

## **A ROLE OF SOCIAL FINANCE BY A COOPERATIVE: A CASE STUDY OF GREEN COOP FUKUOKA, JAPAN**

Sachiko Nakagawa<sup>1</sup>

<sup>1</sup>Keio University

***Abstract:** Social finance has filled the important role for financially excluded people in Japan. Especially, Green Coop Fukuoka is remarkable because Green Coop Fukuoka not only loans money to financially excluded people but also implements regular face-to-face counseling on family budget management to them for an indefinite period after lending. In addition, Green Coop Fukuoka finances both members and non-members by utilizing investments from members. The central purpose of this chapter is to show what enables members to cooperate with Green Coop Fukuoka to help financially excluded people regardless of whether they are a member or not, and what extent Green Coop Fukuoka can connect those people with comfortable life. As a result of interviews with Green Coop Fukuoka and the partner of Fukuoka Prefectural Government, I found that in-depth discussion about causes of financial exclusion and importance of mutual help and solidarity for solution among members drew their understanding and cooperation to tackle financial exclusion. Furthermore, most of 9,000 clients could solve their financial problems and regain comfortable life. In the conclusion, I stressed importance of the initiative by Green Coop Fukuoka and Fukuoka Prefectural Government for the development of social finance in Japan and the realization of inclusive society.*

***Suggested Citation:** ACRN Oxford Journal of Finance and Risk Perspectives, 4(3). July 2015, from <http://www.acrn-journals.eu/jofrp/jofrp0403.html>*

### **Introduction**

Availability of appropriate financial services is necessary for people to improve their livelihoods and enjoy social life. It has the nature of public goods because all people have right to pursue better life and nobody must be excluded from those services. However, in reality, at least 2.5 billion people lack access to formal financial services in the world because of poverty, and consequently they are driven to the fringe of society (World Bank, 2014).

## A ROLE OF SOCIAL FINANCE BY A COOPERATIVE: - A CASE STUDY OF GREEN COOP FUKUOKA, JAPAN

The same situation occurs in Japan. Some people who could not get a loan from ordinary banks were forced to depend on consumer loan companies, have multiple debts and suffered for hardship of life. While the amendment of the Money Lending Business Act in 2006 prevented people from being trapped in debt hell, it complicated getting a loan. As a result, millions of people cannot borrow money for their lives and are exposed to further poverty (Japanese Consumers' Co-operative Union [JCCU], 2013; Uehara, Kazama, Tange, & Fujiyama, 2010).

In such a situation, although it is not so many, social finance for financially excluded people is implemented by some organizations like local government, worker's credit union and cooperatives. Especially, an attempt of Green Coop Fukuoka located in Fukuoka prefecture attracts great interest and expectation from various people since Green Coop Fukuoka not only lends money to financially excluded people but also carries out continuative face-to-face counseling on family budget management until borrowers can pay off their debts and completely regain comfortable life after lending. Furthermore, Green Coop Fukuoka finances all local residents regardless of whether they are a member or not by utilizing investments from members. Therefore, Green Coop Fukuoka has potential to fundamentally recover financially excluded people from severe living conditions, and spread mutual help and solidarity, one of the necessities for social inclusion in a community.

In this chapter, I firstly introduce history of social finance in Japan. Next, explaining emergence of consumer loan businesses and governmental measures to regulate them, I describe causes of current financial exclusion in Japan. After summarizing the overview of mechanism and characteristics of main social finance institutions, I show what enables members to cooperate with Green Coop Fukuoka to help financially excluded people regardless of whether they are a member or not, and what extent Green Coop Fukuoka reconnects them with comfortable life through results of interviews with Green Coop Fukuoka and Fukuoka Prefectural Government. Finally, I give suggestions about how to spread social finance like Green Coop Fukuoka in the nation toward inclusive society.

