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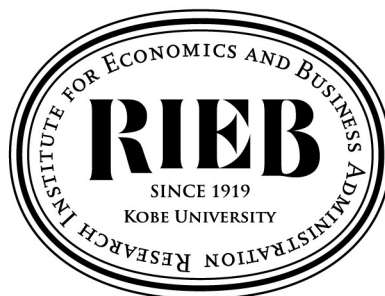
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**How Do Accounting and Legal Experts View
the Role of Regional Financial Institutions
in Supporting SMEs?**

**–Based on a 2016 Questionnaire Study of
Accounting and Legal Experts–**

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How Do Accounting and Legal Experts View the Role of Regional Financial Institutions in Supporting SMEs?*

-Based on a 2016 Questionnaire Study of Accounting and Legal Experts-

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Abstract

In February 2016 we administered a questionnaire to 700 tax accountants, certified accountants and lawyers, and conducted a study of the actual state of regional revitalization efforts by experts and the issues they faced. In this paper, we use some of the results of this study to analyze the actual state of collaborations between regional financial institutions and accounting/legal experts, and the issues they face, with respect to providing support to regional SMEs (small and medium-sized enterprises). Efforts by regional financial institutions are not always fully visible to experts, and collaboration between experts and regional financial institutions is still developing. In the future, deepened mutual understanding through greater regular contact between them will be important for increasing support capabilities for regional SMEs.

Keywords

SME support, region-based relationship banking, regional finance, experts, questionnaire

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1. Introduction

The “Japanese Financial Industry: Desirable Medium- and Long-Term State (Present State and Future Outlook)” report, published in May 2012 by the Financial System Council, states that, “Most local companies are confronted with the shrinking of their home markets and the reduction of their sales. In addition to the difficulty in short-term financing, they are faced with the long-term problem of sluggish performance occurring as their competitiveness tends to decline. Already, it is no longer good enough just to supply funds.” It asserts that in providing support to enterprises, “As well as improving the ability to collect and analyze information, utilizing outside experts will be beneficial for financial institutions.”

The “Financial Monitoring Policy” published by the Financial Services Agency in September 2014 also indicates the following as an important supervisory perspective: “Specific initiatives for effectively providing the appropriate consulting services to corporate customers not only from a financial aspect but also from the aspect of the various management issues such as revenue expansion and business succession, including the utilization of outside experts with the capability to support the main business of the corporate customer.” The supervisory authorities also call on regional financial institutions to “when necessary and appropriate, use outside experts (tax accountants, lawyers, certified accountants, small and medium enterprise management consultants, business advisors, etc.) while maintaining a focus on supplementing their own shortfalls in expert personnel and expertise and engaging in medium- and long-term personnel development and expertise accumulation.”

Referring to government policies such as these, Yamori (2016) introduced examples of SME support collaborations between regional financial institutions and experts, and emphasized the importance of collaboration. However, the reality is that not as much collaboration progress has been made as hoped. For example, according to the Financial Services Agency’s August 2015 “Results of Questionnaire Concerning the Evaluations by Users, etc., of the Region-Based Relationship Banking Efforts by Regional Financial Institutions, etc.,” only 11.3% of users evaluated regional financial institutions’ “stances towards coordination with outside experts, outside institutions, and the like” as “proactive,” and even together with the 28.1% that evaluated them as “somewhat proactive,” the total percentage remained below 40%. The total percentage of study participants that answered “proactive” or “somewhat proactive” rose 6.0% compared to two years ago, but the number of respondents indicating some degree of proactiveness is still less than half.

One reason for this is that, as Yamori and Yoneda (2015 a, b) made clear based on

questionnaires administered to financial institution staff, regional financial institution staff consider experts to have insufficient abilities. Company support measures drafted by experts are not always highly evaluated by financial institutions, and if financial institutions continue having to rebuild them from scratch, it is clear that collaboration work will not make progress. Yamori and Yoneda (2015a, b) investigated issues involved in collaboration between financial institutions and experts from the position of financial institution staff, but this paper looks at issues involved in collaboration between financial institutions and experts from the opposite standpoint, that of experts.

