-friendly digital platforms for service delivery, it results in improved communication and strengthens the relationship between

the state and its citizens. This, in turn, leads to a more informed public, capable of actively participating in governance, thereby adding value to the democratic process.

As technology continues to evolve, it is essential for all stakeholders, including consumers, businesses, and financial institutions, to adapt to these changes and understand their role within this emergent digital ecosystem. Electronic funds transfer and digital payment systems have revolutionized financial transactions, offered efficiency and convenience while raising important considerations regarding trust and security as outlined in agency theory (Federal Reserve 2021).

The Collaborative E-Democracy Theory (Royo et al., 2020) emphasized the use of digital technologies to enhance citizen participation in governance. It highlights the role of online platforms in policymaking, allowing stakeholders to collaborate with government officials. This theory supports the argument that e-government fosters two-way communication, enabling more responsive and accountable governance. Collaborative E-Democracy Theory offers a comprehensive understanding of how digital technologies enhance citizen participation in governance. By emphasizing the role of online platforms, this theory supports the notion that e-government fosters two-way communication, which contributes to more responsive and accountable governance. As governments continue to innovate in their use of digital tools, the principles outlined in this theory will likely play a crucial role in shaping the future of democratic engagement.

The Digital Divide Theory highlights the disparity between individuals who have reliable access to digital technology and those who do not. This concept is especially pertinent in the context of e-governance, where digital services are increasingly necessary for accessing vital government functions. The digital divide can create significant obstacles to equitable service delivery, often resulting in unequal access to essential services that are increasingly moving online. Digital Divide Theory underscores the urgent need for addressing disparities in access to digital technology. As governments increasingly shift services online, closing this divide becomes essential for providing equitable access to those services (Norris, 2016).

Research Literature

The study by Panagiotopoulos et al. (2019) underscores the vital role of digital government in creating public value and shifting the focus toward external value creation. Coupled with supporting literature, it is clear that as digital government continues to evolve, it will be instrumental in various areas, enhancing economic development, fostering citizen engagement, and improving crisis management. The potential for digital government to drive societal progress makes it an essential area of study and implementation in the modern era.

Moreover, Martins and Veiga (2022) further elucidated that digital government can stimulate innovation by creating ecosystems where public and private sectors collaborate. For instance, the introduction of open data initiatives allows businesses to utilize government data,

fostering the growth of startups that can offer innovative solutions to societal challenges. This collaborative environment can significantly accelerate economic growth and job creation.

According to Agur, Ari, and Catão (2020), the integration of digital payment systems allows for faster processing of payments, thereby improving the overall service delivery in local government operations. This is especially pertinent as governments strive to meet the growing demands of their constituents for timely and convenient services. Digital payment systems facilitate a seamless transaction process, which can significantly reduce the time and effort required for both officials and citizens.

As highlighted by Tiwari and Singh (2021), digital transactions create an electronic audit trail, making it easier to track and verify financial activities. This increased transparency can deter corrupt practices and ensure that public funds are used appropriately. Moreover, citizens can engage in real-time monitoring of government transactions, fostering a culture of accountability. Consequently, the establishment of such systems not only elevates operational standards but also builds trust between the government and the community it serves.

As pointed out by Zins and We (2019), digital payments provide a convenient platform for individuals who may traditionally be excluded from the formal financial system, such as low-income households or rural residents. By allowing these groups to participate in digital transactions, LGUs can promote economic participation and inclusivity. Consequently, this facilitates a more equitable distribution of resources, ultimately leading to improved community welfare.

However, the successful implementation of digital payment systems is not without challenges. As Kossakowski et al. (2020) argue, issues such as inadequate technological infrastructure, lack of digital literacy among citizens, and resistance to change from government personnel can impede the progress of these initiatives. To address these barriers, it is essential for LGUs to prioritize capacity-building efforts and invest in the necessary infrastructure to support digital payment systems. By doing so, local governments can ensure that all citizens, regardless of their socio-economic background, are empowered to benefit from these advancements.