### **History of Social Finance in Japan**

In Japan, social finance has existed since ancient times and it has been generally called "*Tanomoshi*." There are various opinions about when *Tanomoshi* emerged concretely. For example, some academic assumes that it originated in *Asuka and Nara Era* (592-710). On the other hand, others guess that it occurred in the mid of *Kamakura Era* (1185-1333) on the ground that a historical document named *Kouyasan Monjyo* which was made in *Kamakura Era* and mentioned *Tanomoshi* for the first time (e.g., "Mutual system on *Tanomoshi Ko* and *Mujin*, and birth of a Mutual Bank", 2005; Shimizu, 1972; Yui, 1935). Opinions about the

origin of *Tanomoshi* also vary. While Miura (1958) indicates that it comes from reliance (“*tayori ni naru mono*” in Japanese), Hosokawa (1936) explains that it derives from begging (“*tanomu*” in Japanese) money. According to Shimizu, the latter explanation appears in many historical documents.

Although *Tanomoshi* was called other names such as *Mujin*, *Tanomoshi Ko* and *Moai* in some areas (Yui, 1935), their objective was financing the needy people and helping them through investments from people and were usually managed within local communities and relatives. Rules for running such as when money was collected and provided, how much money was needed to collect and provide, and how collected money was loaned were decided by members of local communities and relatives (Shimizu, 1972). Besides financing money, *Tanomoshi* had other financial functions like savings, insurance and investments. For example, many people utilized *Tanomoshi* for visit to *Ise* shrine and Mount *Fuji* (e.g., Hirano, 1987; Iwashina, 1983, Kanamori, 2004). On the other hand, a local historical document on *Hokuriku* region describes that *Tanomoshi* was implemented for fire disaster reconstruction and money for business of a local resident. *Tanomoshi* spread as a major financial institution among the public and highly developed especially from 1751 to 1791 (Yui).

As one of the means to modernize Japan, the *Meiji* Government enacted the Act on National Banks by referring to an American financial system in 1872. As a result, ordinary commercial banks were established in the nation. Although the number of those banks were merely four in the nation at the beginning, it increased to 153 in 1880. The *Meiji* Government institutionalized a saving bank in 1890 for the sake of step to increase capital; accordingly, 419 saving banks were established in 1900. However, such a modern financial system did not permeate among people because of banks' reluctance to finance the public due to small profits, complicated procedure for borrowing money and necessity to prepare a security for getting a loan. The *Meiji* Government enacted the Act on Industrial Association to develop a credit union for needy farmers and merchants based on a German system in 1900;

## A ROLE OF SOCIAL FINANCE BY A COOPERATIVE: - A CASE STUDY OF GREEN COOP FUKUOKA, JAPAN

however, they did not spread because of same reasons. Although *Mujin Gaisha* who implemented *Tanomoshi* as a business appeared from around 1901, conventional voluntary and community based *Tanomoshi* was continued to be utilized broadly in the public as a not only financial system but also welfare system. Social security systems such as health insurance, an employee's pension insurance and workman's compensation insurance was enforced in the beginning of *Showa Era* (1926-1989), but in reality it was not sufficient to provide enough welfare for all nation.

After just World War 2, funds were preferentially invested in industry for the sake of quick recovery; therefore, loan to individual people was postponed until the mid of 1950s. Instead, *Tanomoshi* and a public pawnshop who was managed by municipal governments and social welfare corporations fulfilled the main lenders to the public. The Government also prompted cooperatives to engage in a loan business as one of activities to promote mutual help among members; accordingly, cooperatives called "*Shinyou Seikyoku*" who implemented a loan business were established in various parts of the nation<sup>2</sup>. Against the background of increase of a labor movement, organizations called "*Roudou Shichiko*" who financed laborers working in medium-sized and small enterprises not having a labor union and also not being able to borrow money from ordinary commercial banks and worker's credit unions were also appeared. However, most of them faded away due to the following reasons. Firstly, ordinary commercial banks resumed providing loan services for the public and the Government developed the social security systems. Secondly, high economic growth during the period of 1955-1973 dramatically improved living standards of the nation. Thirdly, the spread of individualism among the nation through high economic growth weakened a local community bond. Concerning *Tanomoshi*, it has still existed in each place of Japan. For

---

1 Some *Mujin Gaisha* cheated users out of their money and made users close a disadvantageous contract because of no regulation. Therefore, the Act on *Mujin Businesses* was established to eliminate a dishonest dealer in 1915. After World War 2, various institutions requested that *Mujin Gaisha* could handle a checking account for quick revitalization; however, GHQ disapproved it since GHQ regarded *Mujin* as a gamble. Instead, the Government established a Mutual Bank who engaged in ordinary financial services and also handle a financial service based on mutual help like *Mujin Gaisha* did in 1951. Actually, a financial service based on mutual help which was provided by a Mutual Bank was quite different from *Mujin Gaisha*. Therefore, a Mutual Bank was abolished in 1992.

