

**Relationship Banking
and
SME Finance**

リレバンと中小企業金融

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二つの視点 (Two Aspects)

1, Regional Disparity

Regional Development

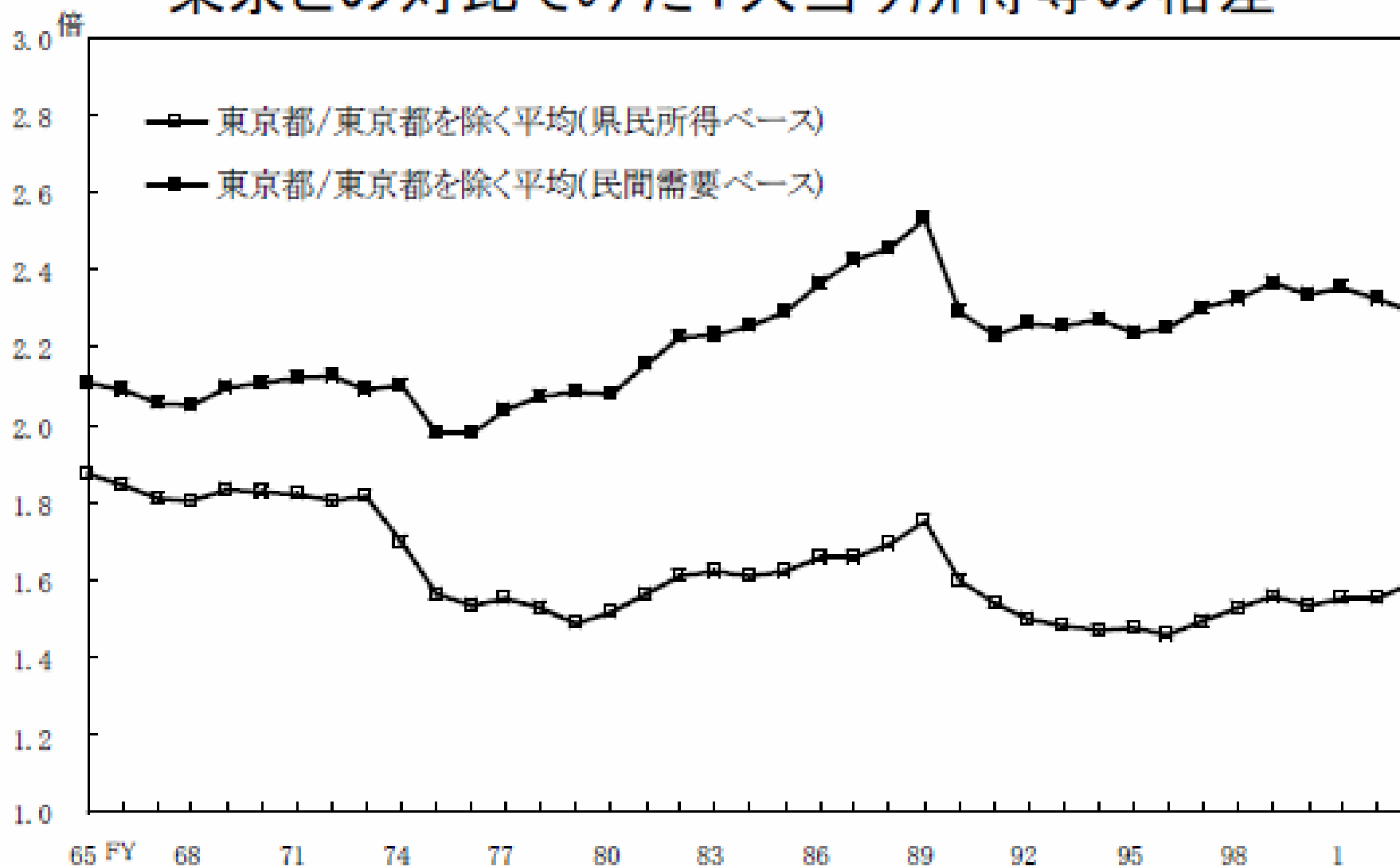
地域格差、地域活性化

2, Small Business Finance

中小企業金融とリスクテイク

Per capita Income compared with Tokyo

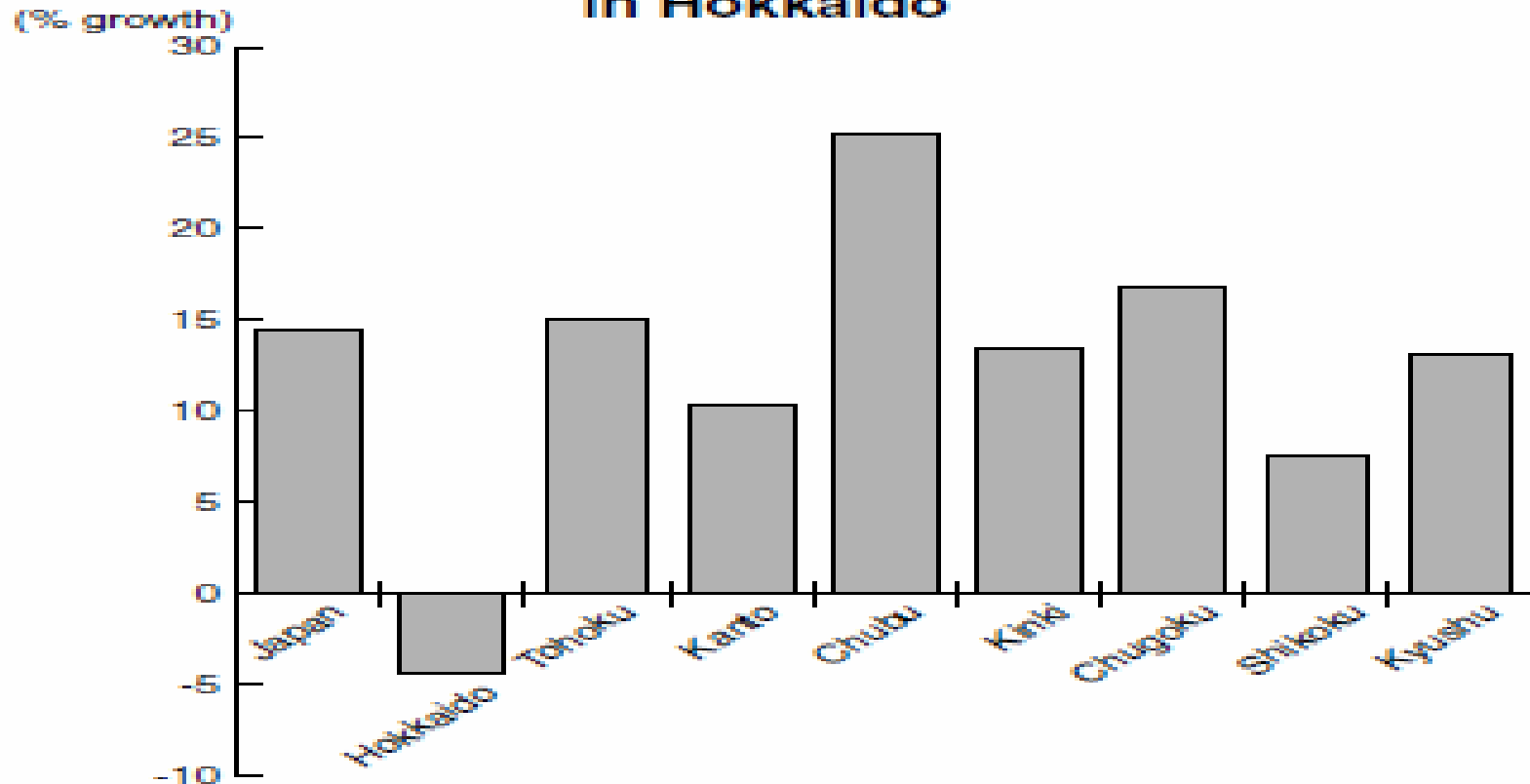
東京との対比でみた1人当り所得等の格差



Large Regional Disparities in Production

地域による生産高の格差

Considerable growth in Chubu region, but stagnation in Hokkaido



Source: METI and bureaus of economy, trade and industry, *Indices of Industrial Production*.