2. Overview of Survey Implementation

This survey was conducted online using the Rakuten Research service. Specifically, an email requesting survey responses was sent to 10,000 registered Rakuten study panel registrants (+ 200 partner company panel members) on February 4, 2016. Potential respondents answered screening questions, and those who met the following conditions answered the actual survey's questions. Responses were received from the expected number of respondents, 700 people, on February 15, and the survey was concluded.

The survey was only administered to respondents who were tax accountants, certified accountants, and/or lawyers. Of the 700 respondents, 466 were tax accountants (66.6%), 202 were certified accountants (28.9%) and 142 were lawyers (20.3%). These total to 810 people due to the presence of respondents holding two or more qualifications.

With regard to use of qualifications by respondents, 403 (57.6%) responded that they had "opened practice as qualification holders (including joint business owners) and 297 (42.4%) responded that they were "working in an office or company as a qualification holder, engaging in work related to said qualification (e.g. accounting offices, legal offices)," with the former slightly outnumbering the latter.

This paper only used responses related to collaboration with financial institutions. For detailed questionnaire results, please see Yamori and Yoneda (2016).

3. Status of Collaboration between Financial Institutions and Experts

(1) Experience with formulation of business improvement plans and business turnaround plans in collaboration with financial institutions

The survey asked respondents about their experience with formulating business improvement plans and business turnaround plans in collaboration with financial institutions. 371 (53.0%) of the respondents answered that they had “never formulated plans”, 167 (23.9%) answered that they had formulated “1 to 9 plans”, 87 (12.4%) answered that they had formulated “10 to 29 plans”, 52 (7.4%) answered that they had formulated “30 or more plans” and 23 (3.3%) answered “I don’t know”. Thus, the fact that he or she is an accounting or legal expert does not necessarily mean they have extensive experience with formulating business plans in collaboration with financial institutions.

This survey also asked if respondents had received qualifications as business supporting institutions for assisting business innovation authorized by the government. The results for the 217 respondents who indicated they had received qualifications were as follows: 35.5% of the respondents answered that they had “never formulated plans”, 30.0% answered that they had formulated “1 to 9 plans”, 18.9% answered that they had formulated “10 to 29 plans”, 14.3% answered that they had formulated “30 or more plans” and 1.4% answered “I don’t know”. Even for the certified support institutions, one in three experts had no experience with collaborative plan formulation.

(2) Future stances towards coordination with financial institutions

One of the survey’s questions was “What do you or the office you work for think about future support activities for SMEs?”. One of the possible answers was “I/we would like to build a network/strengthen our network with financial institutions”. 89 respondents (12.7%) selected this answer.

Breaking down the respondents by the professional qualifications, 13.1% of tax accountants, 16.8% of certified accountants and 8.5% of lawyers indicated that they wished to build or strengthen networks with financial institutions. This shows that lawyers were relatively undisposed to collaborating with financial institutions, while accountants were the most disposed to these collaborations. However, looking purely at responses for experts in certified support institutions, the gaps in percentages were minor, with 20.8% of tax accountants, 22.0% of certified accountants and 18.8% of lawyers indicating they wished to build or strengthen networks with financial institutions.

(3) Status of day-to-day interaction with financial institutions

This survey asked, “Do you know who the contact person or branch managers are at the main banks of your main clients? Consider typical client cases when responding.”. This question's aim was to investigate the status of day-to-day interaction between experts and financial institution staff.

Table 1 shows the responses to this question. With regard to familiarity with contact person in clients’ main banks, the most common answer was “I don’t know them” at 37.1%, followed by “I know them” at 28.6%, “I don’t know their names, but I can contact them when necessary” at 20.4%, and “I cannot easily contact them” at 13.9%. With regard to familiarity with branch managers in clients’ main banks, the most common answer was “I don’t know them” at 40.0%, followed by “I know them” at 21.4%, “I don’t know their names, but I can contact them when necessary” at 19.6%, and “I cannot easily contact them” at 19.0%. This indicates that experts do not maintain sufficient day-to-day contact with the contact person and branch managers at the financial institutions of their main clients.

Looking at the percentages of each qualification category of respondents that replied that they knew the contact person, for tax accountants it was 31.3%, for certified accountants, 36.6% and for lawyers, 27.5%. The percentages of those that replied that they knew the branch managers were, for tax accountants, 24.0%, for certified accountants, 27.2% and for lawyers, 21.8%. The order, from greatest to least, was certified accountants, tax accountants and lawyers.