2 Although the Ministry of Welfare considered permitting cooperatives to implement deposit activity as same as an agricultural cooperative and fisheries cooperative in the process of establishment of the Act on Consumers' Cooperatives enforced in 1948, it was not be finally realized.

example, in Okinawa prefecture, *Tanomoshi* called *Moai* has implemented actively and a note exclusively used for *Moai* called *Moai Cho* has been sold in a stationary store (e.g., Editorial Team for Encyclopedia to Know Okinawa, 2000; Shimokawa, 2006). In Aizu region of Fukushima prefecture, *Tanomoshi* called *Mujin* has been carried out for savings for leisure mainly in restaurants once a month (e.g., Kimura, 2001). However, in general, it is considered that traditional financial services based on mutual help and solidarity is not necessary anymore. Instead, consumer loan emerged as a new way to borrow money.

### **Causes of current financial exclusion in Japan**

Consumer loan originated in 1960s in Japan. Mass production and mass consumer society brought by high economic growth depreciated value of materials; therefore, people could not borrow much money from a pawnshop even if they left an expensive material as a security. Generally, people are required to pass strict screening, prepare a security and stand surety, and give clear explanation about usage of money to get a loan from a bank. Therefore, some people cannot borrow money from a bank because of some reasons such as no high income, no high social classes and no enough property and so on. Consumer loan was an epoch-making business for those people because they could easily and promptly borrow much money without strict screening, a security and stand surety. Since main users were male company employees (called “*salary man*” in Japanese) and many of them lived in apartments (called “*danchi*” in Japanese) in 1970s, consumer loan was called company employees loan (called “*salakin*” in Japanese) and apartment loan (called “*danchi kinnyu*” in Japanese). However, in exchange of easy and prompt lending, consumer loan companies lent much money to users beyond their ability to repay the debt and strongly exacted repayment from users (Nakamura, 2002; Utsunomiya, 2002). Users who shivered with exaction from consumer loan companies were forced to borrow money from other consumer loan companies for repayment and to have multiple debts (Hira, 1991; Iwasaki, 1992). While the number of a personal bankruptcy was just 46 in 1975, it achieved 1,608 in 1982 (Cabinet Office, 2012). Such a situation was gradually recognized as a social problem and was called consumer loan hell (“*salakin jikoku*” in Japanese). In order to regulate consumer loan industry, the Government established the Money Lending Business Act and revised Investment Law in 1983. Concretely, the Government prohibited exaction and changed a cap interest rate

## A ROLE OF SOCIAL FINANCE BY A COOPERATIVE: - A CASE STUDY OF GREEN COOP FUKUOKA, JAPAN

stipulated by the Investment Law from 109.5% to 73.0%<sup>3</sup> (Nakashima, 2006). Because of this measure, consumer loan companies were forced to stop increase of interest rate and lending, and some of them went bankrupt (Uehara et. al., 2010). In order to dispel bad and dark impression, consumer loan companies tried to implement healthy business and improved their image by spreading the term of *shouhisha kinnyuu*, not *salakin* as their nickname through publicity activities. A cap interest rate stipulated by the Investment Law decreased to 54.75% in 1986. In 1991, it was changed to 40.004% (Nakashima). The problem about consumer loan settled down until the beginning of 1990s; however, collapse of bubble economy made this problem serious again. Many people were exposed to financial difficulties and forced them to borrow money for their living and repayment from consumer loan companies. Consumer loan companies took various steps to increase lending such as introducing an automatic contract machine, televising a commercial actively and setting female staff for female users. Emergence of illegal loan and exchange of personal information about “potential” users among some consumer loan companies accelerated increase of people having multiple debts. As a result, the number of personal bankruptcy increased year by year and it achieved 242,357 in 2003. As Fig.1 indicates, most of bankruptcy was caused by borrowing money from consumer loan companies (Higuchi & Sakano, 2004). Fig.2 also shows that nearly 8,900 people committed suicide due to trouble about many debts and hardship of life in 2003 (Financial Service Agency, 2007).

