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Article

Digital Finance, Policy, and Inclusion: A Comparative Study of China, Japan, and Uzbekistan

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Anotation: This article examines digital financial inclusion across three contrasting Asian economies — China, Japan, and Uzbekistan. It analyzes the opportunities and limitations of mobile banking and fintech development, addresses criticisms of cashless transitions, and proposes policy recommendations for achieving equitable financial access across urban and rural populations.

Keywords: financial inclusion, digital payments, mobile banking, fintech, rural-urban divide, cashless economy, Asia, China, Japan, Uzbekistan, digital literacy, financial access

Introduction

Financial inclusion - the universal access to have affordable and reliable financial services- has become one of the defining development challenges of the current century. Across the Asian scale, rapid digitalization has offered unprecedented opportunities to integrate those unbanked populations into formal financial systems, yet the path toward achieving digital finance has taken markedly different trajectories among developing and developed Asian countries [1-4].

Methods

This paper examines three different digital inclusion, drawing on three distinct cases: China , whose fintech programs such as Alipay and Wechat pay gained mass financial integration within a short period; Japan, a country heavily dependent on cash despite having technologically advanced economy until recent policy-driven reforms; and Uzbekistan, a developing economy still working on balance between its urban and rural population’s financial availability. By analyzing these contrasting experiences, this paper demonstrates both the opportunities and limitations of digital financial systems, while still addressing critical concerns around cashless transitions such as digital exclusion , the privacy of data , and infrastructure vulnerability. All findings suggest that sustainable financial inclusion demands well structured strategies that go beyond technological deployment , financial literacy and trust-building among underserved populations. Financial inclusion has become one of the most important pillars of sustainable economic development in the twenty- first century. In general , financial inclusion refers to the process of ensuring that all people and businesses , regardless of their financial status , geographic location , or social background have access to use financial services including saving accounts, credit facilities , insurance and online money transactions all delivered in a sustainable manner [5]. However the scale of financial exclusion still lacks as according to the World Bank’s Global Findex Database(2021) , about 1.4 billion adults around the globe still lack access to formal bank accounts. The majority of these people usually reside in low or middle-income families or countries and most of them consist disproportionately of women , rural residents or people who are limited in formal education. These populations heavily depended on cash, informal moneylenders ,or community based savings groups - arrangements that are usually costly or unreliable because there are limited formal financial systems [6].

The rise of digital technologies has fundamentally helped transform the landscape of financial inclusion. Mobile banking, digital wallets and fintech platforms in many countries have made it possible to deliver financial availability to people that traditional brick-and-mortar banking could never reach. Especially in regions with limited access to banking facilities but relatively high mobile penetration, digital finance is considered the most viable method of inclusion. Deliver financial services to populations that traditional brick-and-mortar banking could never efficiently reach. In regions with limited physical banking infrastructure but relatively high mobile phone penetration, digital finance has emerged as the most viable pathway to inclusion. Asia, in particular, has become home to both the world's most ambitious fintech ecosystems and some of its most persistent financial exclusion challenges. However, Asia still needs room for improvement as economies have leveraged technology and policy reform to achieve remarkable gains in financial access, others continue to struggle with structural barriers including poor infrastructure, low digital literacy, and insufficient regulatory frameworks. Understanding both opportunities and disabilities help to build consistent frameworks that control systems [7].

Results

China's journey toward digital financial inclusion is one of the best remarkable economic transformations of the modern era. Just two decades ago, China was a predominantly cash-based society and most of its rural residents and low income families have been excluded from financial services. However, over the past period it has become the center of digital payment markets, making online transactions worth billions of billion dollars in platforms that have been embedded deeply in everyday life. The change in system was not accidental - it is the product of deliberate technological innovation, strategic planning and enabling government polic [8].

The two platforms that are responsible for China's digital capabilities are: Alipay which was introduced by Alibaba's financial arm Ant group in 2014, growing out of China's booming ecommerce economy and it is trusted as a payment layer for online transactions. WeChat Pay, introduced by Tencent in 2013, enabling its users to send money as naturally as sending a text message through. Together these two platforms created a way to remove friction that had previously kept millions away from formal financial services - no bank branch visit required, no complex paperwork, no minimal balance. By 2021, 86% of Chinese interned users used mobile platforms for online transactions as their primary method. AliPay alone had accumulated over 1.3 billion users across the globe, ensuring the fast and effective method to use services while WeChat Pay proceeded over 1 billion users at its peak periods [9].