Ullah et al. (2022) also underscores the significance of perceived usefulness in this adoption process, asserting that it acts as a complete mediator between financial literacy and the intention to adopt digital payment services. Perceived usefulness refers to the degree to which an individual believes that using a particular technology will enhance their financial management or overall convenience. When users perceive digital payment services as beneficial, the likelihood of adoption increases, even if their financial literacy is not particularly high. For instance, a user may adopt an app simply because it promises to simplify their transactions, thereby overcoming any initial hesitance that stems from limited financial understanding.

According to Tornatzky and Klein (2016), factors such as the perceived advantages of digital payments, the compatibility with existing systems, and the overall complexity of the

technology play crucial roles in the adoption process. For instance, local governments that have successfully integrated digital payments often cite improvements in revenue collection efficiency and transparency, which resonate strongly with their stakeholders. Consequently, local government units can benefit from analyzing early adopters and tailoring their strategies accordingly.

According to a study by Iyer and Rani (2021), the implementation of mobile payment systems in local governments led to a 30 percent reduction in processing times for various public services, including utility bill payments and tax collection. One of the main benefits of digital payment systems is the efficiency they bring to public services. For example, government agencies can use digital payment methods to collect taxes, service fees, and fines. This streamlining reduces the need for physical cash handling and minimizes the long queues that typically occur at public offices.

Research by Kumar and Singh (2022) highlights how mobile wallets and banking apps have enabled citizens in remote locations to access necessary services without traveling long distances to urban centers. Digital payment systems enhance accessibility, especially in rural or underserved areas. Additionally, the growing acceptance of digital payment systems during the last decade reflects a broader trend towards digitalization in society. The proliferation of smartphones and internet access has facilitated this transition, making it essential for governments to adapt and innovate.

A study conducted by Norton in 2022 found that over 60% of participants felt safer using digital payment options compared to cash, primarily due to fraud detection mechanisms and the ability to monitor transactions swiftly online. This shift towards secure digital transactions also reflects a growing consumer awareness regarding cyber safety.

Additionally, the rapid growth of eCommerce has further propelled the adoption of digital payment systems. Online retailers like Amazon and Alibaba have embraced digital payment methods, leading to a seamless shopping experience. According to a report by Statista (2022), global eCommerce sales exceeded 4. 9 trillion dollars, with digital payment transactions accounting for a significant portion of this figure. The pandemic has accelerated this trend, as many consumers turned to online shopping during lockdowns, further embedding digital payments into everyday life.

II. Methodology

Research Design

This study utilized a descriptive-correlational research design (Creswell, 2014) to examine the digital payment system and the basic public services. This approach is especially beneficial for detecting patterns and trends since it allows researchers to observe and describe how factors

interact in a natural setting. Furthermore, this form of research might help generate hypotheses for future investigation. However, researchers must use caution when interpreting their findings, as correlation does not imply causation, and other confounding factors may influence the observed patterns.

Study Locale

The study was conducted at Local Government Unit of Marihatag, Surigao del Sur. The implementation of a digital payment system at the Local Government Unit of Marihatag, Surigao del Sur, represents a progressive step towards modernizing public service delivery.

Population and Sampling

The sample size is a foundational aspect of research methodology that significantly affects the reliability and generalizability of results. Selecting an appropriate sample size enhances the validity of findings, allowing researchers to make informed conclusions that can be applied to larger populations. As demonstrated through contemporary studies, understanding the nuances of sample sizes is essential for delivering quality research outcomes that serve both academic and practical purposes (Coursera 2023).

This survey used one hundred (100) respondents, including 47 LGU workers and 53 clients. The researchers employed purposive sampling to choose a single respondent for study. This technique is useful when the researcher has a clear understanding of the qualities or attributes they want to investigate and wants to select a sample that reflects those characteristics, as well as a brief study result that can provide significant insights. All respondents were requested to complete the survey questionnaires. They were selected as respondents because they are aware of the current stage of implementation of the digital payment system.