Table 1 Familiarity with contact persons and branch managers of clients’ main banks

	Observation number	I know them	I don't know their names, but I can contact them when necessary	I cannot easily contact them	I don't know them
Contact persons	700 100.0	200 28.6	143 20.4	97 13.9	260 37.1
Branch managers	700 100.0	150 21.4	137 19.6	133 19.0	280 40.0

(Note) The top figure indicates the number of people, and the bottom number indicates the percentage.

(4) Introductions of clients to/by financial institutions

As one indicator of relationships with financial institutions, we asked about introductions of clients. Table 2 shows the results. When asked how often financial institutions introduced clients to them, 44.8% of tax accountants replied “Never,” as did 41.5% of lawyers, but only 23.3% of certified accountants. When asked how often they introduced clients to financial institutions, 41.2% of tax accountants replied “Never,” as did 46.5% of lawyers, but only 27.7% of certified accountants.

This shows that of the three professions, certified accountants and financial institutions coordinate the most closely.

Table 2 Introductions of clients to/by financial institutions

	Introductions of clients by financial institutions					Introductions of clients to financial institutions				
	Often	Sometimes	Rarely	Never	I don't know	Often	Sometimes	Rarely	Never	I don't know
Tax accountants	8.6%	18.2%	21.5%	44.8%	6.9%	6.7%	19.5%	25.3%	41.2%	7.3%
Certified accountants	19.3%	22.8%	22.8%	23.3%	11.9%	14.4%	19.3%	25.7%	27.7%	12.9%
Lawyers	16.2%	14.8%	19.0%	41.5%	8.5%	11.3%	14.8%	17.6%	46.5%	9.9%

(5) Capabilities of financial institution staff as seen by experts

Financial institution staff members are required to possess business support capabilities, but what is the level of these capabilities in the opinions of experts? We inquired about this in the survey with the following question: “We would now like to ask about the client liaison personnel in the main banks of your SME clients. What percentage of these personnel do you believe are capable of providing accurate advice to SMEs?” The responses are shown in Table 3.

1.9% of respondents indicated that “80% to 100%” of the staff were capable of providing accurate advice, 11.1% replied “60% to 79%”, 22.1% replied “40% to 59%”, 18.3% replied “20% to 39%”, 17.7% replied “Less than 20%” and 28.9% replied “I don’t know.” There were

almost no experts who indicated they believed 80% or more were capable of providing accurate advice, while there were almost 20% (including those responding “I don’t know” when calculating percentages) who gave the harsh evaluation that less than 20% could provide accurate advice.

In order to make it simpler to compare results, we calculated the average score by type of qualification holder, counting those who responded “80% to 100%” as 90%, “60% to 79%” as 70%, “40% to 59%” as 50%, “20% to 39%” as 30% and “Less than 20%” as 10%, and disregarding “I don’t know” responses. This produced the following average scores: for tax accountants, 28.8%, for certified accountants, 34.0% and for lawyers, 27.2%. There were no major differences by qualification type, with evaluations low across the board.

However, as indicated earlier, there is little day-to-day interaction between experts and financial institutions, so it is possible that respondents do not have a clear understanding of actual conditions. We therefore examined the potential of evaluations differing depending on the amount of day-to-day interaction. Again, we counted those who responded “80% to 100%” as 90%, “60% to 79%” as 70%, “40% to 59%” as 50%, “20% to 39%” as 30% and “Less than 20%” as 10%, and disregarded “I don’t know” responses, and we separated respondents into four groups, based on their level of interaction with the main contact persons for their main clients (“I know them”, “I don’t know their names, but I can contact them when necessary”, “I cannot easily contact them” and “I don’t know them”) and determined the average scores for each group.

The average score for those who responded “I know them” was 42.9%, followed by 32.7% for those who responded “I don’t know their names, but I can contact them when necessary”, 27.3% for those who responded “I cannot easily contact them” and 13.7% for those who responded “I don’t know them”. This shows that experts who interact with financial institution staff on a day-to-day basis tend to evaluate their capabilities more highly.