China's success in fintech development is not only based on private innovation alone. The Chinese government played a decisive role in creating the conditions for digital financial inclusion to thrive. In early stages, the government let these platforms scale broader without putting blockdowns that might slow the growth. As the sector matured, the People's Bank of China introduced structured regulatory frameworks to ensure consumer protection, data security, and financial stability. The government's financial inclusion agenda was also incorporated into national policy. China's national strategies for inclusive finance, launched in 2016, set formal targets for expanding banking access and developing services like credits for underserved populations [10]. The results of China's approach have been significant. The share of Chinese adults with a formal financial account rose to 89% from 64% in between 2011 and 2021, according to World Bank Global Findex Database - the noticeable economic increase in the history of development. Digital payments not only occurred in urban areas but also reached countrysides that have never hosted a banking branch. Farmers, small vendors, informal traders had gained access to receive payments, access microloans and build financial histories- capabilities that they have never experienced in their life [11]. China's experience can offer transferable lessons for countries that are aiming to achieve development in financial inclusion. Launching online platforms that people are already using daily dramatically lowers the barrier to adaptation. Founding a digital economy is not an option; it is rather an investment for the future of finance and economics. China offers valuable frameworks with measurable inclusion that targets provide both direction and accountability for all

stakeholders involved [12].

Japan presents one of the intriguing paradoxes in the global story of the digital economy. As considered one of the most technologically powerhouse nations - home to globally recognized innovations in robotics, electronics and transportations that give potential for Japan to lead in digital financial adoption. Yet for many years, Japan remained a cash-dependent economy among developed countries, using cash in everyday life. Understanding why Japan resisted digitalization for so long, and how it has begun to overcome that resistance, offers valuable and distinct lessons that complement China's experience and inform the broader Asian context [13].

Japan's attachment to cash is not because of technological backwardness — it is deeply rooted in cultural values and structural conditions that made cash not only preferable but also a rational choice for most of the population. Several factors explain this situation. First, Japan has one of the world's lowest crime rates, meaning the physical risks of carrying cash — theft or robbery — that push people toward digital payments in other countries were largely absent. Cash in Japan was simply safe. Second, Japan's population is among the oldest in the world, with over 29% of its population aged 65 or above as of 2023. Older generations who grew up without digital technology showed strong preference for familiar payment methods and considerable resistance toward adopting mobile banking. Third, Japanese consumers place high value on precision and reliability. Cash is immediate, certain, and requires no intermediary — qualities that match Japanese expectations perfectly. Digital systems, by contrast, introduced perceived complexity and dependency on third parties [14].

Finally, Japan's existing financial infrastructure was already well developed. ATMs were available on virtually every street corner, many operating 24 hours a day, and a postal banking system had deep rural penetration. The inconvenience that typically motivates a shift to digital payments was simply not present in Japan.

The turning point came through government intervention. Facing a shrinking and aging workforce and seeking to boost economic efficiency, the Japanese government launched an ambitious cashless promotion policy. In 2018, the Ministry of Economy, Trade and Industry set a target of raising the cashless payment ratio from approximately 20% to 40% by 2025. To speed up adoption, the government introduced consumer cashback programs, offered tax benefits to businesses installing digital payment terminals, and invested in digital infrastructure ahead of the Tokyo 2020 Olympic Games. Platforms such as PayPay rapidly gained traction, acquiring 60 million users by 2023 through aggressive promotional campaigns. As a result, Japan's cashless ratio reached approximately 39.3% in 2022 — nearly double the figure recorded a decade earlier. Digital payment adoption grew particularly among younger urban populations, while the COVID-19 pandemic gave an additional push as contactless transactions became widely preferred. However, significant challenges remain. Rural areas and older populations continue to show lower rates of digital adoption, and many small family-owned businesses have been slow to install digital payment infrastructure due to cost concerns and generational resistance. Japan also faced several high-profile digital payment fraud cases in recent years, raising public concern about the safety of cashless systems. Japan's experience teaches us something fundamentally different from China. Where China shows what is possible when technology, policy, and scale come together in a fast-growing environment, Japan shows that even wealthy and technologically capable nations can fall behind on digitalization when cultural and demographic factors are not properly addressed [15]. **Uzbekistan** represents a developing economy that is actively working to modernize its financial system amid significant structural challenges. Following a period of economic stagnation, the country began a broad reform agenda in 2017, which included encouraging foreign investment and pushing toward digital financial infrastructure. Since then, Uzbekistan has made real progress in financial inclusion — yet a deep divide between urban and rural populations continues to limit the reach of these reforms. The post-2017 period led to rapid growth in Uzbekistan's fintech landscape. Mobile banking platforms such as Click, Payme, and Anorbank emerged as the main vehicles of digital financial access, allowing users to pay bills, transfer money, and access basic financial services through their smartphones. These platforms gained particular traction in urban centers like Tashkent,

where younger and more digitally literate populations created favorable conditions for adoption. The results were measurable. According to the World Bank Global Findex Database, the share of Uzbek adults with a formal financial account nearly doubled from 23% in 2011 to 44% in 2021. Debit cards in circulation rose from 19 million in 2017 to over 30 million by mid-2022, while remote banking users reached approximately 25 million over the same period.

Despite this progress, the benefits of digitalization have been distributed unequally. According to a 2023 report by the Central Bank of Uzbekistan, only 36% of rural residents had access to formal financial services, compared to approximately 70% of those living in urban areas. Internet connectivity remains a major obstacle — while national figures appear relatively high, access in rural regions lags significantly behind, with many villages experiencing unreliable or entirely absent mobile data coverage. Physical infrastructure compounds the problem further, as ATMs and bank branches remain heavily concentrated in cities.

