

17 January 2023 (No. of pages:1)

Japanese report: 12 Jan 2023

Prospects After Lifting of Digital Payroll Ban and Implications Financial Business

Building a corporate business ecosystem of banks, securities companies, and Fund Transfer Service Providers is the key to attracting young people

Financial and Capital Market Research Dept.
Satoshi Osanai

Summary

- Due to the lifting of the ban on digital payroll on April 1, 2023, it is expected that the flow of workers' wages will be partially shifted from banks and other financial institutions that provide deposit accounts to Fund Transfer Service Providers that operate cashless payment services and other services. The consequent impact on financial businesses and the financial system is of interest.
- While there is a certain level of demand for digital payroll among workers, there are many issues with the spread of such demand. It will take a considerable amount of time to achieve widespread adoption. For the time being, the lifting of the digital payroll ban is not expected to be a game changer that drastically changes the existing financial business environment, particularly for banks.
- Regarding the size of the wage market, in 2021 there were 59,210,000 salaried employees in the private sector, with salaries totaling about 225 tril yen. The size of the market is quite large. However, due to the upper limit on the account balance related to digital payroll, wage disputes come to as much as approximately 59 tril yen, which is expected to be considerably more limited than this given the actual use situation.
- In the long run, a scenario could be envisioned in which the development of a cashless society and the widespread use of digital payroll payments positively interact with each other. In addition, with the lifting of the ban on digital payroll, there is a possibility that the development of a corporate business ecosystem in finance that seamlessly links the businesses of banks, securities companies, and Fund Transfer Service Providers will progress in the future.

Attention

This report is a summary translation. The official document is only in Japanese.