Data Collection Instrument

The study used a questionnaire designed by the researcher based on the research objectives. It was separated into four parts: Part I: Respondent Profile. Part II: The status of the digital payment system implementation. Part III: The level of delivery of basic public services. Part IV: Challenges in the Implementation of a Digital Payment System.

Two Likert scales were used. The implementation status of a digital payment system assesses how well it has been implemented. A score of 3.26-4.00 indicates fully implemented, a score of 2.51-3.25 indicates as implemented, a score of 1.76-2.50 indicates somewhat implemented, and a score of 1.0-1.75 indicates not implemented. The level of delivery of basic public services measures how clients are satisfied with the delivery of basic public services. Scores from 3.26-4.00 indicate excellent, scores from 2.51-3.25 suggest very good, scores from 1.76-2.50 reflect satisfactory, and scores from 1.0-1.75 reflect unsatisfactory. In order to determine the

degree of challenges encountered on the implementation of digital payment system, the same will be ranked from no. 1-10, with number 1 is the most being serious challenges encountered.

Moreover, for relevancy and clarity, the questionnaire was professionally assessed by the advisor and panel members. To ensure reliability and validity, it was also evaluated by experts in instrumentation.

Data Collection Procedures

To provide a clear understanding of how the study was conducted the researchers analyzed the results using statistical tools followed by interpreting the findings in the context of the original research question and its discussion and implications. Likewise, the survey was presented to the board of examiners during the proposal defense for its content validation before fielding. The researchers sought permission to interview by preparing a formal letter approved by the thesis adviser and suggestions from the research panel. The researchers addressed the panel's viewpoints and implemented the required alterations and removals in consideration of the suggestions put forth. The questionnaires was distributed to forty-seven respondents from employees of LGU and fifty-three clients, according to the data provided by the Human Resource Management Officer.

Data Processing and Analysis

The data was gathered from the survey and evaluated statistically using statistical tools. The descriptive-correlational measures the strength and direction of the relationship between the variables. Frequency tallies, percentages and ranking were applied to summarize the characteristics of the respondents and the prevalence of specific responses to questions related to the implementation of digital payment. While weighted means and standard deviations were applied to calculate the average perception of the status of the implementation digital payment system and extent in the delivery of basic public services are delivered.

Moreover, the data was effectively analyzed using a variety of statistical methods. To define the profile of the respondents and provide a concise summary of demographic distributions, frequency and percentage were used. The Mean and Standard Deviation was used for the procedures that provide insights. In addition, chi square was intended to determine whether there is a correlation between the implementation of digital payment systems and the degree to which fundamental public services are provided.

Ethical Considerations

The researcher followed ethical guidelines in the study. Participation was voluntary, and the research goals and methods were fully explained. Respondents were treated respectfully, and their identities and answers were kept confidential. The researcher ensured that the research design did not cause any physical, psychological, or emotional harm to the participants. If there was the possibility of harm, the researcher had to take measures to minimize the risk. Data was securely

stored, accessible only to the researcher, adviser, and evaluators. All sources were cited properly to prevent plagiarism, ensuring integrity in the research process.

The commitment to ethical research practices ensuring the integrity and reliability of any study. By adhering to established ethical guidelines, such as those set forth by the Human Resources of LGU Marihatag, the researcher applied the Data Privacy Act of 2012 to protect the rights and privacy of participants. This not only fosters trust between researchers and participants but also enhances the credibility of the research findings. It was also essential to consider the cultural and social context of the researcher, particularly concerning the demographics of the participants.