Map of Japan from the North to the South



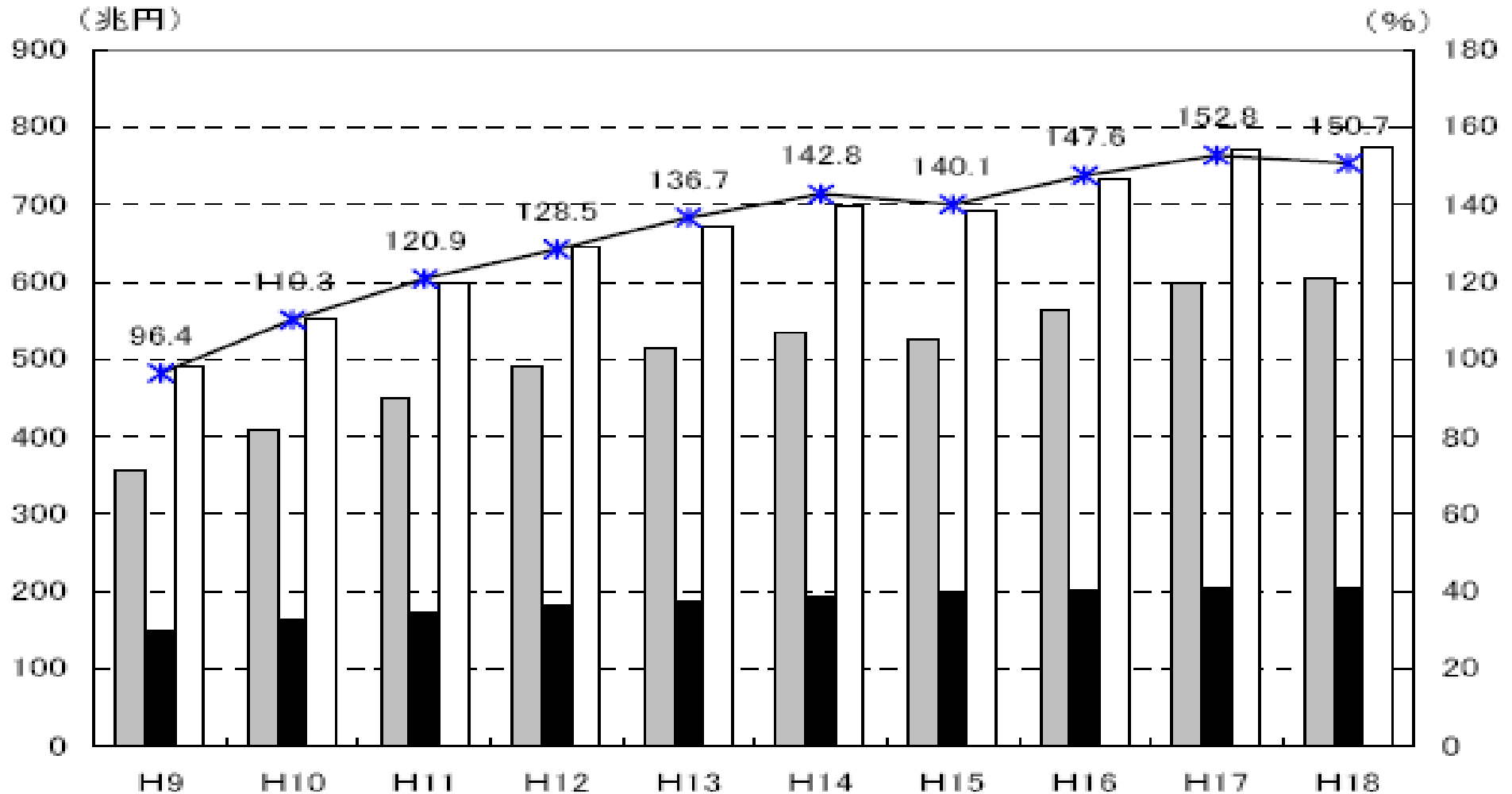
Revenues of Local Government

地方政府の歳入

- (i) Local Tax 地方税 33%**
 - (Residential tax 23.5% 住民税)**
 - (Corporate tax 30.0% 法人税)**
 - (Consumption tax 18.0% 消費税)**
- (ii) Transfer from Central Government 25-30%**
 - (地方交付税、国庫支出金)**
- (iii) Local Government Bond 地方債 10-15%**

