



Uniquely Yours

# FINANCIAL INCLUSION: WHAT'S NEXT?



A JCB perspective on the  
challenges and benefits of a  
financially inclusive mindset

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### 01

#### Defining the challenge

There are many benefits to society, business and the individual for dispensing with physical cash payments but there are huge challenges in ensuring everyone is included in a 'cashless' financial ecosystem.

Solving 'financial inclusion' starts with defining what the term (and associated terminology like 'unbanked') means. The World Bank provides a good working definition which states: "Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit and insurance—delivered in a responsible and sustainable way."<sup>1</sup>

Financial exclusion is not a new challenge — there have always been people who cannot, or do not want to, participate in the banking system.

Some people are omitted because they lack the financial education to participate; they may be elderly or vulnerable in some way; they may be unable to access a connected banking system, reach a physical bank easily, or they are deemed not credit-worthy enough to be offered a bank account.

Other individuals make a proactive choice to use coins and notes. There are societies or smaller communities across the world who do not trust banks and culturally prefer to handle physical cash.

But globalization, the acceleration of technology, and the growth of online commerce as the way to obtain goods and services, alongside considerations around boosting tax revenues, means governments are encouraging a transition away from physical cash.

Those governments pursuing these policies need to ensure everyone has access to the new system or the viable alternatives to it. The solutions lie in close collaboration with businesses and entrepreneurial financial technology companies.

**"The financial industry has an important part to play in developing low-cost solutions to support the unbanked with authentication tools, such as biometrics and risk tools, to manage real-time credit risk reporting with anywhere accessibility."**

Dan Skaling, Business Development Manager, EVP JCB International Credit Card Co. Ltd. (JCB USA)..

## **02**

### **Metrics that matter for financial inclusion**

The recent pandemic has reduced the use of cash. Digital payment has the advantage over notes and coins at point of sale because it facilitates a more hygienic experience and speedier transactions.

At the same time, ecommerce has soared and that, by necessity, requires a digital online payment.

A cashless society was already on the horizon. Examples of its progress in U.S. include the limitless spending enabled for contactless transactions, one of the only countries in the world to do so.

Digital payments is the most used payment method in the US today. In 2023, 69% of US online adults said that they had used a digital payment method over the past three months to make a purchase.

Furthermore, consumers behavior indicates increased preferences for digital payments. PayPal is still the most used digital payment method in the US. In 2023, 40% of US online adults used PayPal over the past three months to make a purchase. But its consumer adoption rate has hovered around 40% since 2019. By contrast, only 24% of US online adults have used Apple Pay recently to make a purchase, but Apple Pay's adoption has more than doubled since 2019. (2) Cashpoint withdrawals continue to fall. ATM cash withdrawals declined at a rate of 10.1 percent per year, falling to 3.7 billion in 2021. By value, ATM cash withdrawals also declined, but at a slower rate, reflecting an increase in the average value of an ATM cash withdrawal from \$156 in 2018 to \$198 in 2021.<sup>3</sup>

In Japan, where traditionally consumers lean towards cash, the transition to cashless payments has accelerated. This is partly due to a rebate program launched by the Japanese government last year to encourage consumers to make cashless payments, which has now ended.

In a 2020 JCB comprehensive survey, data showed that the number of cashless transactions in Japan increased by 42.9 % after the rebate program was introduced, with the biggest increase in payment preferences being for credit card, up by 65.3 %, and for mobile payment, up by 48.8 %.<sup>5</sup>

Further, the reasons JCB cardmembers in Japan gave for wanting to continue to use cashless methods were led by "store points and miles for credit cards" at 69.6 % and for "convenience with mobile payment" at 61.4 %.<sup>6</sup>

Consumers are very willing to embrace cashless payments if the process is frictionless. But the global total of adults that lack access to a bank account is still staggering — the World Bank estimates the number is approximately 1.7 billion.<sup>7</sup>

03

Why finding a solution is paramount

“The fintech revolution is bringing lower cost solutions and better designed products to the payments sector that will service not only the banked but will also be within reach for the unbanked. These solutions need to be given regulatory frameworks by governments to grow and develop.”

Yutaka Nakazawa, President & CEO, JCB International Credit Card Co. Ltd. (JCB USA).

The Business Roundtable, a non-profit US organization for CEOs, redefined the purpose of a corporation in 2019.<sup>8</sup> Its statement was signed by 181 business leaders and called for a widening of the definition of stakeholders to include communities, employees, and customers. Many businesses now consider the impact of their decisions on this wider stakeholder community.

