

1 December 2022 (No. of pages:1)

Japanese report: 20 Oct 2022

Be faced with the issue of public fees

Restructuring of collaborative relationships between regional financial institutions and local governments

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Summary

- Designated financial institutions that are designated as one local government and handle public money administration in the course of collection and payment have shown their status as main banks of local governments in both name and substance. Traditionally, public money services have been provided almost free of charge since the system was established in 1964.
- In recent years, however, there has been an increase in the number of requests for the establishment of new commissions and their increases. For some time, the cost of services has been covered by profits from the management of taxes and public money, but due to the impact of the prolonged low interest rates, it has become impossible to maintain such an internal compensation system.
- The underwriting of municipal bonds, another source of earnings, is even more severe, and the pace of the decline in yields exceeds that of loans to the private sector due in part to the reduction of relative limits and the expansion of the bidding system. Among the options available, the most constructive is the promotion of paperless and cashless administration of public money. The aim is to reduce the cost of services in lieu of raising commissions and not to increase the total burden. From a different perspective, it can be an opportunity for regional financial institutions, which are main banks, to develop new business models focused on management advice.
- It goes without saying that it is an immediate issue to support digitization. This is because the financial diagnosis based on the corporate analysis and management advice based on this will be premised on an equal partnership relationship shown in the exchange of services and consideration.

Attention

This report is a summary translation. The official document is only in Japanese, included in the DIR Research Quarterly Review (Vol.48).