Central and Local Governments' Debt

地方債と国債の残高

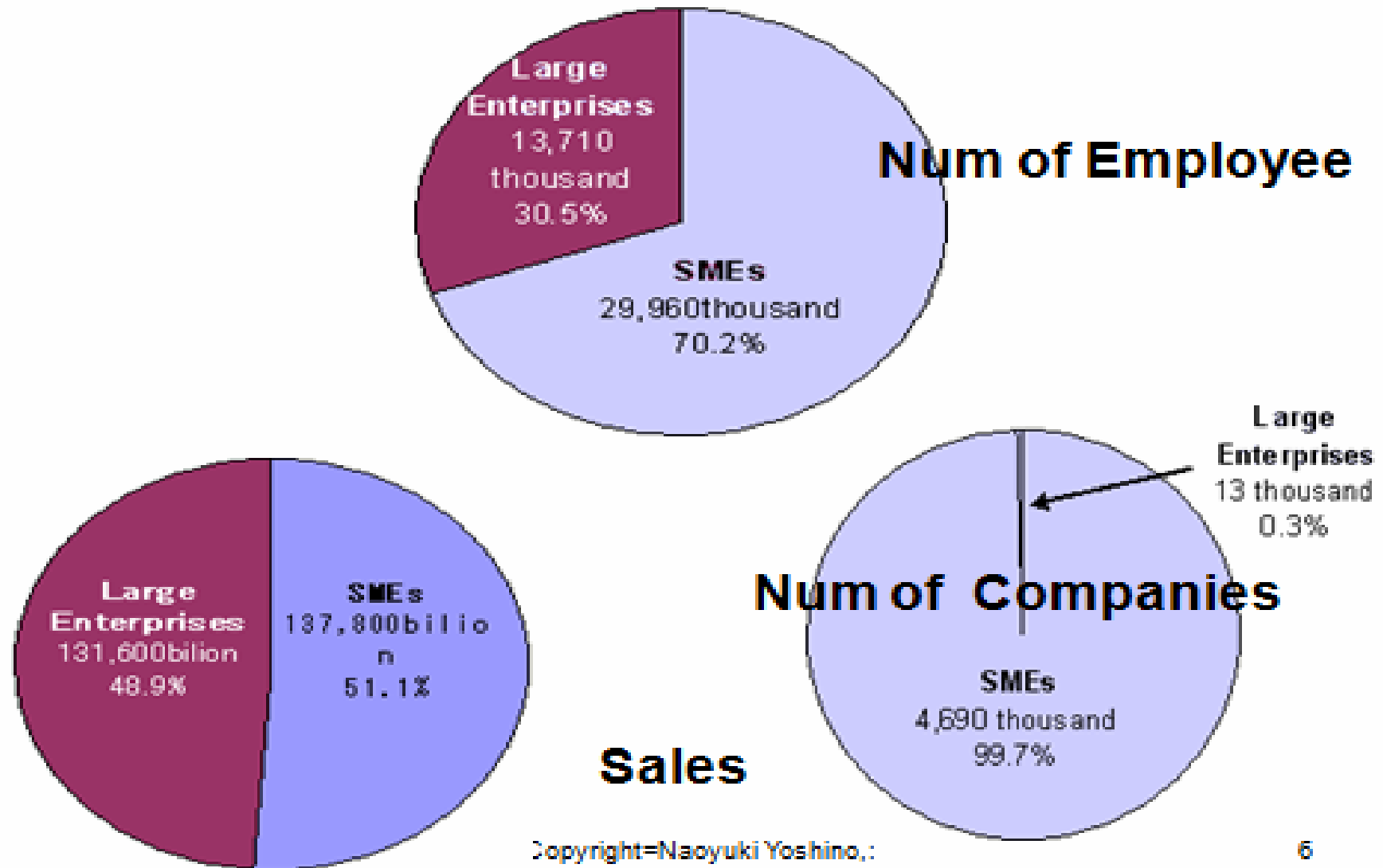


地方債の 購入

	Total	Government Fund	Local Public Enterprise Fund	Private Bank etc.		
					Market Bond	Bank Bond
(FY1996)	181,103 (100.0)	87,300 (48.2)	22,200 (12.3)	71,603 (39.5)	14,400 (8.0)	57,203 (31.6)
(FY1997)	173,659 (100.0)	86,000 (49.5)	22,200 (12.8)	65,459 (37.7)	14,400 (8.3)	51,059 (29.4)
平成10(FY1998)	160,940 (100.0)	76,000 (47.2)	19,300 (12.0)	65,640 (40.8)	13,900 (8.6)	51,740 (32.1)
平成11(FY1999)	163,970 (100.0)	77,400 (47.2)	19,700 (12.0)	66,870 (40.8)	15,100 (9.2)	51,770 (31.6)
平成12(FY2000)	163,106 (100.0)	76,500 (46.9)	20,200 (12.4)	66,406 (40.7)	16,100 (9.9)	50,306 (30.8)
平成13(FY2001)	164,998 (100.0)	78,100 (47.3)	19,600 (11.9)	67,298 (40.8)	16,900 (10.2)	50,298 (30.5)
平成14(FY2002)	165,239 (100.0)	76,000 (46.0)	19,000 (11.5)	70,239 (42.5)	19,400 (11.7)	50,839 (30.8)
平成15(FY2003)	184,845 (100.0)	76,900 (41.6)	17,800 (9.6)	90,145 (48.8)	24,000 (13.0)	66,145 (35.8)
平成16(FY2004)	174,843 (100.0)	56,000 (32.0)	16,140 (9.2)	102,703 (58.7)	31,600 (18.1)	71,103 (40.7)
(FY2005)	155,366 (100.0)	47,200 (30.6)	15,330 (9.9)	92,836 (59.8)	33,000 (21.2)	59,836 (38.5)

