



## THE DEVELOPMENT OF DIGITAL MONEY IN JAPAN: A STUDY OF LITERATURE

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### ARTICLE INFO

#### Article history:

Received: Mar 25, 2022

Revised: Apr 24, 2022

Accepted: May 30, 2022

**Keywords:** Economy, Cashless, Electronic Money

### ABSTRACT

The rise of cash, which has become less visible in transactions of commodities, services, and investments, is one of the hallmarks of modern economic society. Over a lengthy period of time, a cashless society has emerged, centered on wholesale distribution. Non-cash payments in retail distribution, in particular, have increased and accelerated in recent years, as has the use of non-cash payment methods such as credit cards, prepaid cards, and electronic money. Cashless payments have gotten a lot of attention since the new coronavirus epidemic broke out in early 2020, with the goal of expanding online payments. The hygiene element, because electronic money is not touched even in businesses that take credit card payments and so on, is one of the factors that is driving up non-cash payments. This limits contact chances between personnel and customers. The usage of non-cash payments is also encouraged by the new lifestyle and industry guidelines. The findings of this study reveal the impact of non-cash payment development on Japanese society.

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## 1. Introduction

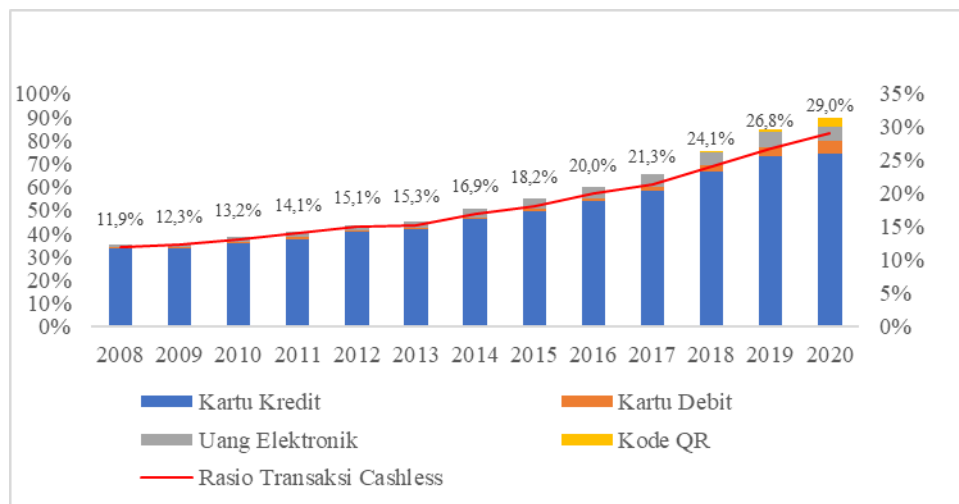
The development of the payment system innovates from year to year as a result of advances in information technology, along with the advancement of the digitalization system of financial services and payment transaction instruments. The payment system innovation was initially a manual/conventional system that had to carry physical money (banknotes and coins) and join the queue at bank payment counters, then innovated into a payment system with non-cash instruments using APMK (Card-Based Payment Instruments) such as ATM/Debit cards and credit cards, has now been transformed with the latest innovation, namely the digitization of payment systems with an electronic money (e-money) model.

The consumption behavior of each person is definitely different from the consumption behavior of others. This is because consumption behavior can be influenced by various factors, such as internal factors and external factors. Internal factors here come from the consumers themselves, such as consumer tastes, the income of each consumer, the habits of consumers, and motivation. While external factors are the opposite of internal factors, namely from the environment around consumers or from outside the consumers themselves, such as the culture of the surrounding environment, product prices, social status, fashion goods or substitute goods.

The Japanese love for paper money and coins has long been a barrier to a cashless economy. But with more people avoiding cash amid the COVID-19 pandemic, digital payments are becoming more popular in Japan, which has embraced a "cashless" option following a massive government-backed promotional campaign following the 2019 consumption tax hike. Home also encourages more consumers to rely more on online shopping, which usually requires cashless transactions. The fact that local governments, which are usually last in line to introduce any kind of technology, are starting to jump into the digital payment trend may be proof that a cashless economy is becoming prevalent in Japan.