---

<sup>3</sup> In Japan, there are two standards for a cap interest rate for protection of individuals and development of money lending businesses. The first is stipulated by the Interest Restriction Law which was established in 1877 to control usury. According to the Law, a cap interest rate depends on a principal. For example, in case a principal is more than \$10,000, annual interest rate is 15%. The second is stipulated by the Investment Law which was established in 1954 to regulate money lending businesses. A cap interest rate stipulated by the Law has been reduced since 1983. Existence of two standards for a cap interest rate has caused several problems. For example, consumer loan companies have ignored the stipulation of the Interest Restriction Law, set a high interest rate and demanded payment from users on the basis of the Investment Law because of no penalty for the Interest Restriction Law. As an another example, it had permitted money lending businesses to receive interest between a cap interest rate stipulated by the Investment Law and another cap interest rate stipulated by the Interest Restriction Law (it was called “Gray Zone Interest”).

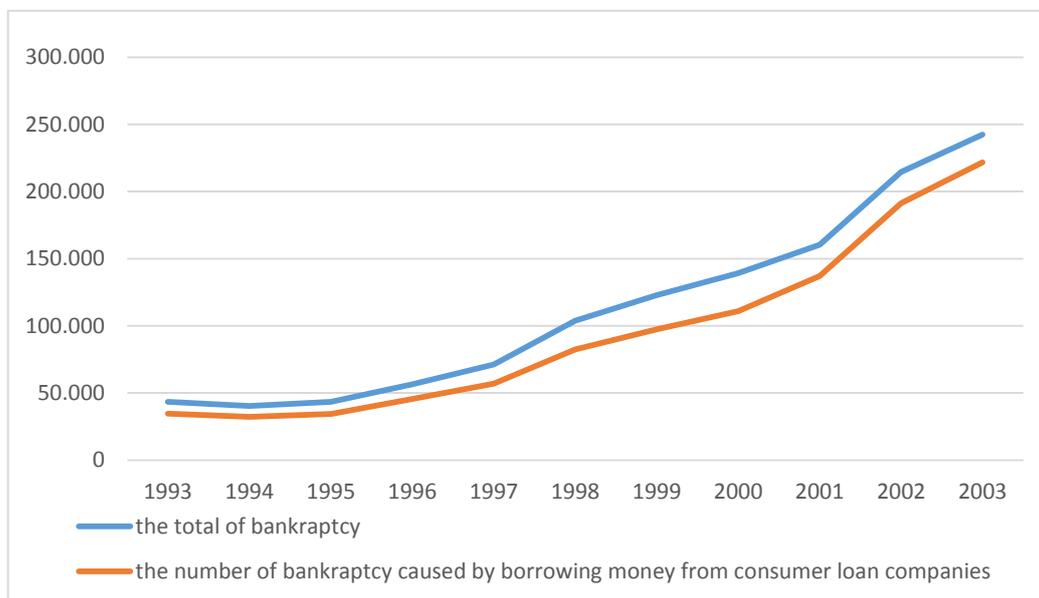


Figure.1 Changes in the Number of Bankruptcy. Source: Higuchi & Sakano (2004)

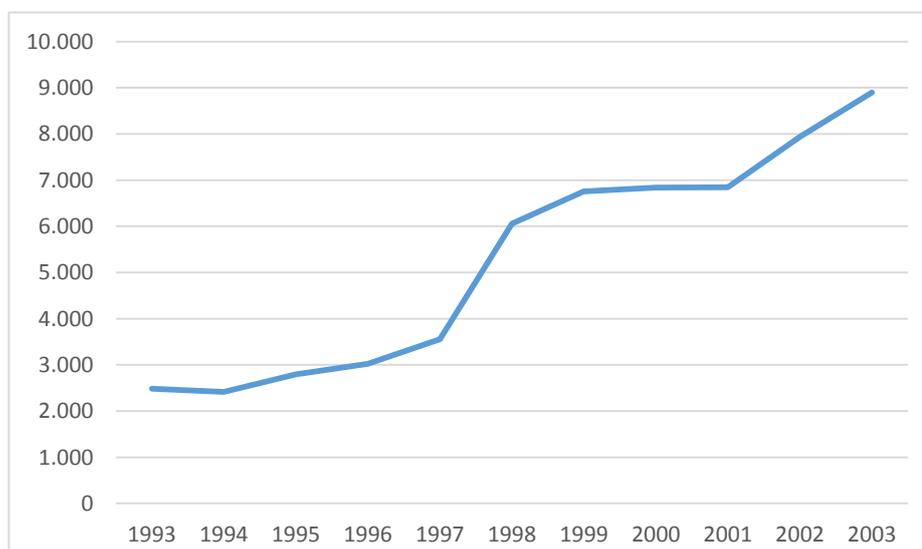


Figure. 2 Changes in the Number of Suicide because of Many Debts and Hardship of Life, Source: Financial Service Agency (2007)

