

Survey on corporate attitudes towards Revised Money lending Control Act

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Approx. 50% of firms are worried Revised Money lending Control Act may lead to increased bankruptcies
 ~ Many expect revised act to help improve economic environment ~

A revised Money lending Control Act will be implemented on June 18, 2010 in response to the multiple debt problem, which has become increasingly serious as of late. The revised act will include total lending volume controls, which are expected to help avoid over-borrowing and over-lending, abolish so-called “gray-zone” interest rates, tighten controls on moneylenders, and strengthen countermeasures against black-market lenders.

Teikoku Databank conducted a survey to investigate corporate attitudes towards the revised Money lending Control Act.

Research Period: May 20 to 31, 2010

Research Subject: 21,362 corporations across the nation

(Valid Responses: 10,806 corporations; response rate 50.6%)

48.6% worried revised act may lead to increased bankruptcies

As a possible merit of the revised Money lending Control Act, which will be fully implemented on June 18, 2010, the possibility that the revised act may lead to a decrease of over-lending accounted for the largest share of all valid responses, representing 54.5% of the 10,806 companies, followed by a potential decrease of heavily indebted people, accounting for 49.0%, and lowered maximum interest rates (by the abolishment of the so-called “gray-zone” interest rates), 46.2% (with multiple answers allowed).

Meanwhile, the two most concerned negative consequences of the implementation of the revised act were the possible increased difficulty in borrowing small amounts of money in an emergency situation, which accounted for the largest share of all valid responses, representing 50.7% of the 10,806 companies, and increased bankruptcies (of sole proprietorships), 45.8%. In addition, increased bankruptcies (of incorporated enterprises) accounted for 14.9%, indicating that 48.6% of companies expect the revised act to lead to an increase in bankruptcies of sole proprietorships or incorporated companies.

Merits/Demerits of Revised Money lending Control Act (Multiple Answers Allowed)

| | | Percent (No. of firms) | |
|----------|---|------------------------|---------|
| Merits | | | |
| 1 | Decreased over-lending | 54.5 | (5,885) |
| 2 | Decreased heavily indebted people | 49.0 | (5,297) |
| 3 | Lowered maximum interest rates (Abolishment of "gray-zone" rates) | 46.2 | (4,987) |
| 4 | Reduced interest rates | 36.8 | (3,973) |
| 5 | Tightened restrictions on entry to money lending business | 18.5 | (2,002) |
| 6 | Required appointment of authorized supervisor (Strengthened restrictions on money lending business) | 10.0 | (1,086) |
| 7 | Abolished deemed acceptance of payment of illegally high interest rates | 4.6 | (500) |
| 8 | Other | 3.9 | (419) |
| Demerits | | | |
| 1 | Increased difficulty in borrowing small amounts in emergencies | 50.7 | (5,475) |
| 2 | Increased bankruptcies | 48.6 | (5,251) |
| 2 | Increased bankruptcies (of sole proprietorships) | 45.8 | (4,945) |
| 3 | More sluggish consumption | 29.3 | (3,163) |
| 4 | Increased bankruptcies (of incorporated companies) | 14.9 | (1,609) |
| 5 | Increased requests from buyers for moratoriums | 14.3 | (1,547) |
| 6 | Increased credit management costs | 10.7 | (1,156) |
| 7 | Other | 6.1 | (654) |

Note 1: "Increased bankruptcies" shows the number of companies that chose either "Increased bankruptcies (of sole proprietorships)" or "Increased bankruptcies (of incorporated companies)".
 Note 2: Population parameter: 10,806 companies that gave valid responses

3.7% borrowed or borrowing from moneylenders subject to revised act

88.7% of the 10,806 companies that gave valid responses are not currently borrowing or have not borrowed in the past from a moneylender that is subject to the Money lending Control Act, which include consumer lending firms, financing brokers, bill discounters, credit card companies (for cashing only), credit loan companies, general leasing companies, and retail companies.

Meanwhile, 3.7% of the 10,806 companies said they are currently borrowing or borrowed in the past from these companies. The smaller the size of a company, the more likely the company has borrowed from these lenders, as 6.6% of micro-enterprises have borrowed from them while only 2.2% of large-sized companies have the same borrowing experience. By industry of the respondent, 9.0% of real-estate companies are borrowing or have borrowed from these lenders, representing the largest share of companies in an industry that have or had such lenders, followed by 6.6% of the service industry and 5.8% of the retail industry, indicating that many of domestic demand-induced industries are borrowing or have borrowed from these lenders.