Digital literacy presents an equally significant barrier. The World Bank reported in 2021 that only 3% of adults in Uzbekistan's rural areas had saved money in a formal financial institution — reflecting not only a lack of access but also a lack of familiarity and trust in formal financial systems. Many rural residents, particularly older generations, prefer cash-based transactions they can see and control. This is not irrational — it is a product of limited exposure, insufficient financial education, and historical experiences with institutional unreliability.

Gender also plays a role. Women in rural Uzbekistan face additional barriers including lower smartphone ownership and reduced access to financial education. Addressing the rural-urban divide therefore requires approaches that specifically consider women's financial participation.

The Other Side of the Screen

While digital financial inclusion has delivered real benefits across Asia, it has also attracted growing criticism. These critiques do not reject the goal of inclusion itself, but question whether digital-first approaches are truly fair — or whether they risk creating new forms of exclusion while solving old ones.

The most basic criticism is that digital financial systems favor those who are already digitally capable. Elderly populations, low-literacy individuals, and those without reliable internet are frequently left behind in cashless transitions. Japan's experience shows this clearly — despite government incentives, older rural populations were among the last to adopt digital payments. In developing economies like Uzbekistan, where digital literacy gaps are far wider, this risk is even greater. A system that works well for urban smartphone users but excludes rural farmers is not truly inclusive — it just moves the boundary of exclusion.

Digital platforms also generate vast amounts of personal data — spending habits, location, and behavioral patterns. In contexts where regulations are weak, this raises serious concerns about privacy. China's fintech ecosystem, while impressively inclusive, operates in a political environment where the line between financial data and state monitoring is notably thin. For citizens in emerging economies considering similar models, the trade-off between access and privacy deserves careful thought.

Cybersecurity is another concern. Japan experienced several high-profile payment fraud cases following its rapid cashless expansion, temporarily damaging public confidence. For economies with less developed cybersecurity infrastructure, these risks are considerably greater.

Perhaps the most counterintuitive critique is that poorly managed digitalization can actually deepen inequality. When smartphones and internet access remain unevenly distributed — as across most of developing Asia — cashless policies can end up penalizing the most vulnerable. If physical cash infrastructure disappears before digital alternatives are universally accessible, those without access bear the greatest cost.

Discussion

Policy Recommendations

The experiences of China, Japan, and Uzbekistan together point toward a shared set of policy

principles for Asian economies pursuing financial inclusion.

First, digital infrastructure must be treated as a public good. China's success was built on state-led infrastructure investment that came before platform development. For economies like Uzbekistan, expanding rural internet connectivity must be a government priority — not something left to market forces alone. Without this foundation, digital platforms will continue serving urban populations disproportionately.

Second, platforms must be designed for those who are excluded, not just those who are already capable. Japan's slower adoption among older demographics shows the cost of building systems only for digitally literate users. Simplified interfaces, offline functionality, and human-assisted banking models are necessary to reach those who cannot navigate digital systems independently.

Third, financial literacy must grow alongside technology. Access to a platform means little without the confidence to use it safely. Community-level financial education — particularly targeting rural populations, women, and older demographics — must accompany every stage of digital expansion.

Fourth, trust must be built through clear regulation. Adoption of digital finance is fundamentally about trust. Governments must establish strong consumer protection laws, transparent data privacy frameworks, and accessible ways to resolve disputes. Without these, skepticism toward digital finance will persist regardless of how many platforms are available.

Finally, the lessons from China should be applied selectively. China's model offers valuable insights in scale and policy coordination, but it operates within a specific political context that cannot simply be copied elsewhere. Policymakers should draw from China's infrastructure-first approach and national inclusion targets, while building regulatory environments that protect citizen privacy and maintain fair market competition.

Conclusion

In conclusion, Asia's experience with digital financial inclusion tells not one story but three — and it is precisely their differences that make them valuable. China demonstrated what becomes possible when technological innovation, government capacity, and national policy ambition align at scale. Japan revealed that even the most technologically advanced societies can resist financial modernization when cultural habits and demographic realities are underestimated. Uzbekistan illustrates the foundational challenge facing many transitional economies — that infrastructure, literacy, and trust must be built before digital tools can deliver on their promise of universal access. Across all three cases, a common truth emerges: financial inclusion cannot be reduced to the deployment of technology. Platforms are tools, not solutions. The real work lies in creating the conditions — physical, educational, regulatory, and social — under which those tools can be used fairly by everyone, not only those already positioned to benefit. The criticisms of digital finance examined in this paper are not arguments against inclusion — they are arguments for doing it better. Digital exclusion, privacy risks, and cybersecurity vulnerabilities are not inevitable consequences of financial modernization; they are policy failures that can be anticipated and addressed with the right approach. Uzbekistan, like many of its regional peers, stands at an important turning point. The reform momentum is real, the platforms exist, and the political will is present. What remains is the harder and slower work of reaching those left furthest behind — the rural farmer, the elderly villager, the woman without a smartphone — and making sure that the digital economy being built is one they can genuinely be part of. That is the true measure of financial inclusion, and it remains Asia's most important unfinished task.

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