Taking the situation seriously, the Government tightened up the Money Lending Business Act drastically in 2006. Main points of the revised act are the following: (a) abolition of “Gray Zone Interest” that permit money lending businesses to receive interest between a cap interest rate stipulated by the Investment Law and another cap interest rate

A ROLE OF SOCIAL FINANCE BY A COOPERATIVE: - A CASE STUDY OF GREEN COOP FUKUOKA, JAPAN

stipulated by the Interest Restriction Law, (b) reduction of a cap interest rate stipulated by the Investment Law from 29.2%<sup>4</sup> to 20% and (c) prohibition of borrowing more than one third of annual income.

As a result, the number of people borrowing money from more than 5 consumer loan companies decreased from 2,300,000 to 440,000 for 6 years. The number of suicide due to trouble about many debts and hardship of life also decreased from 8,897 to 6,406 between 2003 and 2011. The Government and Japan Federation Bar Association declared that the revised act helped to reduce people suffering for multiple debts (Cabinet Office, 2012; Japan Federation Bar Association, 2012). However, some people indicated that the revised act did not fundamentally help people suffering for multiple debts because they were forced to borrow money from consumer loan companies by reason of decrease of income and low income rather than purchase of goods, costs for a gamble and pleasure as shown in Fig.3 (National Consumer Affairs Center of Japan, 2006). Therefore, Uehara et.al. (2010) assumes that at least 2.5 million people are excluded from financial services because of prohibition of getting a loan of more than one third of annual income. JCCU (2013) also estimates that the prohibition did not make around 5.74 million people borrow money for their lives and drove them to further poverty.

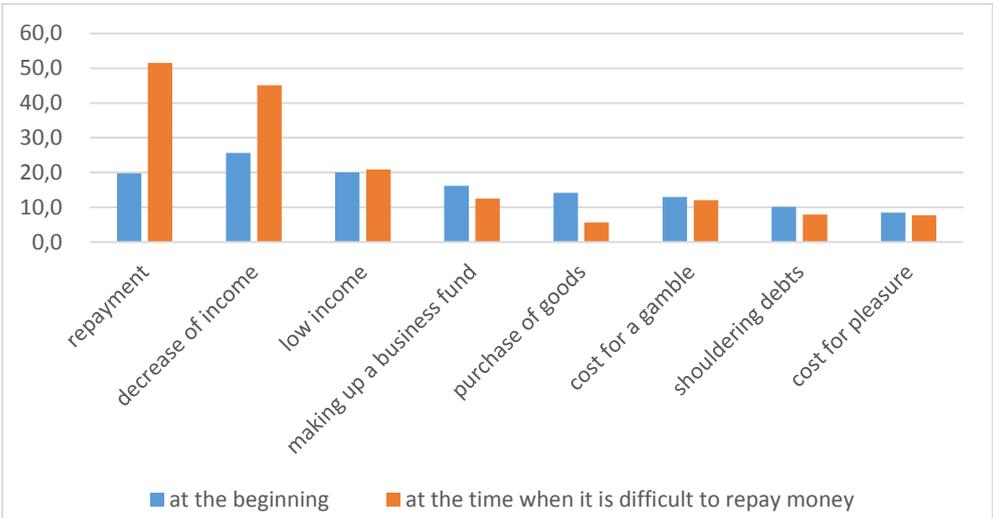


Figure 3 Reason to Borrow Money from Consumer Loan Companies, Source: National Consumer Affairs Center of Japan (2006). Notes: (1) Sample size is 585. (2) Multiple answers are allowed. (3) Unit is %.