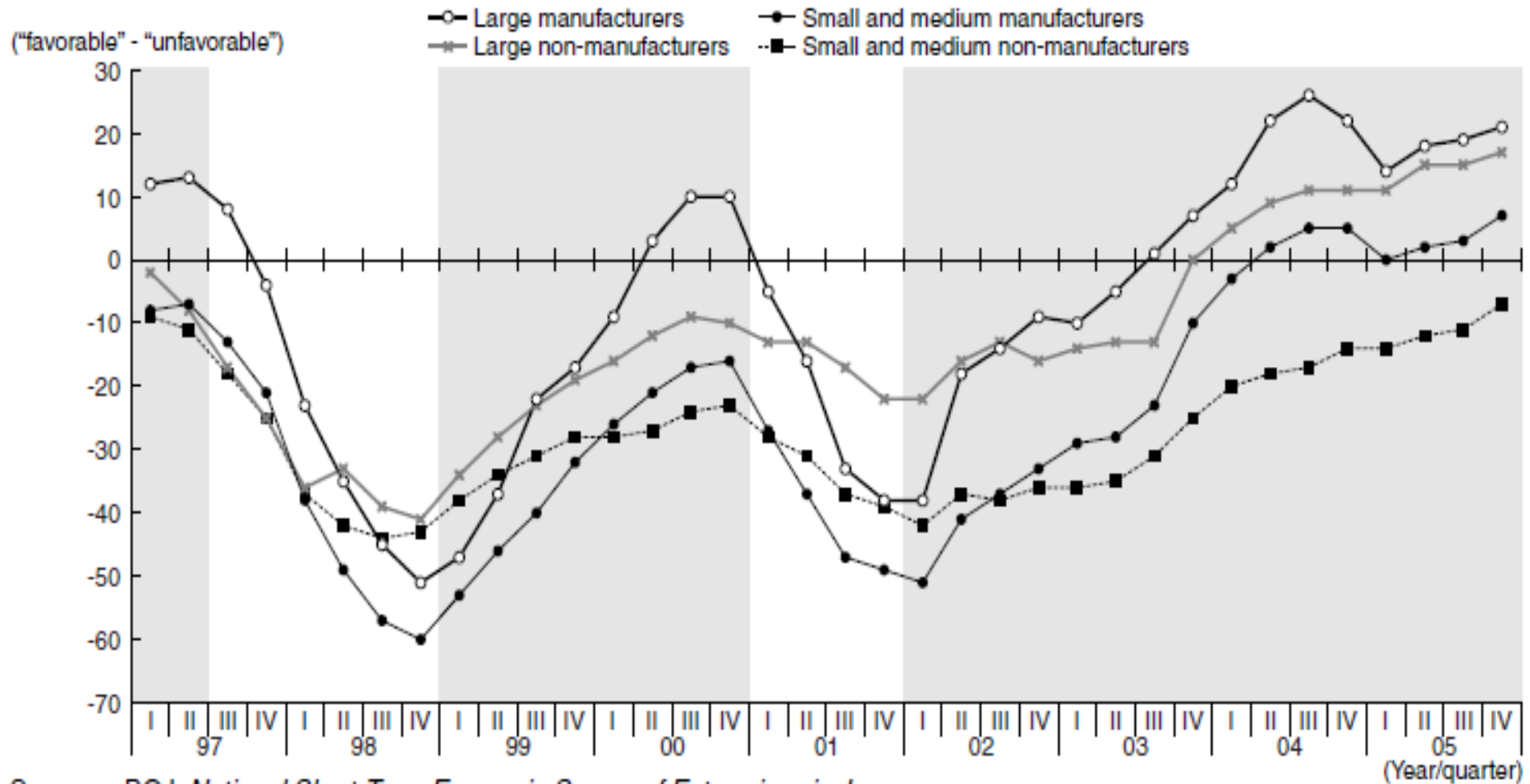
地方債の購入		1995FY	2000FY	2004FY
B A N K S	Large Banks	24,614(28.9)	13,936(29.0)	13,769(17.7)
	Regional Bank I	32,038(37.6)	12,618(26.3)	16,592(21.4)
	Regional Bank II	2,941(3.5)	1,818(3.8)	1,726(2.2)
	Trust Banks	3,236(3.8)	1,745(3.6)	1,458(1.9)
	Long term Credit Banks	3,021(3.6)	1,480(3.1)	645(0.8)
	Sub-Total	65,850(77.4)	31,597(65.8)	34,191(44.0)
Securities Companies		8,327(9.8)	11,972(24.9)	24,362(31.3)
Individuals		1,077(1.3)	600(1.3)	3,069(4.0)
