



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 globalisation, 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."

Nick Fisher, General Manager, Sales and Marketing UK, JCB International (Europe) Ltd.

## **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 Europe include the raising of the contactless limit in the UK from £45 to £100 for a single 'tap and go' transaction.

The Nordics illustrate a region with a high penetration of digital payments. Two years ago, just 1 % of Sweden's GDP was circulating in cash compared to 11 % in the Eurozone, and research by the Swedish Retail and Wholesale Council showed *half of the nation's retailers said that they probably would not accept cash after 2025*.<sup>2</sup>

Cashpoint withdrawals continue to fall. In Sweden, the number of withdrawals from cashpoints decreased by 21 % for the second half of 2020, compared to the same period in 2019, with Swedes on average withdrawing 545 SEK per month (£46.60).<sup>3</sup>

Similarly, Link, which oversees the UK cash machine network reported that the number of visits to ATMs dropped by 43 % for the year to March 2021 on the previous year, although it notes some ATMs may have been inaccessible due to pandemic restrictions.<sup>4</sup>

In Japan, where traditionally consumers lean towards cash, the transition to cashless payments has accelerated. This is partly due to a rebate programme 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 programme 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.”

Tsuyoshi Notani, Managing Director, JCB International (Europe) Ltd.

The Business Roundtable, a non-profit US organisation 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 behaviour’ 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:**

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- **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 organisations, 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 familiarised 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 licences 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 programme 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 organisations, 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.

Explorations are underway. For instance, Sweden's central bank has already completed an e-kroner pilot project<sup>12</sup>, while the Bank of England and the UK Treasury have set up a task force to look at the possibility of establishing a central bank digital currency (CBDC). The two parties have been careful to state: "Any CBDC would be introduced alongside - rather than replacing - cash and bank deposits."<sup>13</sup>

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 organisation 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 programmes, 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, recognise the pivotal role that the payment industry plays in economic development. That is why we prioritise 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."

Yoshiki Kaneko, President and Chief Operating Officer, JCB International Co., Ltd.

## Endnotes

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**THANKS FOR  
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**GRAZIE PER  
AVER LETTO**

**GRACIAS  
POR LEER**

**お読みいただき  
ありがとうございます**

**DANKE FÜRS  
LESEN**

JCB is the leading card issuer and acquirer in Japan and one of the largest payment brands in the world, serving over 140 million cardmembers with global acceptance across 35 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 [marketing@jcb europe.eu](mailto:marketing@jcb europe.eu)**