

The State of Art of Consumer Credit Reporting System in Singapore

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This paper analyzed the consumer credit reporting system in Singapore from the perspective of its macroeconomic and regulatory environments analysis.

The main findings are as follows:

In terms of ownership structure, product and service categories and service domains, Singapore's consumer credit reporting system has been well developed. The consumer credit reporting system in Singapore adopts the model of Lenders-exchange. Ownership structures of consumer credit bureaus in Singapore are unregulated and partnerships with foreign companies in these bureaus are also allowed, which makes it possible to operate using their global experiences.

However, because of the regulatory constraints, the current consumer credit reporting system splits its domain into financial and non-financial sectors, thereby inherently limiting cross-sector information sharing. As a partial solution of this problem, credit bureaus have attempted to extend their membership across sectors by introducing the non-contributing members. Furthermore, the modification of existing laws and another waves of M&As and integration in the industry are expected.

Analysis of Financial Program in Japanese Institutions of Higher Education

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Ten years have passed since the deregulation policy was carried out in the finance and business fields in Japan. For the consumer, financial instruments and the range of services have increased in these ten years. On the other hand, the consumer has been required to act responsibly. Japanese financial education as a school program was implemented late in comparison with the case in the U.K. and U.S.A., and this was partly the reason for Japan's financial troubles. It is important that these problems are addressed at minimum cost. In other words, we must develop a policy with which to eliminate the factors that lead to financial problems. From this viewpoint, it is my opinion that we solve this problem not by adopting a short-term economic policy but through a long-term educational one.

Many of the recent financial troubles are the result of an ethical and moral lack. I therefore regard Japanese financial education as a form of cultural studies. For instance, the U.K. defines it as "teaching knowledge including the right ethic and moral sense that is necessary to live." However, in Japan, there are not many teachers who can teach finance. It is necessary for Japanese institutions of higher education to include a subject on financial education. Financial education should not be limited to the teaching course taken by teacher applicants. The reason is that financial education is necessary not just at the school level but for society. Not only teachers but also leaders in local communities should promote financial studies.

A subject called "personal finance" has now been included in some universities. However, in many universities, Personal Finance is regarded as part of the subject of Finance. If Personal Finance is included as a special subject, it can be considered a standard for the qualification examination of financial planners, making it practical education and not culture education. Further, financial education should be provided to all school children. Therefore, in this article, I suggest the development of a systematic curriculum and a shift in focus from school education to social education.

The Consumer Credit Service after the Upper Limit Regulation of Interest Rates

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“Money lending Control Law” which passed the Diet on December 13th in 2006 reduced the upper limit for annual rate of interest to 20% from 29.2%

We show ripple effects of the consumer credit service after this regulation on Hokkaido economy.

We calculate the economic effects for decrease of the loan balance (1) using 3.82% for the Hokkaido share rate of GDP in 2005 (fiscal year), (2) of annual interest rate more than 20% and (3) of Takefuji, Acom, Promise, Aiful and Sanyo Shinpan Finance

(1) Decreasing the loan balance in 2005 was 36%.

For decrease of the last demand was \$2,169.96 (million: 1 dollar = 100 yen).

For decrease of the direct ripple effect was \$2,656.69 (million).

For decrease of the indirect ripple effect was \$460.91 (million).

The general ripple effect became \$3,117.6 (million).

For decrease of the employment effect was 14,512.

(2) Decreasing the loan balance of annual interest rate more than 20% in 2005 was 22%.

For decrease of the last demand was \$96.501 (million).

For decrease of the direct ripple effect was \$118.147 (million).

For decrease of the indirect ripple effect was \$20.497 (million).

The general ripple effects became \$138.644 (million).

For decrease of the employment induction effect was 6,454 people.

(3) Takefuji, Acom, Promise, AIFUL and Sanyo Shinpan Finance for decreasing the loan balance in 2005 was 10.8%.

For decrease of the last demand was \$274.37 (million).

For decrease of the direct ripple effect was \$335.91 (million).

For decrease of the indirect ripple effect, was \$58.28 (million).

The general ripple effect became \$394.19 (million).

For decrease of the employment induction effect was 1,835.

When setting the population of Hokkaido in fiscal year 2005 to 5,630,000 people, the overall ripple effect will be decrease at about \$554 per one person.

It was 1.6% for decrease of the ripple effect of Hokkaido's GDP. The reason of the 3.82% of GDP supposed the share of the Hokkaido economy.

Key words: *ripple effects, input-output, the consumer credit service*

JEL Classification: E44: Macroeconomics and Monetary Economics, Money and Interest Rates, Financial Markets and the Macro economy, E47: Forecasting and Simulation, G18: Financial Economics, General Financial Markets, and R15: Econometric and Input-Output Models; Other Methods.

Asia Market Entry Strategy for Japanese Consumer Finance Companies : The case in Hong Kong, Taiwan, and Thailand

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This paper analyzes the trend of Asian market for Japanese consumer finance companies and problems of their entry strategies. To begin with, we surveyed the present state of consumer finance market in Taiwan, Hong Kong, and Thailand.