Total		85,132(100.0)	48,047(100.0)	77,726(100.0)

中小企業の重要性(雇用、売上高)



SMEs Lag behind Large Companies

Fig. 1-1-11 Trends in business conditions DI by size and industry
 Recovery in business confidence among SMEs still appears to be lagging



Source: BOJ, *National Short-Term Economic Survey of Enterprises in Japan*.

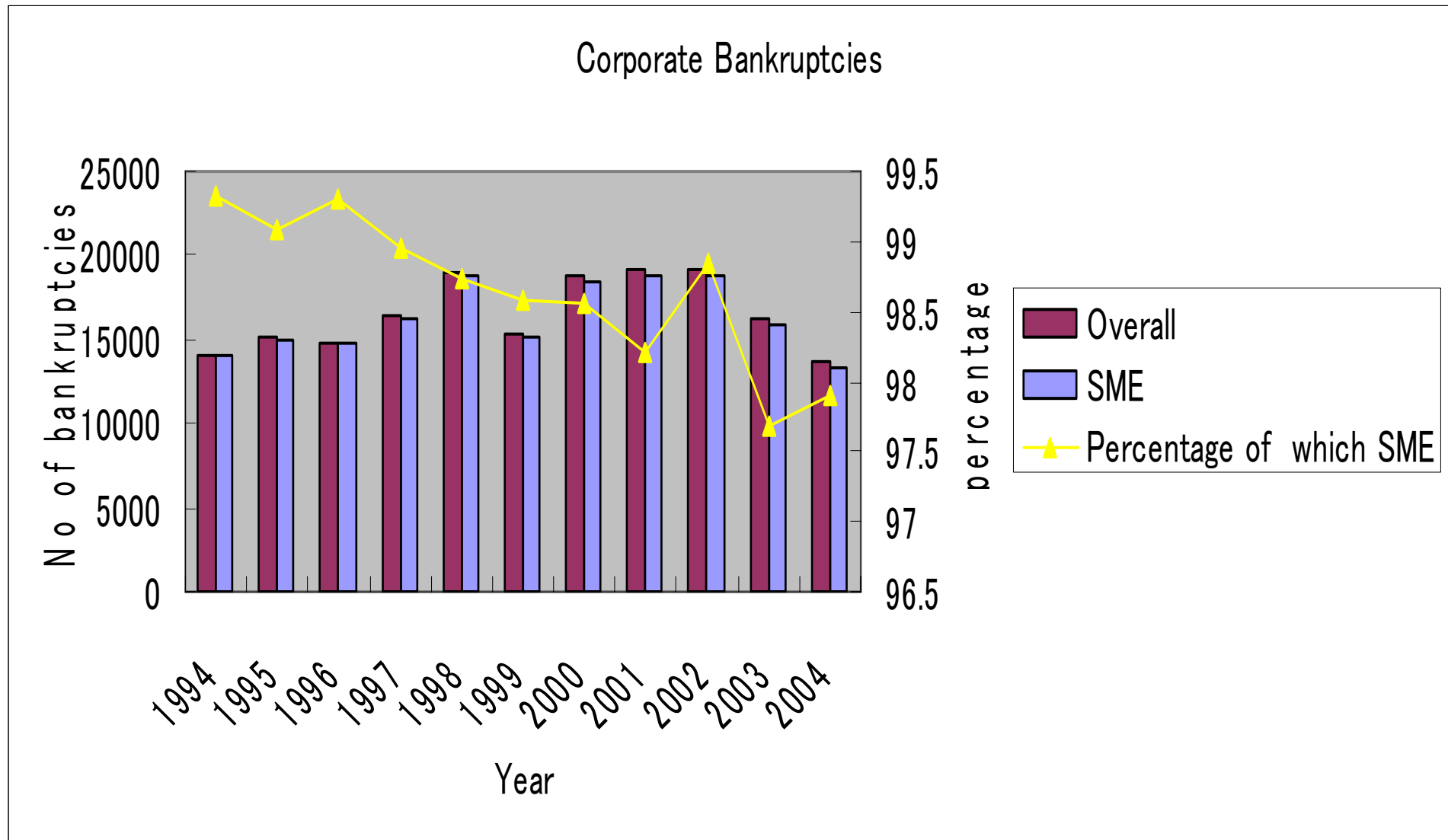
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Types of Financial Institutions → SMEs