III. Results and Discussion

The majority of respondents are younger employees that range on 23-30 years old with 31.91 percent, according to the normal average of respondent groups. Moreover, females are most respondents with 57. 45 percent. As a result, majority of respondents are college graduates with 37.50 percent and 51.06 percent were married. The fact that some respondents indicated there is no relationship with the relevant training or seminars they attended suggests that most employees lack relevant computer literacy training or seminars. Moreover, most of the employees are ranging 11-18 years in the service with 38.30 percent.

Additionally, majority of the client are between the ages of 41 and 50 with 37.74percent, and females are majority for the sex category with 58.49 percent and most of them are married with 69.81 percent. Thus, business licenses and permits are the majority that they availed for services with47.17 percent

Moreover, the findings showed that the majority of respondents' responses were implemented. However, there is some concern that has not been implemented. In digital collection the average weighted mean is 2.51 implemented, digital payment indicated with an average weighted of 2.49 partially implemented, and electronic fund transfer with the average weighted of 2.61 implemented. The findings indicated a generally positive trend in the implementation of digital payment systems, particularly in electronic fund transfers. However, the partial implementation of digital collection systems raises important concerns that need to be addressed. This suggests that while some aspects of digital collection are in place, there are gaps that need to be addressed. This could mean that certain features are not fully operational, or that user engagement with the system is lacking.

The findings indicated a satisfactory performance in the delivery of basic public services, particularly in the areas of tax collection and revenue generation, which received an average weighted mean of 2.38. This suggests that collecting taxes and other revenues are functioning adequately, though there may still be area for improvement. Similarly, the issuance of receipts, with a slightly higher average weighted mean of 2.46, also falls within the satisfactory range.

The implementation of digital payment systems indeed presents a range of challenges that can hinder their effectiveness and adoption. Loss of internet connectivity and power outages are critical issues, as they can lead to transaction failures and customer dissatisfaction. This highlights the importance of backup systems and alternative payment methods to ensure continuity of service during such disruptions. Additionally, resistance to change is a common barrier, particularly among users who are accustomed to traditional payment methods.

The analysis indicated the significant relationship between the implementation of a digitalized payment system and the quality of service provided. The result of Chi Square Test shows that the null hypothesis is rejected because both one-tailed p-value and two-tailed p-value are lower than the 0.05 level of significance. Furthermore, the said result is also supported by the nonparametric fisher's exact probability test. Therefore, there is a significant relationship between the status of the implementation of the digitalized payment system and the level of quality service.

IV. Conclusion

It was concluded that the statement indicates the respondent group is predominantly composed of younger, female college graduates who are mostly married. Despite their educational background, there is a notable lack of relevant computer literacy training among them, as evidenced by their feedback. Thus, most respondents are aged between 41 and 50, suggesting a diverse age range, with a significant focus on business licenses and permits as the primary services utilized.

The data indicated in the implementation of digital payment systems, particularly in electronic fund transfers has the highest rating and it was implemented. This suggests that users are increasingly adopting electronic fund transfers, which can enhance efficiency and convenience in financial transactions.

Based on the findings of the delivery of basic public services, the issuance of receipts, which falls within the satisfactory range. This indicates that the processes related to providing receipts are generally effective, however tax collection, there remains further improvement. Maintain and enhance the effective processes for issuing receipts, as they are currently satisfactory. However, it also suggests that there should be a focused effort on improving tax collection methods to ensure better efficiency and effectiveness in that area.

It emphasizes the challenges associated with the implementation of digital payment systems. Most serious challenges are internet connectivity and power outages can severely disrupt transactions, leading to employees and client's dissatisfaction and potential loss of trust in the system. Therefore, it is vital for service providers to develop strong backup systems and alternative payment methods to maintain service continuity during disruptions.

It was concluded that there is a significant relationship between the status of the implementation of the digitalized payment system and the level of quality service because of the rejection of the null hypothesis, supported by both the Chi Square Test and Fisher's Exact Probability Test, underscores the importance of adopting advanced payment solutions to enhance customer experiences.

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