The credit card business was started by the foreign affiliate banks in Taiwan in 1985. Local banks came to do the credit business and the consumer finance achieved a peak in about 2000. As the card-holic problem rose to the surface and the cap interest rate has been reduced, the loan businesses have downsized. A Japanese company entered into auto loan business in Taiwan in 1991. After that, it started the credit business in cooperation with a local bank, but it withdrew because its profitability became worse with tightening of regulations. Though there are needs of the consumer finance and the credit facility data, the profit of consumer finance business is small because the regulation is severe and much of loans are small scale in Taiwan.

For Hong Kong, the consumer finance business began earlier than other areas in East Asia. One Japanese company entered into Hong Kong in 1977. A lot of players have entered into the market after the enactment of the bank law in 1981. The competition is still severe though the share of the big companies have risen in recent years. There is possibility that companies enters into Chinese market while the Hong Kong market has been maturing.

The consumer finance market has developed through the financial liberalization in Thailand in 1990. However, the number of consumer finance companies is now limited because the entry regulation was introduced when Asian currency crisis happened. Two Japanese companies have been doing business there, and one of them has collaborated with the local company to develop the business throughout Thailand. The other has been doing a steady business for a specific customer.

The analytical framework for the consumer finance company that enters into foreign markets is examined based on these current states of three countries. First, three factors that decide scale of a local consumer finance market are considered. Three factors are an understanding of consumer finances by customers (citizens), a liberalizing level of consumer finance, and business ability of the consumer finance company.

The market scale is decided from these levels. Our research found that the market scale was not corresponding to the scale of the consumer finance business. This paper also shows the concept of the relationships of power to influence the consumer finance business : government — customer (citizen), customer (citizen) — company, and government-company. It is a local market scale, and the relationships among government, customer(citizen) and company that decides the success or failure on the foreign market entry strategies for consumer finance companies.

The History of Consumer Financial in Taiwan and the Current Situation and Problems

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“Wheai” has had history over one thousand years. It is a mutual aid financial system practiced by Chinese. In the ancient main land Japan, there was a similar system that was called “Tanomosicoo” or “muzin”. Even today, people in okinawa still join “Moai” which is a similar system too “Wheai” that is popular in contemporary Taiwan.

Ninety four point one per cent of the Taiwan population migrated from HuChiem province and KuangTung province of China. They continued to practice the same customs as they were in their home town. “Wheai” was one of these traditions.

Before 1990, the financial institutions in Taiwan were very conservative; therefore, the small business was very difficult to get a loan from any banks. As a result “Wheai” became so popular that eighty five per cent of people in Taiwan was using it as a financing tool to get funds or to earn interests. Nowadays, because the credit card is popular, the consumer financing is booming. As a result, the amount of credit card debt has exceeded 40 billion Taiwan yen, and more than half million people are in debt.

“Wheai” is a financial system that people use to help each other during financial crises. Therefore, now is time to reconsider “Wheai”.

Analysis of Changes in Characteristics of Current Consumer Loan Borrowers

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In December 2006, the 3 money lending related laws, namely the Money Lending Business Law, Interest Rate Restriction Law and the Investment Control Law passed the Diet as a way to deal with over-indebtedness. This survey was performed primarily to analyze changes in the consumer finance market caused by amendments to laws from the perspective of individuals who use consumer loans.

First is a comparison of the composition of consumer finance borrowers in 2007 and 2008. Money lenders have tightened their loan approval standards due to amendments to laws. As a result, individuals in job categories with unstable incomes, particularly temporary workers, part time and hourly workers, and the self-employed, have become unable to obtain consumer loans. The survey also revealed that individuals with low incomes, individuals belonging to a household with a low income, and individuals with a small amount of savings no longer have access to consumer loans.

Next is a comparison of 2007 and 2008 based on borrowers' contact with fraudulent lenders during the preceding year. In 2008, 11.1% of those responding to the survey reported contact with fraudulent lenders, one percentage point higher than in 2007. We then compared the fraudulent lender contact rate of consumer loan applicants in 2007 and 2008 by dividing all survey participants into two groups based on whether their loan application was accepted or rejected. The contact rate was the same in 2007 and 2008 for individuals who received a loan as requested. However, for individuals who were unable to receive a loan as requested, the fraudulent lender contact rate increased from 30.1% in 2007 to 34.4% in 2008. The survey further revealed that the portion borrowing from fraudulent lenders was particularly high among individuals who were unable to receive loans for one of four objectives: medical expenses, education expenses for children, ceremonial function expenses, or supplementary business funding.

In addition, a survey of very small businesses was conducted to gather information about their loans. Results of this survey revealed that very small businesses frequently use consumer loans and credit card loans for both ordinary fund and stopgap fund. Furthermore, survey results showed that very small companies have much greater liquidity problems than small and midsized companies even though business sentiment was about the same at all these companies.

Current Situations and Issues of Peer-to-Peer Lending Asymmetric Information on Peer-to-Peer Lending

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This paper studies for peer-to-peer lending (P2P lending). I summarize the overall condition of P2P Lending market and analyze prior literatures on P2P Lending. Information is asymmetrically distributed between borrowers and lenders. Loans are not collateralized and lenders face the inherent risk. In order to reduce information asymmetries, Advanced P2P Lending Services provide an individual rating in cooperation with the credit reporting agency and utilize social network.