With regard to problem recognition, as well, we evaluated capabilities based on experience with formulation of business improvement plans and business turnaround plans in collaboration with financial institutions, as indicated in (1). Calculations using the same representative values gave percentages of 50.0% for respondents answering that they had formulated “30 or more plans” and 52.5% for those answering “10 to 29 plans”. Experts with extensive experience collaborating with financial institutions on business turnaround plans, etc., evaluated the capabilities of financial institution staff highly. For those answering “1 to 9 plans”, the percentage was just 36.3%, and for those answering that they had “never formulated plans”, the percentage was just 33.3%.

These results indicate that in addition to the possibility that financial institution staff have low capabilities, it is also possible that many experts lack sufficient knowledge of the capabilities of financial institution staff, and that regular interaction between financial institutions and experts could increase the mutual trust between them and promote greater support for SMEs.

Table 3 Percentage of financial institution staff considered capable of providing accurate advice to SMEs

	Observation number	80% to 100%	60% to 79%	40% to 59%	20% to 39%	Less than 20%	I don't know
Overall	700	13	78	155	128	124	202
	100.0	1.9	11.1	22.1	18.3	17.7	28.9

(Note) The top figure indicates the number of people, and the bottom number indicates the percentage.

(6) Impediments to collaboration with financial institutions in providing support to businesses

This survey asked respondents to “Select all of the impediments you have encountered through your collaborations with the main banks of clients during the course of providing support to clients”.

Table 4 shows the results. Looking at all responses, the impediments most often encountered during collaboration with clients’ main banks were “Coordination is difficult because multiple financial institutions are involved” and “The amount of enthusiasm regarding support varies within financial institutions from branch to branch and from staff member to staff member,” each with 22.1%, followed by “Financial institutions are slow to make decisions” with 15.7%. Many respondents also pointed out problems on the financial institution side, with 13.6% answering “Financial institutions are not proactive when it comes to providing support to businesses” and “The level of ability of the staff at the financial institutions is low”. There were also answers pointing out problems on the expert side, such as “I/we feel distrust for financial institutions” (14.0%) and “I/we lack knowledge regarding finance” (11.7%). Almost all experts indicated that they experienced some sort of problems in their collaborations, with only 2.0% responding, “There are opportunities for collaborations, and I/we have not experienced any impediments.”

Table 4 contains response results (showing ratios only) for each of the three qualification categories. There were large differences in the percentages of respondents for the following answers: “I/we feel distrust for financial institutions”, “The amount of enthusiasm regarding support varies within financial institutions from branch to branch and from staff member to staff member” and “The level of ability of the staff at the financial institutions is low”, with a large percentage of tax accountants selecting these answers, while a small percentage of lawyers selected them. Tax accountants overall felt a greater amount of impediments lay with the financial institutions.

Table 4 Impediments experienced when collaborating with clients' main banks (multiple answers allowed)

	Overall		Tax accountants	Certified accountants	Lawyers
	Number of respondents	Ratio	Ratio	Ratio	Ratio
I/we lack knowledge regarding finance	82	11.7%	11.8%	11.9%	13.4%
It isn't clear which financial institutions are the clients' main banks	78	11.1%	11.6%	17.3%	12.0%
Coordination is difficult because multiple financial institutions are involved	155	22.1%	22.1%	25.2%	22.5%
I/we feel distrust for financial institutions	98	14.0%	17.4%	13.4%	8.5%
Financial institutions feel distrust towards me/us	36	5.1%	5.2%	9.4%	4.9%
The amount of enthusiasm regarding support varies within financial institutions from branch to branch and from staff member to staff member	155	22.1%	26.6%	18.8%	16.2%
Financial institutions are not proactive when it comes to providing support to businesses	95	13.6%	15.7%	13.9%	10.6%
The level of ability of the staff at the financial institutions is low	95	13.6%	16.3%	12.4%	8.5%
It is difficult to determine who is in charge and who has decision-making authority at financial institutions	48	6.9%	8.2%	7.9%	7.0%
Financial institutions are slow to make decisions	110	15.7%	16.7%	17.8%	14.8%
Progress is difficult when credit guarantee associations become involved	60	8.6%	9.2%	8.4%	12.0%
I/we have experienced major impediments not listed above	14	2.0%	2.1%	5.0%	2.8%
There are no opportunities for collaborations, so I/we have not experienced any impediments	49	7.0%	6.9%	6.9%	7.0%
There are opportunities for collaborations, and I/we have not experienced any impediments	14	2.0%	2.6%	2.0%	1.4%
None of the above apply	75	10.7%	9.2%	10.9%	14.8%
I don't know	119	17.0%	15.2%	14.9%	17.6%