In order to deal with various problems on multiple debts more smoothly and effectively, the Government set the Head Office for Helping People Suffering for Multiple Debts in the

<sup>4</sup> In 2000, a cap interest rate stipulated by the Investment Law reduced to 29.2%.

cabinet office and decided to implement the following projects in 2007: (a) setting and strengthening the function of counseling for people suffering for multiple debts in prefectural and municipal governments and local finance bureaus, (b) providing a safety net for people who could not borrow money, (c) implementing financial literacy and education actively to prevent multiple debts and (d) tightening up control against illegal loan. As to the safety net, the Government revised the Funds for Life and Welfare originated in 1955 and newly established the Total Support Fund which lent money for reconstruction of life and housing, and also provided counseling services about jobs and family budget as a type of funds. In addition, even people who did not secure a stand surety could get an opportunity to apply for a loan with low interest. However, the Funds for Life and Welfare limited the target to households having the elderly over the age of 65 or the disabled, and being exempted from a municipal tax, so it did not fully function as a safety net for financially excluded people (JCCU, 2013; Koseki, 2009). In the case of the Total Support Fund, the number of people who could get a loan was merely 17,779 in 2011 (Ministry of Health, Labour and Welfare, 2012).

## Overview of current Japanese social finance institutions and significance of Green Coop Fukuoka

Although it is not so many, social finance for financially excluded people is implemented by some organizations like local government, worker's credit union and some cooperatives as shown in Fig.4.



Figure .4 Social Finance Institutions in Japan

Notes: (1) Funds for Support for Life was established through cooperation from *Seikatsu Club Consumers' Cooperative Tokyo*. (2) The source of map of Japan is "Map of Japan" (n.d.).

In general, all social finance institutions require clients to secure a stand surety (family and relative in principle); however, systems of social finance, loan limit and loan interest are different among them. In the case of Iwate Consumers' Financial Coop, 34 out of 35 municipal governments located in Iwate prefecture deposit money in 9 banks including commercial banks and credit unions first. The banks provide four times the amount of money which is deposited from 34 municipal governments for Iwate Consumer's Financial Coop. By utilizing money from the banks and investments from members, Iwate Consumers' Financial Coop implements a counseling service and provides a loan for financially excluded people with the cooperation of a bar association. A target for loans limits to members. Loan limit and loan interest are \$50,000 and 9.41% respectively. As for Kurihara Municipal Government, firstly, Kurihara Municipal Government deposits \$1,000,000 in 2 credit unions. The credit unions prepare three times the amount of money which is deposited from Kurihara Municipal Government and lend money to financially excluded people by utilizing them.

Only citizens of Kurihara city can apply for this social finance. Loan limit is \$100,000 and loan interest is 7.9%. Unlike them, Shizuoka Worker's Credit Union lends money to financially excluded people by only investments and deposits from members, and does not receive any subsidies from local governments. Services for not only members of Shizuoka Worker's Credit Union but also laborers working in medium-sized and small enterprises not having a labor union are prepared. Clients can borrow money up to \$100,000-\$200,000 with loan interest of 2.4%-8.75%. Concerning services targeting for laborers working in medium-sized and small enterprises not having a labor union, clients need to pay additional 2% interest as a warranty fee.

In spite of those differences, the first objective of all social finance institutions is to support financially excluded people to regain comfortable life, not to lend money for them. Therefore, the social finance institutions grasp the present conditions about living and family budget of clients, clarify problems and priorities for solution, and make a plan for reconstruction of life before lending so that clients do not suffer for many debts and hardship of life anymore. When the social finance institutions find that lending is the best way to improve family budget and a household can certainly live in comfort by lending, they loan money to clients. Such a careful investigation and consideration for reconstruction of life and tackling a multiple debt problem together with all family members of clients lead to low number of bad debts. The social finance institutions report that there are almost no bad debts (Financial Service Agency, 2010).