Experience of borrowing from lenders subject to the act

| | Percent (No. of firms) | | | |
|--------------------------------|---------------------------|-----------------------------------|------------|----------------|
| | Borrowing (Have borrowed) | Not borrowing (Have not borrowed) | Don't know | Total |
| Total | 3.7 (399) | 88.7 (9,583) | 7.6 (824) | 100.0 (10,806) |
| Large-sized | 2.2 (58) | 87.1 (2,269) | 10.7 (279) | 100.0 (2,606) |
| Mid-to-small-sized | 4.2 (341) | 89.2 (7,314) | 6.6 (545) | 100.0 (8,200) |
| Incl. micro-firms | 6.6 (149) | 86.3 (1,945) | 7.1 (160) | 100.0 (2,254) |
| Agriculture, Forestry and | 2.5 (1) | 87.5 (35) | 10.0 (4) | 100.0 (40) |
| Finance | 4.6 (6) | 76.9 (100) | 18.5 (24) | 100.0 (130) |
| Construction | 3.2 (49) | 89.4 (1,370) | 7.4 (113) | 100.0 (1,532) |
| Real estate | 9.0 (24) | 82.0 (218) | 9.0 (24) | 100.0 (266) |
| Manufacturing | 3.2 (96) | 88.2 (2,686) | 8.7 (265) | 100.0 (3,047) |
| Wholesale | 2.3 (80) | 91.1 (3,132) | 6.6 (227) | 100.0 (3,439) |
| Retail | 5.8 (26) | 85.3 (384) | 8.9 (40) | 100.0 (450) |
| Transportation and warehousing | 4.9 (19) | 86.6 (336) | 8.5 (33) | 100.0 (388) |
| Service | 6.6 (98) | 87.4 (1,299) | 6.1 (90) | 100.0 (1,487) |
| Other | 0.0 (0) | 85.2 (23) | 14.8 (4) | 100.0 (27) |

Note 1: Shaded columns show figures above average.

Note 2: Population parameter: 10,806 companies that gave valid responses

85.1% believe revised act will have no impact on cash flow

More than 80%, or 85.1%, of the 10,806 companies said they did not expect the revised act to have an impact on their cash flow.

Meanwhile, 3.0% expect the revised act to impact cash flow, consisting of 0.3% forecasting a strong impact and 2.7% a small impact.

By size of the respondent, an impact on cash flow was forecast by 5.0% of micro-companies, compared with 2.3% of large-sized companies. Nearly 20%, or 18.5%, of the 399 companies that are borrowing or have borrowed from a lender subject to the Money lending Control Act expect the revision to affect their cash flow.

The smaller the size of a company, the more likely the company's cash flow will be affected by the revision of the act. In addition, a company that is borrowing or has borrowed from a lender subject to the act is more likely to be affected by the revised act than a company that has no such lenders is. The government should provide a safety net to mitigate the demerits of the revision of the act, as a Nagano-based food and beverage retail company said, "public organizations should play their required roles."

Impact of revised act on cash flows

| | Percent (No. of firms) | | | | | | |
|----------------------|-----------------------------------|---------------|-------------|--------------|--------------|----------------|---------------|
| | Has impact | Strong impact | Weak impact | No impact | Don't know | Total | |
| Total | 3.0 (328) | 0.3 (35) | 2.7 (293) | 85.1 (9,199) | 11.8 (1,279) | 100.0 (10,806) | |
| Large-sized | 2.3 (59) | 0.1 (3) | 2.1 (56) | 84.7 (2,208) | 13.0 (339) | 100.0 (2,606) | |
| Mid-to-small-sized | 3.3 (269) | 0.4 (32) | 2.9 (237) | 85.3 (6,991) | 11.5 (940) | 100.0 (8,200) | |
| Incl. micro-firms | 5.0 (113) | 1.0 (22) | 4.0 (91) | 81.3 (1,832) | 13.7 (309) | 100.0 (2,254) | |
| Borrowing experience | Borrowing (Have borrowed) | 18.5 (74) | 4.8 (19) | 13.8 (55) | 68.9 (275) | 12.5 (50) | 100.0 (399) |
| | Not borrowing (Have not borrowed) | 2.5 (235) | 0.2 (15) | 2.3 (220) | 90.7 (8,689) | 6.9 (659) | 100.0 (9,583) |
| | Don't know | 2.3 (19) | 0.1 (1) | 2.2 (18) | 28.5 (235) | 69.2 (570) | 100.0 (824) |

Note 1: Shaded columns show figures above average.

Note 2: Population parameter: 10,806 companies that gave valid responses