(7) Stance towards client support efforts, etc., by the most important financial institution in the region

This survey investigated which financial institutions played central roles within their regions. Because many of the respondents are located in central urban areas, responses regarding the business categories of financial institutions playing central roles in regions were as follows: “Major city or trust banks” 37.1%, “Regional banks/second-tier regional banks” 33.0%, “Credit associations/credit cooperatives” 22.7%, “Other” 2.9%, “JA/fishery cooperatives” 2.3%, “Government-affiliated financial institutions” 2.0%¹.

Furthermore, this survey asked the following question: “Do you feel that the financial institution that plays a central role in the region where your office is located is passionate about supporting client companies, collaborating with experts in order to support companies and engaging in regional revitalization?” Respondents chose one of the following five answers: “1. It is extremely passionate”, “2. It is somewhat passionate”, “3. It is not very passionate”, “4. It is not passionate at all” and “5. I don’t know.”

Table 5 shows the results. Looking at the results of responses regarding the stances of financial institutions towards supporting client companies, 15.9% responded “It is extremely passionate” and 38.6% responded “It is somewhat passionate”. Looking at the results of responses regarding the stances of financial institutions towards collaborating with experts to provide support to companies, 11.7% responded “It is extremely passionate” and 31.7% responded “It is somewhat passionate”. In terms of the stances of financial institutions towards engaging in regional revitalization, the most popular answer, at 28.6%, was “It is not very passionate”, while only 8.9% of respondents selected “It is extremely passionate.” There are many financial institutions which are passionate about providing support to client companies, but with regard to regional revitalization efforts many respondents replied “I don’t know”, indicating that the efforts of financial institutions are not clearly visible to experts.

¹ Many respondents lived in central urban areas -- 198 respondents lived in Tokyo, 57 in Aichi Prefecture, 53 in Osaka Prefecture and 48 in Kanagawa Prefecture.

Table 5 Stance towards client support efforts, etc., by the most important financial institution in the region

	Observation number	It is extremely passionate	It is somewhat passionate	It is not very passionate	It is not passionate at all	I don't know
Support for client companies	700 100.0	111 15.9	270 38.6	127 18.1	36 5.1	156 22.3
Collaboration with experts	700 100.0	82 11.7	222 31.7	190 27.1	43 6.1	163 23.3
Regional revitalization	700 100.0	62 8.9	164 23.4	200 28.6	78 11.1	196 28.0

(Note) The top figure indicates the number of people, and the bottom number indicates the percentage.

As seen earlier, the financial institutions pictured by respondents differed, so we decided to look at the differences between financial institutions in different business categories. Here, we calculated the average score, counting “It is extremely passionate” as +2 points, “It is somewhat passionate” as +1 point, “It is not very passionate” as -1 point, “It is not passionate at all” as -2 points, and disregarding “I don’t know” responses.

Table 6 shows the results. All values are positive, indicating that overall the financial institutions were seen as being passionate. Government-affiliated financial institutions had the highest scores for every category, though it must be noted that there were few experts who answered that the financial institutions in their region that played a central role were government-affiliated financial institutions. Comparing the three most common business formats indicated by respondents -- major city or trust banks, regional banks/second-tier regional banks and credit associations/credit cooperatives, we investigate which was evaluated as being the most passionate about supporting client companies and collaborating with experts. Surprisingly, major city or trust banks were rated the highest compared to other business categories for passion regarding regional revitalization. This is likely because the members of the sample included many experts in major cities such as those in Tokyo, Osaka or Aichi Prefecture, and in these regions major city or trust banks work with local governments to provide region-based relationship banking.

