

# Recent Developments of Digital Cash Projects in Japan

## Abstract

Most discussions and analyses regarding Japanese financial institutions during the 1990's have focused on the lingering effects of the collapse of the bubble economy, including huge non-performing loans and large-scale bank failures. Thus, it is natural for foreign observers to fail to acknowledge that many Japanese banks and other non-bank enterprises have conducted forward-looking projects despite their financial difficulties. One of these projects has been to develop digital cash technology and promote its usage. Because people in Japan tend to use cash for daily payments more often than people in other nations, if the Japanese begin using digital cash instead of traditional cash (i.e., Bank of Japan's notes and coins), we anticipate that digital cash will have a larger potential effect on the society and economy in Japan than in other nations. Efforts to establish digital cash projects made discernible progress in the early 2000's, and digital cash is more commonly used now in Japan than in other IT advanced countries. This paper attempts to provide an overview of the recent development of digital cash projects in Japan, and to discuss the issues involved in the further growth of digital cash usage. This paper is organized as follows. Section 1 presents the introduction. In Section 2, we explain the historical developments of digital cash projects in Japan. Section 3 discusses what factors led to remarkable progress in digital cash usage in the early 2000's. Section 4 describes the remaining issues that must be addressed for further growth of digital cash usage. Finally, Section 5 concludes the paper.

Keywords (1) Digital Cash, (2) Electronic Payment, (3) Settlement Systems, (4) Hybrid Smartcard, (5) Strategy and Policy, (6) Japan.