



7th International Skills Forum

Anticipating and Preparing for Emerging Skills and Jobs

12-14 December 2017
Asian Development Bank
Manila, Philippines

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Financial Education for SMEs: Case of Japan

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Financial Education for SMEs: Case of Japan

- No specific national strategy for financial education of SMEs; but...
- Comprehensive national strategy for financial education at different levels of school curriculum, potentially targeting future entrepreneurs as well, including all stakeholders
- Under guidelines for supervision, of financial institutions, major and regional banks are encouraged to provide consultation and advice for their clients, which can include MSMEs, and advice must be specific to their stage of the business lifecycle;
- An independent administrative agency, the Organization for Small and Medium Enterprises and Regional Innovation, JAPAN (SMRJ), supports SMEs in the areas of:
 - Measures for start-ups and new business development via consultation and advice from experts.
 - SME growth/development via responding to management issues at an advanced level in collaboration with local SME support organizations;
- The Japan Finance Cooperation (JFC), Japan External Trade Organization (JETRO), SME revitalization support councils and consultation centers for business succession provide business support and guidance for all enterprises and potential entrepreneurs; and
- Educational effects of Credit Risk Database (CRD).

Source: OECD (2017)

Japan Financial Education Promotion Council

Inputs from all stakeholder groups

- Bank of Japan
- Financial Services Agency (FSA)
- Ministry of Education
- Consumer Protection Agency (Government of Japan)
- Bankers Association of Japan
- Securities Dealers Association
- Insurance Association
- Trust Bank Association
- Investment Trust Association
- Financial Planners Association

SMEs' Data Collection by CRD

The CRD does not collect financial statements from SMEs directly but collects them through the scheme for SME finance. CRD members offer anonymous data to CRD and CRD offers scoring models based on such a data and other services to members. The CRD is a private membership organization and the government has no legal force for submission of SMEs' data against CRD members.

Scheme for SME

Finance



Data

Financial Statements data
Non-Financial data
Default Information

Data of Incorporated SMEs and
Sole-proprietor SMEs



Scoring model
& other services

CRD Collected Data Items

Financial Statements data (corporation)

B/S items

	Data item	Essential item
1	Total current assets	○
2	Cash & Cash equivalents	○
3	Note receivable	○
4	Accounts receivable	○
5	Marketable securities	○
6	Total inventories	○
7	Finished goods inventories	
8	Semifinished goods and work-in-progress inventories	
9	Material inventories	
10	Other inventories	
11	Total other current assets	○
12	Advances	
13	Prepaid expense	
14	Accounts receivable - other	
15	Accrued income	
16	Short-term loans	
17	Other current assets	
18	(-)Allowance for bad loans	
19	Total fixed assets	○
20	Total tangible fixed assets	○
21	Buildings and structures	
22	Machinery	
23	Equipment and fixtures	
24	Land	○
25	Construction in progress	
26	Intangible fixed assets	○
27	Total investments and other assets	○
28	Investment securities	
29	Long-term loans	
30	Other investments	
31	(-)Allowance for bad loans	
32	Deferred charges	○
33	Total assets	○
34	Total current liabilities	○
35	Notes payable	○
36	Accounts payable	○
37	Short-term debt	○
38	Other current liabilities	○
39	Accounts payable - other	
40	Notes payable and accounts payable for tangible fixed assets	
41	Accrued expenses	
42	Advance received	
43	Advance received profit	
44	Deposits received from employees	
45	Short-term allowance	
46	Other current liabilities	

Credit Risk Database

	Data item	Essential item
47	Total fixed liabilities	○
48	Bonds payable and other long-term debt	○
49	Other fixed liabilities	○
50	Reserve for special purpose	
51	Total liabilities	○
52	Total capital	○
53	Stock capitalization	○
54	Other capital	○
55	Capital reserve	
56	Earned reserve	
57	General reserve	
58	Unappropriated retained earnings for the period	
59	Total liabilities and capital	○

P/L items

	Data item	Essential item
60	Sales	○
61	Cost of sales	○
62	Processing cost paid to sub-contractors	
63	Labor cost	
64	Rent	
65	Taxes	
66	Gross profit	○
67	Selling and general administrative expenses	○
68	Salaries and other labor cost	
69	Rent	
70	Taxes	
71	Operating profit	○
72	Non-operating income	○
73	Interest income, discount received, and dividends received	○
74	Other non-operating income	
75	Non-operating expenses	○
76	Interest expenses and discount interest	○
77	Other non-operating expenses	
78	Ordinary profit	○
79	Extraordinary gain	
80	Extraordinary loss	
81	Profit before tax	
82	Corporation tax	
83	Net income	○
84	Dividends	
85	Bonuses for officers	
86	Discounts on notes receivable	○
87	Notes receivable endorsed	○
88	Accumulated depreciation	
89	Depreciation for the period	○

SMEs had four different accounts in the past

Traditionally, SMEs kept four different accounts

- **Account to show to Tax authority**
- **Account to show Bankers**
- **Account to show to owner's wife**
- **Account for his own**

But now SMEs start to keep their accounts every day to report to the CRD.

- **Become aware about their own company's situation on a daily basis.**
- **Come to see the changes of their business.**
- **Come to think in terms of long term perspective.**