Table 6 Stance towards client support efforts, etc., by the most important financial institution in the region: Average scores by business category

	Major city or trust banks	Regional banks/ second-tier regional banks	Credit associations/ credit cooperatives	JA/ fishery cooperatives	Government-affiliated financial institutions
Support for client companies	0.50	0.50	0.58	0.80	1.08
Collaboration with experts	0.43	0.40	0.47	0.46	1.08
Regional revitalization	0.41	0.31	0.35	0.62	0.92

(8) Changes in stance towards client support efforts, etc., by the most important financial institution in the region

Next, we asked respondents the following question: “Over the past three years, have you seen any changes in the stance towards client support, collaboration with experts in company support or regional revitalization of the financial institution that plays a central role in the region where your office is located?”

Table 7 shows the results. The most common response regarding changes in stances towards support for client companies was “Unchanged” at 30.0%, followed by “I don’t know” at 28.6%, “Somewhat more proactive” at 20.1%, “More proactive” at 13.7%, “Somewhat less proactive” at 3.9% and “Less proactive” at 3.7%. The most common response regarding changes in stances towards collaboration with experts to provide support for companies was “Unchanged” at 32.6%, followed by “I don’t know” at 29.0%, “Somewhat more proactive” at 17.4%, “More proactive” at 9.9%, “Somewhat less proactive” at 6.4% and the least chosen answer, “Less proactive” at 4.7%. The most common response regarding changes in the stances of financial institutions towards regional revitalization was “I don’t know” at 32.3%, followed by “Unchanged” at 30.0%, “Somewhat more proactive” at 13.6%, “More proactive” and “Somewhat less proactive” both at 8.7% and “Less proactive” at 6.7%, a slightly different response pattern than the above two questions.

Next, we decided to look at differences on a business category basis. Here, we calculated the average score, counting “More proactive” as 2 points, “Somewhat more proactive” as 1 point, “Unchanged” as 0 points, “Somewhat less proactive” as -1 point, “Less proactive” as -2 points,

and disregarding “I don’t know” responses. Table 8 shows the results. Comparing the three most common business categories among respondents -- major city or trust banks, regional banks/second-tier regional banks and credit associations/credit cooperatives -- we found that major city or trust banks were evaluated as being more proactive with respect to supporting client companies and regional revitalization, and regional banks/second-tier regional banks were evaluated as being more proactive with respect to collaborating with experts.

Table 7 Changes in stances towards client support efforts, etc., by regional financial institutions

	Observation number	More proactive	Somewhat more proactive	Unchanged	Somewhat less proactive	Less proactive	I don't know
Support for client companies	700 100.0	96 13.7	141 20.1	210 30.0	27 3.9	26 3.7	200 28.6
Collaboration with experts	700 100.0	69 9.9	122 17.4	228 32.6	45 6.4	33 4.7	203 29.0
Regional revitalization	700 100.0	61 8.7	95 13.6	210 30.0	61 8.7	47 6.7	226 32.3

(Note) The top figure indicates the number of people, and the bottom number indicates the percentage.

Table 8 Changes in stances towards client support efforts, etc., by regional financial institutions: Average scores by business category

	Major city or trust banks	Regional banks/ second-tier regional banks	Credit associations/ credit cooperatives	JA/ fishery cooperatives	Government-affiliated financial institutions
Support for client companies	0.55	0.47	0.44	0.80	0.67
Collaboration with experts	0.37	0.43	0.35	0.80	0.67
Regional revitalization	0.39	0.36	0.32	0.92	0.90

(9) Management culture of the most important financial institution in the region

One of the questions in the survey was “Select all of the following which apply to the management culture of the financial institution that plays a central role in the region in which your office is located”. Table 9 shows the results.

Excluding “I don’t know” responses, the most frequently selected choice was “It is highly bureaucratic and lacks flexibility” (26.6%), followed by “It appears to have a demerit-based personnel evaluation system” (15.3%) and “It does not sufficiently leverage its highly capable personnel” (13.7%). These all are critical evaluations. Percentages for positive evaluations were low, with the most frequently selected choice being “It has many highly capable staff members” (11.6%), followed by “The institution’s members take on new challenges” (8.3%), “There are many staff members with consulting abilities” (7.4%), “It actively implements new financial methods” (5.4%), “It actively supports struggling companies” (4.9%) and “It actively implements regional revitalization measures” (4.7%).