trillion Yen

Financial institution	Year	2003			
	Month	Mar.	Jun.	Sept.	Dec.
City banks		89.3	83.4	83.1	79.2
Regional banks		67.8	66.0	66.4	66.8
Member banks of the Second Association of Regional Banks		24.4	23.2	23.2	23.7
Other		12.5	11.1	11.9	10.7
Domestically-licensed bank banking accounts total		194.0	183.7	184.6	180.5
Domestically-licensed bank trust accounts, etc.		2.6	2.1	2.0	1.9
Credit associations		41.6	41.0	41.3	41.8
Credit cooperatives		9.2	9.1	9.2	9.2
Private-sector financial institutions total		247.4	235.8	237.1	233.4
Private-sector financial institutions total (excluding trust accounts, etc.)		244.7	233.7	235.1	231.5
Shoko Chukin Bank		10.1	9.9	9.9	10.0
Japan Finance Corporation for Small and Medium Enterprise		7.5	7.5	7.6	7.6
National Life Finance Corporation		9.2	9.2	9.1	9.2
Government-affiliated financial institutions total		26.8	26.6	26.7	26.8
Total outstanding lending to SMEs		274.1	262.5	263.7	260.3
Total outstanding lending to SMEs (excluding trust accounts, etc.)		271.5	260.4	261.7	258.4

中小企業の破綻数(比率)



リスクをとる資金提供とプロジェクト発掘

1、プロジェクト(案件の発掘) Project

民間(市場)からのニーズによる発掘

公的部門によるリードは失敗の可能性あり

2、どのように資金を付けるか? Financing

リスクマネーの提供(リレバンでは困難)