Based on the explanation and explanation above, this study aims to discuss the development of non-cash transactions, especially electronic money, and the types of transaction tools used by tracing previous research in the last decade (2008-2020) through literature studies. This research is also expected to provide an overview regarding developments and obstacles that may occur in the implementation of cashless transactions in Japan.





**Figure 1.** Volume of Non-Cash Transactions in Japan  
Source: Data Processed August, 2021

## 2. Methods

The research method used in this article is a literature study. This study collects previous studies in the last twelve years, namely the period 2008-2020 related to the development of non-cash transactions. These studies were then researched to obtain information about the development and factors that Japanese society has not used much for non-cash transactions.

## 3. Results and Discussion

### 3.1 Factors Influencing Research

In the process of collecting data, there are several factors that influence the research including: Japanese language ability; Limited data sources; Unfavorable conditions and circumstances.

### 3.2 Previous Theory

- 1) Research by Lina Marlina, Ahmad Mundzir and Herda Pratama (2021). The research being researched is "Cashless and Cardless as Transaction Behavior in the Digital Age: A Theoretical and Empirical Review". This study explains that the process of developing cashless and even cardless behavior shows a rapid increase in the last five years. Business behavior with cashless and cardless can provide added economic value and become an alternative solution to economic problems.
- 2) Research by Sisca Aulia (2020). The research being researched is "Digital Consumer Behavior Patterns in Utilizing Digital Wallet Applications". This study explains that changes in consumer behavior are increasingly shifting from traditional transaction methods to online transactions. One of the contributing factors is that the Covid-19 virus pandemic has caused lifestyle changes in the global community.
- 3) Research by Wiwik Widiarti (2020). The research being studied is "The Effect of Benefit, Ease of Use and Promotion on Decisions to Use OVO E-wallet in Depok". This study explains that simultaneously or partially there is a significant and positive effect between usefulness, ease of use and promotion on decisions to use e-wallet. This study also produced several research findings regarding the importance of the variables of usefulness, ease of use and promotion on the decision to use e-wallet resulting from the answers to the research questionnaire.

Based on research conducted from 2008-2020 conducted by the author by collecting previous studies on non-cash transactions in Japan, it can be seen that Japan is a country with low users compared to other countries such as South Korea and China, but Japan is also has increased every year.

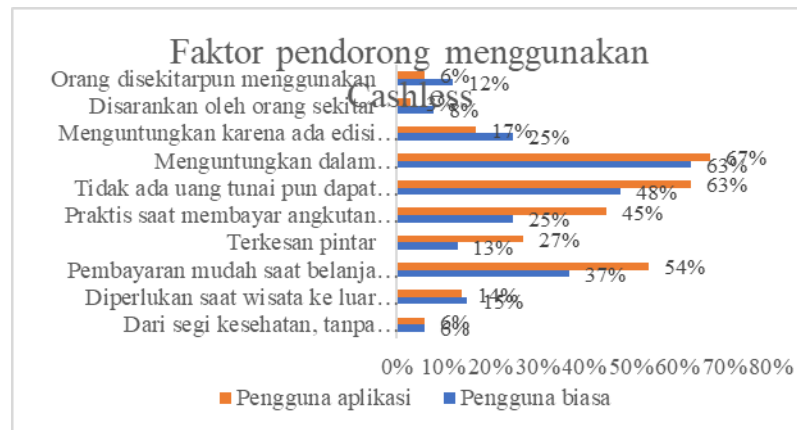


Figure 2. The driving factor for using cashless  
Source: JCCA (Survey report for the realization of a cashless society)