Table 10 shows the results for the three business categories for which there were the most respondents. For major city or trust banks, many respondents selected “It has many highly capable staff members”, yet also “It appears to have a demerit-based personnel evaluation system”.² For credit associations, on the other hand, many respondents stated that “It does not sufficiently leverage its highly capable personnel”.

² In the questionnaire administered to financial institution staff members introduced by Ito and Yamori (2016), there were many answers indicating that credit association/credit cooperative members had a greater propensity for using demerit-based personnel evaluation systems. This discrepancy may be due to differences in outside impressions, but this survey asked about financial institutions which played central roles in local regions, so the results could also be indicative of polarization between credit association/credit cooperative measures (in other words, there could be prominent differences between credit associations/credit cooperatives that engage in leading efforts and those that do not).

Table 9 Management culture of regional financial institutions that play a central role (multiple answers allowed)

	Observation number	It appears to have a demerit-based personnel evaluation system	It is highly bureaucratic and lacks flexibility	It does not sufficiently leverage its highly capable personnel	The institution's members take on new challenges	It actively implements new financial methods	It actively supports struggling companies	It actively implements regional revitalization measures	It has many highly capable staff members	There are many staff members with consulting abilities	None of the above apply	I don't know
Overall	700 100.0	107 15.3	186 26.6	96 13.7	58 8.3	38 5.4	34 4.9	33 4.7	81 11.6	52 7.4	80 11.4	235 33.6

(Note) The top figure indicates the number of people, and the bottom number indicates the percentage.

Table 10 Management culture of regional financial institutions that play a central role (multiple answers allowed): Results by business category

	It appears to have a demerit-based personnel evaluation system	It is highly bureaucratic and lacks flexibility	It does not sufficiently leverage its highly capable personnel	The institution's members take on new challenges	It actively implements new financial methods	It actively supports struggling companies	It actively implements regional revitalization measures	It has many highly capable staff members	There are many staff members with consulting abilities	None of the above apply
Major city or trust banks	32.5%	38.8%	22.5%	13.1%	8.8%	5.0%	5.6%	23.8%	9.4%	16.3%
Regional banks/second-tier regional banks	22.6%	43.9%	16.5%	9.1%	6.7%	8.5%	7.9%	15.9%	9.8%	16.5%
Credit associations/credit cooperatives	15.2%	43.8%	28.6%	14.3%	8.6%	6.7%	9.5%	12.4%	10.5%	19.0%

(Note) Ratios were calculated after excluding "I don't know" responses.

(10) Ideal stances of financial institutions as seen by experts

This survey included a question that presented respondents with eight statements regarding the ideal stances of financial institutions and asked them to select all that they felt applied.

Table 11 shows the results. 36.1% selected “A financial institution’s mission is to support companies that face management problems”. A previous study had regional financial institution branch managers rate how strongly they agree or disagree with this exact same statement (1: Strongly agree, 2: Agree, 3: Somewhat agree, 4: Minimally agree, 5: Do not agree) (Yamori, Tomimura, Takaku [2014]). 32.5% of branch managers answered “Strongly agree”. Together with the 50.0% that answered “Agree,” over 80% actively agreed with the statement. Support for struggling regional companies is considered the mission of regional financial institutions by both the institutions themselves and by outside experts.

There are social demands for financial institutions to avoid excessive reliance on collateral and guarantees, and, actually, a high percentage of respondents (33.9%) stated that “Financial institutions should reduce their reliance of collateral and guarantees”. This shows that experts remain critical of financial institutions’ efforts in this area. 27.4% replied “Financial institutions should take a more community-focused stance”, 26.7% replied “Financial institutions should take responsibility for the overall regional economy”, and 19.4% replied “Financial institutions should coordinate more closely with outside institutions”. These high scores indicate that while regional financial institutions are recognized as making efforts in these areas, major issues still remain.

Table 11 also shows the results for this question, broken down by each qualification category. Answer selection ratios differed by area of expertise, with a relatively high number of tax accountants selecting “Financial institutions should take a more community-focused stance”, versus a relatively low number of lawyers. A relatively large number of certified accountants selected “It is a financial institution's role to promote the rapid closing of financially troubled companies,” while this statement received little support from lawyers.