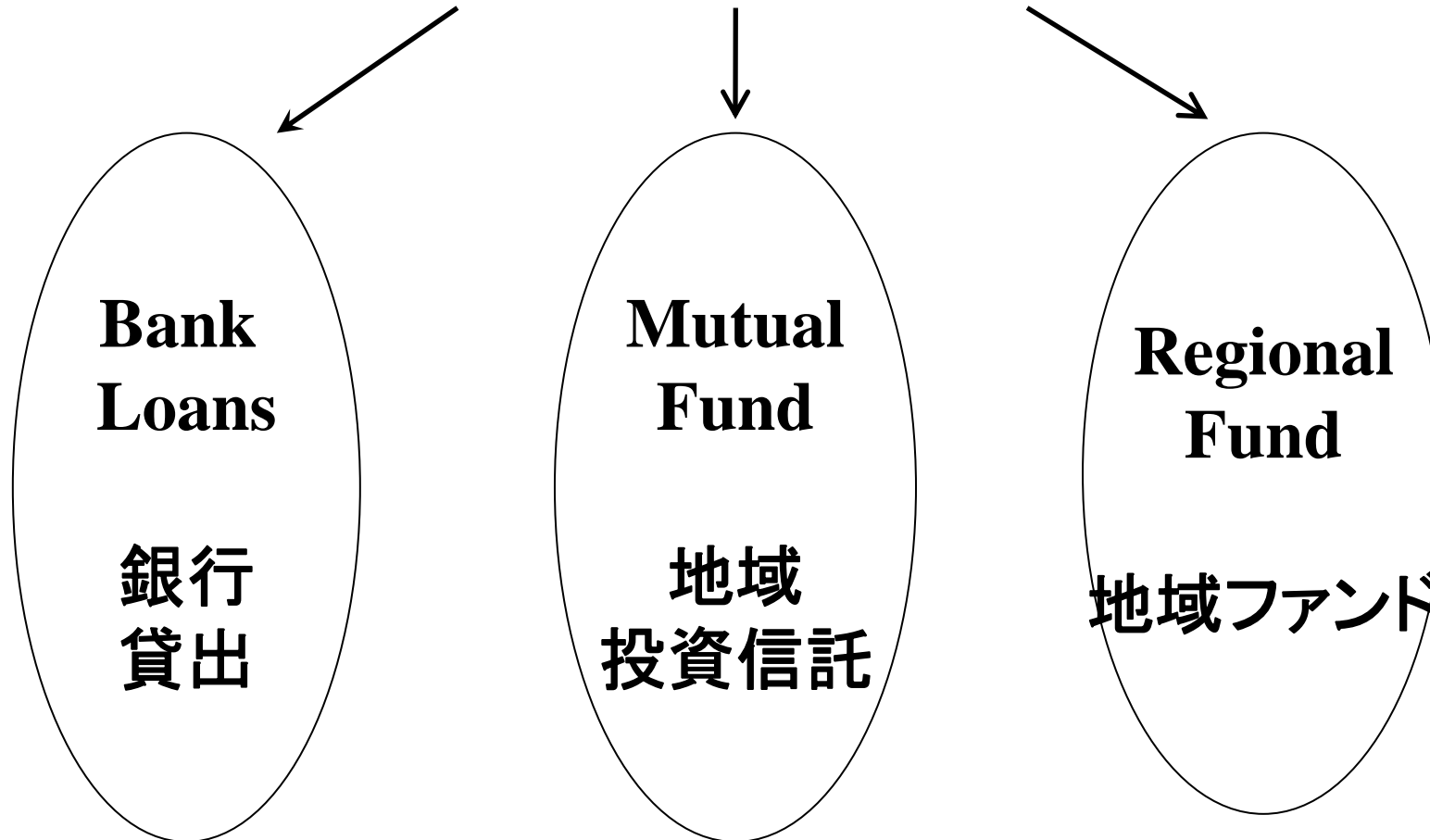
ある程度、起動に乗ってから銀行融資

3、地域ファンド、地域投資信託 Regional Fund

リスクマネーの提供

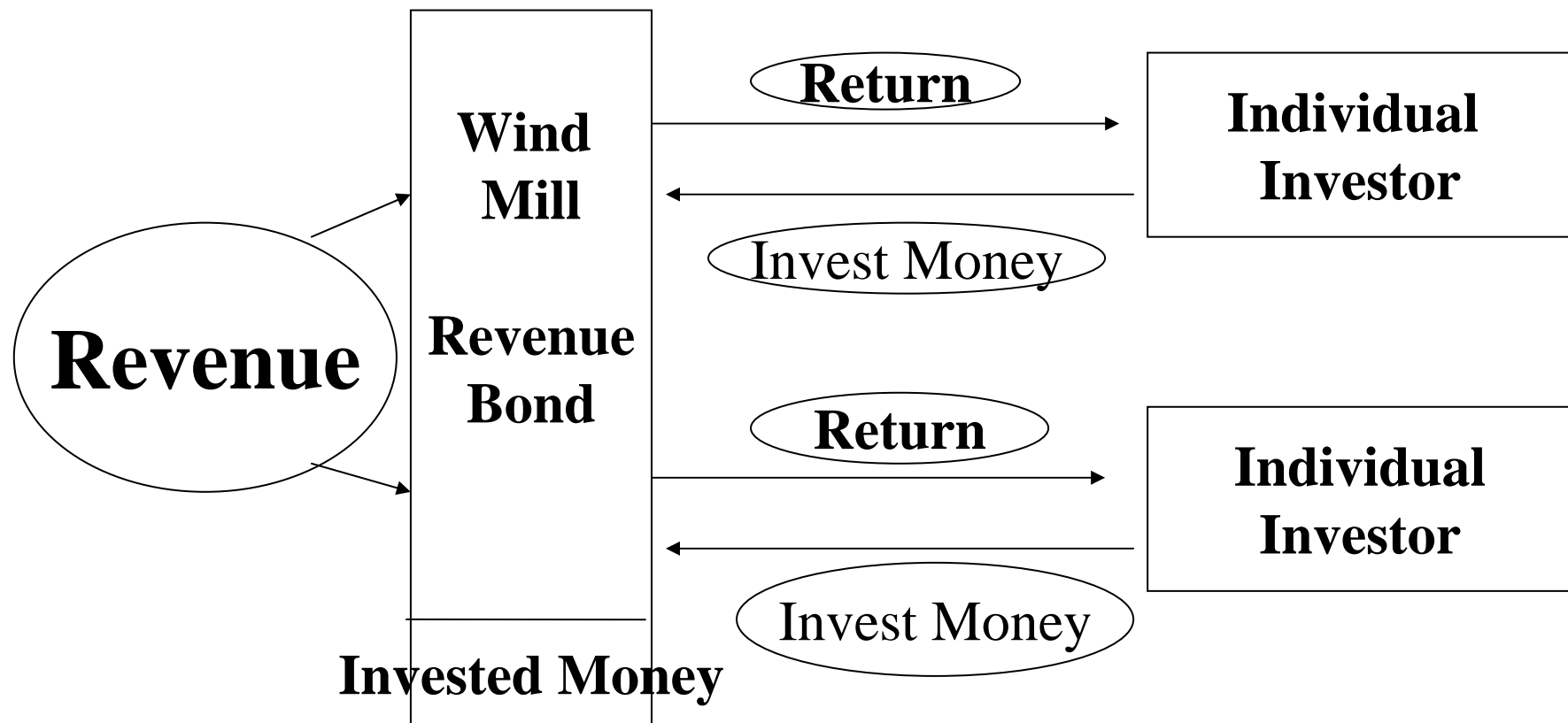
4、事業が上手く進むよう指導する人材 Arranger

金融持株会社
Financial Holding Company

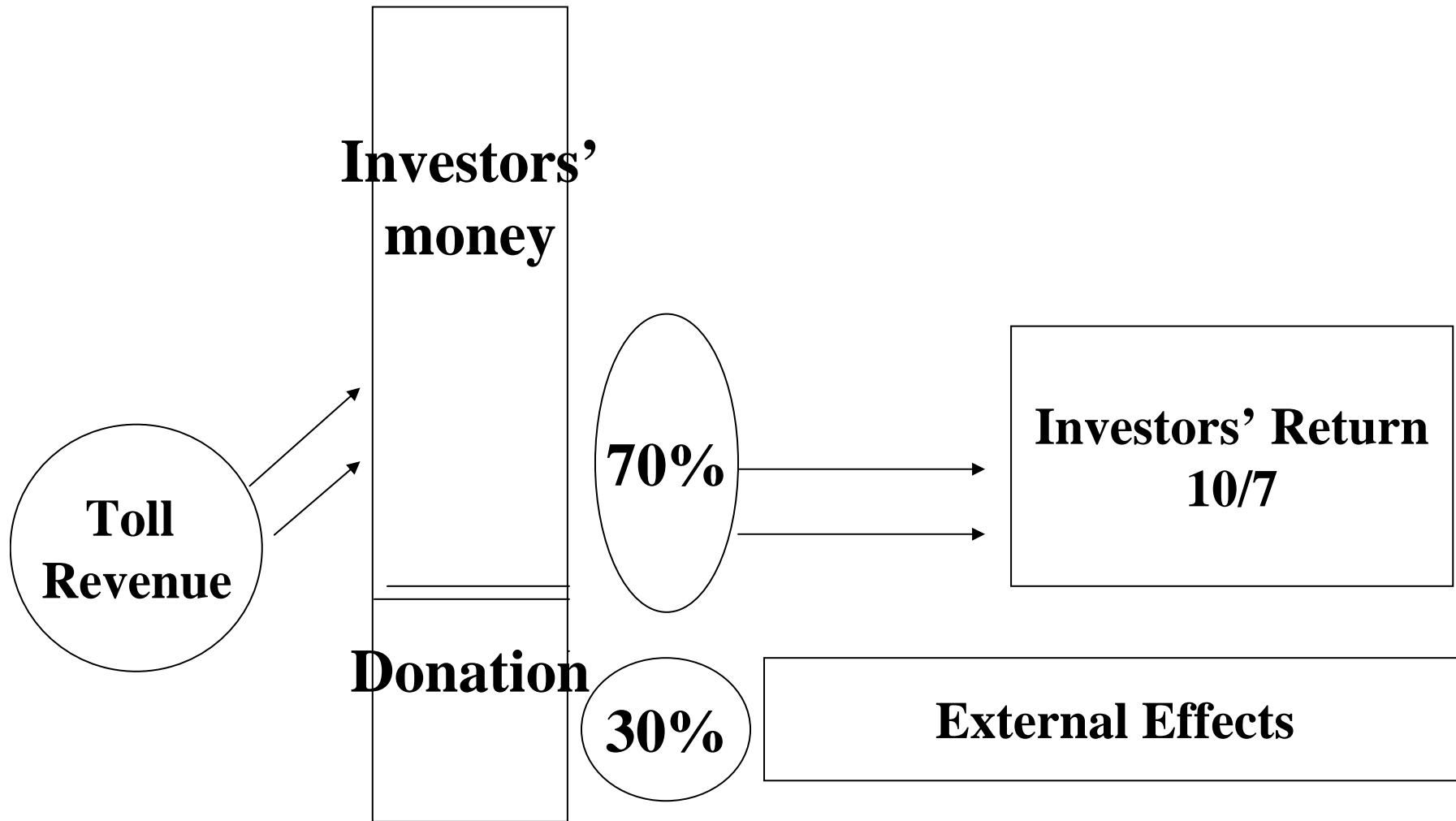


Public Project

Risk based Return



Revenue Bond for Infrastructure



Enhance Incentives

**Both Investors and Operating Companies
should receive bonus**

To Avoid Moral Hazard Problem

	Normal Case	Revenue Bond
Normal Case	(50A, r)	(50A, 100B)
Revenue Bond	(100A, r)	(100A, 100B)