Several recent studies show consumers want the brands and services they use to make efforts to improve society. The ‘WE Communications Brands in Motion 2019 Report’ surveyed nearly 80,000 consumers globally and found 54 % of respondents said they want the brands they support to balance a great product with powerful purpose and activism.<sup>9</sup>

Businesses that help tackle the challenge of financial inclusion alongside governments will receive a mental tick for ‘good behavior’ from consumers.

An inclusion mindset in the world of payments means considering the needs of all consumers when looking at innovation and introducing new technology.

It is not just altruism — the business case for inclusion adds up. When the arguments are laid out for ensuring every global citizen has a method for accessing financial products and making payments without cash, a huge number of benefits become apparent.

Some business benefits include:

- Reduced costs of cash handling
- The ability to offer multiple touchpoints to purchase goods and services to customers
- Speed and security in paying staff salaries electronically
- Risks of on-premises or in transit robbery and theft are reduced
- Easier identification of customers
- The ability to set up regular payments, e.g., for utilities

### 04

#### Inclusion initiatives underway

All players in the financial ecosystem, from governments to banks and fintech organizations, need to adopt an 'inclusive mindset' if digital solutions for the unbanked are to be found.

Long-standing existing solutions can also help. The global pandemic has familiarized many people with the use of cashless payment including QR codes. In June last year, JCB collaborated with financial services technology provider FIS Global to enable cross-border QR codes in the APAC region.<sup>10</sup>

The 'Worldpay from FIS 2021 Global Payments Report' found that global use of digital wallets exceeded cash for the first time for in-store payments in 2021 and in addition, use of digital wallet-based transactions for ecommerce grew by 7 %.<sup>11</sup>

However, these new products do require validated proof of identity to access. This is not a big problem in Western economies where identifiers such as birth certificates, passports and driver's licenses are relatively easy to issue and part of the culture. In some emerging countries and regions, the challenge is more formidable. In developing countries some people may not be given an authenticated identity at birth, as resources to oversee such a program are often limited.

But advances in biometric technologies, such as fingerprint or palm vein, may offer a solution if national digital identity schemes can be established. Biometric organizations, payment leaders and 'big tech' innovators, are partnering to make this a reality, despite the initial cost implications for development.

### 05

#### The future of financial inclusion

One way forward for transitioning from physical cash lies in the creation and launch of digital currencies that are not backed by a promise to allow exchange for physical notes and coins. The digital currency will have its own inherent value — but this will require public trust and it is likely only government-issued currencies will gain that widespread trust.

JCB supports financial institutions that want to offer card solutions to those markets where the population is largely unbanked. For example, JCB signed a deal with VPBank Finance Company Limited (FE Credit) in Vietnam, an organization that is quickly becoming a market leader by developing credit cards for first-time credit users.

In November 2020, FE Credit launched two credit cards, powered by JCB, that are packed with benefits which meet the needs of the unbanked. These unique offerings include the Oi Plus Program — a flagship loyalty program that rewards cardmembers on their everyday spending, EasyPay — one of Vietnam's largest 0 % retail instalment programs, and Selfie PLUS — a one-click mobile-to-card image upload solution.<sup>14</sup>

In summary, JCB is an advocate for driving financial inclusion with a multidimensional approach. By enabling more and more individuals to access credit, manage payments, build savings, purchase assets, make investments and much more, the financial sector can contribute to creating a more unbiased and level economy on a global scale.

**“We, at JCB, recognize the pivotal role that the payment industry plays in economic development. That is why we prioritize making payment solutions available to as many individuals as possible to broaden financial inclusion. We work hard both internally and through partnerships to build socially responsible frameworks so that everyday payment needs can be met across multiple societies.”**

Yutaka Nakazawa, President & CEO JCB International Credit Card Co. Ltd. (JCB USA).

## Endnotes

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JCB is the leading card issuer and acquirer in Japan and one of the largest payment brands in the world, serving over 154 million cardmembers with global acceptance across 43 million retailers. JCB launched its card business in Japan in 1961 and began expanding worldwide in 1981. As part of its international growth strategy, JCB has formed alliances with hundreds of leading banks and financial institutions globally to increase its cardmember base and merchant coverage. As a comprehensive payment solution provider, JCB commits to provide responsive and high-quality service and products to all customers worldwide.

If you want to discuss the findings in this study or JCB services, please contact [ask@jcbusa.com](mailto:ask@jcbusa.com)