Table 11 Ideal stances of financial institutions (multiple answers allowed)

	A financial institution's mission is to support companies that face management problems	It is a financial institution's role to promote the rapid closing of financially troubled companies	Financial institutions should reduce their reliance of collateral and guarantees	Financial institutions should take responsibility for the overall regional economy	Financial institutions should take a more community-focused stance	Financial institutions should actively engage in business consulting	Financial institutions should coordinate more closely with outside institutions	The credit-guarantee system is dulling the company support stances of financial institutions	None of the above apply
Overall	36.1%	16.1%	33.9%	26.7%	27.4%	16.1%	19.4%	14.7%	18.3%
Tax accountants	36.9%	17.2%	35.8%	28.1%	30.0%	15.2%	18.2%	17.4%	16.3%
Certified accountants	34.2%	23.3%	32.7%	28.7%	27.7%	19.3%	22.3%	15.3%	14.9%
Lawyers	37.3%	16.2%	37.3%	25.4%	21.1%	17.6%	20.4%	9.9%	22.5%

4. Conclusions

This paper examined the actual state of collaborations between regional financial institutions and experts, and the issues they face, with respect to providing support to regional SMEs, based on the results of a questionnaire administered in February 2016 to a total of 700 participants (466 tax accountants, 202 certified accountants and 142 lawyers; the simple total is 810 people because some respondents held multiple qualifications).

When asked whether they believed that regional financial institutions which played central roles were passionate about (a) support for client companies, (b) collaboration with experts to provide support for companies and (c) regional revitalization, 15.9% indicated that they felt the institutions were extremely passionate about (a) support for client companies, 11.7% indicated that they felt the institutions were extremely passionate about (b) collaboration with experts to provide support for companies and only 8.9% indicated that they felt the institutions were extremely passionate about (c) regional revitalization. It would be fair to say that efforts by financial institutions to take on the new challenge of regional revitalization are delayed compared to client support.

When asked whether they had encountered changes in the stances of regional financial institutions which played central roles with regard to support for client companies, collaboration with experts to provide support for companies and regional revitalization, 13.7% indicated that they felt the institutions were “more proactive” about (a) support for client companies, 9.9% indicated that they felt the institutions were “more proactive” about (b) collaboration with experts to provide support for companies and 8.7% indicated that they felt the institutions were “more proactive” about (c) regional revitalization. There are hopes for accelerated regional revitalization efforts by financial institutions, but there have been few changes prominent enough for experts to recognize.

The relationships between the contact persons/branch managers of client companies’ main banks and experts are an increasingly important aspect of providing support to client companies through collaboration between financial institutions and experts. When asked about their familiarity with contact persons and branch managers of clients’ main banks, 28.6% of respondents indicated that they knew the contact persons, and 21.4% indicated they knew the branch managers.

When asked about the management culture of the financial institutions which played central roles in their regions, respondents were often critical, with 26.6% answering “It is highly bureaucratic and lacks flexibility”, 15.3% answering “It appears to have a demerit-based personnel evaluation system” and 13.7% answering “It does not sufficiently leverage its highly capable personnel”.

When asked what percentage of the client liaison personnel in the main banks of SME clients they believed are capable of providing accurate advice to SMEs, a mere 1.9% of respondents answered “80% to 100%”. Even together with the 11.1% that answered “60% to 79%”, this still only amounted to 13%. This indicates that among experts, sufficient trust has not been cultivated towards financial institution staff.

When asked what impediments they had experienced in their collaborations with the main banks of clients during the course of providing support to clients, the most common responses were “Coordination is difficult because multiple financial institutions are involved” and “The amount of enthusiasm regarding support varies within financial institutions from branch to branch and from staff member to staff member” (22.1%). Many respondents also answered “Financial institutions are slow to make decisions” (15.7%), “Financial institutions are not proactive when it comes to providing support to businesses” (13.6%) and “The level of ability of the staff at the financial institutions is low” (13.6%). These are issues for which individual

financial institutions can implement improvements, and, it would be fair to say, are pressing issues for management.

There has been vigorous discussion regarding the necessity of collaboration between experts and financial institutions, but few studies which gather direct feedback from those involved regarding the current status of their collaborations and the issues they face. We believe this study can provide invaluable information that can lead to greater collaboration. In the future, we would like to use other questions to provide further advice that contributes to the advancement of support for SMEs.

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