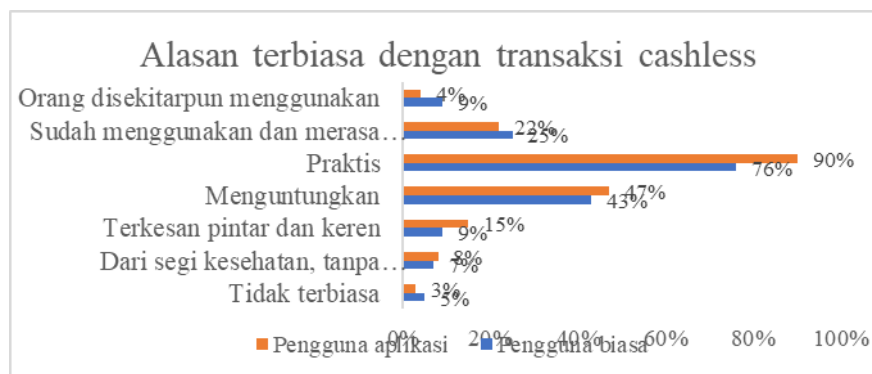


Figure 3. Reasons to get used to using cashless transactions

From Figures 2 and 3 above, it can be seen that the highest driving factor for using cashless transactions is because there are points that are profitable if used in everyday life. The results of this study are also supported by research (Wiwik Widiati, 2020) which explains that the variables of benefit, ease of use and promotion have a significant and positive effect on decisions to use e-wallet.

According to the BOJ (Bank of Japan, 2020) shows the Japanese financial system remains in a stable condition. The capital adequacy ratios of various financial institutions (internationally active Japanese banks, Japanese Domestic Banks, and Shinkin Bank specializing in MSMEs or BPRs) are stated to still have sufficient capital buffers or above the applicable regulatory requirements. In order to encourage the Cashless Society in Japan, the shopping behavior of the Japanese people from initially doing face to face shopping to on-line shopping, the METI authority continues to campaign for the use of cashless payments on a massive scale through several discount programs for non-cash shopping in Japan. most supermarkets in particular to compensate for the increase in consumption taxes at the end of 2019.

General Account Expenditure in 2020 Japan experienced a significant increase to the level of JPY 160.3 trillion, from JPY 104.7 trillion in the 2019 fiscal year. There is a projected increase in the ratio of Public Debt to GDP to exceed the level of 200% or the highest compared to several G7 countries or developed markets other. The results of this study are supported by research (Lina Marlina, Ahmad Mundzir and Herda Pratama, 2021) who explained that cashless and cardless business behavior can provide added economic value and become an alternative solution to economic problems.

One of the government's encouragements to support non-cash transactions is the increase in VAT tax from 8% to 10% in 2019, one of which is a 2% refund for transactions using electronic money or cashless. Promotions carried out to attract the interest of the Japanese community are also carried out by various institutions, one of which is a seminar on the procedures for using cashless which has been carried out by (Ministry of Economy, Trade and Industry) in 2020 as many as 276 times out of 326 coaching plans with an average of one coaching attended by 30 people and a maximum of 150 people with the results More than 90% of participants who take part in coaching on cashless usage procedures know the point system in cashless

transactions and almost 70% of participants have used cashless transactions in their daily life. The most widely used cashless transactions are supermarkets, minimarkets and gas stations.

The survey conducted after the implementation of the cashless usage guidance, almost 90% were interested in using cashless transactions for their daily life. The most frequently used cashless transaction facilities are credit cards and electronic money (prepaid). The results of the survey conducted after the guidance on how to use cashless, it can be seen that there are changes that may occur in the future, with more participants wanting to use mobile wallets and a decrease in participants' interest in credit cards.

Television, radio, and newspapers have a major influence in disseminating information about cashless transactions, and poster media are easier for Japanese people to understand in finding out information about shops that carry out point policies in cashless transactions. More than 50% of participants are aware of the point policy in cashless transactions and multiple points are more desirable than bonus points in cashless transactions.

#### 4. Conclusion

The problem that causes the low use of cashless in Japan according to my observations is the number of residents who are dominated by the elderly who do not understand modern technology, information and communication advances and the low level of consumer acceptance, business models that must be standardized and additional costs due to maintenance and security activities on transactions non-cash. The increase in Japanese public interest in using cashless transactions was due to the influence of the Japanese government's encouragement to support the cashless transaction program by giving bonus points to cashless users. In addition, the high enthusiasm of the Japanese population is one of the factors for the increase in cashless users. This can be seen from the various surveys that have been conducted.

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