Especially, Green Coop Fukuoka has attracted great interest and expectation from policy makers, practitioners and academics because Green Coop Fukuoka loans money to financially excluded people and carries out a face-to-face counseling on family budget management regularly to them until they finish to repay debts and regain comfortable life after lending so that they can live without dependence on debts (e.g., Financial Service Agency, 2010; JCCU, 2013; Ministry of Health, Labour and Welfare, 2012; Nippon Hoso Kyokai, 2013; Yomiuri Newspaper, 2013)<sup>5</sup>. Furthermore, Green Coop Fukuoka finances not only members but also non-members by utilizing investments from members<sup>6</sup>. Therefore, Green Coop Fukuoka

---

<sup>5</sup> Looking at an attempt of Green Coop Fukuoka, Green Coop Yamaguchi, Green Coop Nagasaki, Green Coop Oita and Green Coop Kumamoto also started to lend money to financially excluded people and instruct them how to manage a family budget for an indefinite period after lending.

<sup>6</sup> Kumamoto Prefectural Government also offered collaboration for helping financially excluded people to Green Coop Kumamoto in 2010. Accordingly, Green Coop Kumamoto also became lent money to both members and non-members by utilizing investments from members.

has potential to fundamentally recover financially excluded people from severe living conditions, and spread mutual help and solidarity, one of the necessities for social inclusion in a community. In the next section, I show what enables members to cooperate with Green Coop Fukuoka to help financially excluded people regardless of whether they are a member or not, and what extent Green Coop Fukuoka can connect those people with comfortable life on the basis of results of interviews with Green Coop Fukuoka and Fukuoka Prefectural Government.

### **Attempt of Green Coop Fukuoka to bring comfortable life for financially excluded people**

Social Finance of Green Coop Fukuoka named the “Loan Program for Reconstruction of Life” is implemented as one of the Project for Reconstruction of Life started from 2006. The Project for Reconstruction of Life is consisted of the following contents: (a) telephone consultation, (b) face-to-face counseling in four offices, (c) lending money (Loan Program for Reconstruction of Life) and (d) regular face-to-face instruction for reconstruction of life after lending. In the beginning, the target of a loan was limited to members; however, it expanded to non-members in 2008 because Fukuoka Prefectural Government proposed to carry out the project together to help all prefectural residents facing financial exclusion. Because of collaboration with Fukuoka Prefectural Government, many financially excluded people became contacted Green Coop Fukuoka through introduction from prefectural and municipal governments. Therefore, around 80% of clients is non-members. Many clients are in forties or fifties; however, elderly clients are gradually increasing. They suffer for multiple debts due to unemployment, a change of job, sickness of family members and failure in a business. There are few people who give a gamble as the cause of multiple debts. Green Coop Fukuoka has lent clients more than \$10 million for living costs, payment on rent, tax and school expenses and repayment for debts for 7 years.

The secretary general of Green Coop Fukuoka said that in-depth discussion about causes of financial exclusion and importance of mutual help and solidarity for solution among members drew their understanding and cooperation to tackle financial exclusion. Green Coop Fukuoka established the Fund for Welfare to donate money to non-profit organizations engaging in support for the homeless in 1996. Through this activity, Green Coop Fukuoka found that absence of social finance forced people who could not easily get a loan from banks to depend on consumer loan companies, have multiple debts and finally become the homeless, and realized importance of social finance for those people to prevent homelessness. Absence of social finance also threatened living of some members of Green Coop Fukuoka. According to a survey conducted by Green Coop Fukuoka in July of 2005, around 100

members faced a situation that they could not had paid commodity fees over three months due to hardship of life. Green Coop Fukuoka also found that 27.5% of 926 workers had used consumer loan companies and 6.8% of them recognized them as a multiple debtor. Furthermore, 3.1% of them was saddled with more than \$15,000 debts from consumer loan companies and a loan shark (Furue, 2008; Japan Industrial Association, 2013). Taking a situation seriously, Green Coop Fukuoka proposed establishment of social finance including counseling about reconstruction of life and instruction in family budget management for financially excluded people; however, many members did not agree to the plan at first. They insisted that solution of multiple debts and reconstruction of life should be done by self-responsibility and it was none of a cooperative's business. Therefore, some of them objected to using their investments for repayment of "personal" debts. Green Coop Fukuoka patiently told members that absence of social finance for people who could not easily borrow money from banks drove them to depend on consumer loan companies and suffer for multiple debts, and what a cooperative having mutual help and solidarity as a principle should do to help those people toward inclusive society. Through repeated discussion, members gradually recognized that multiple debts has a close relation to a social problem and it was necessary to establish social finance to help financially excluded people as a cooperative. As a result, following principles were adopted in the general meeting of Green Coop Fukuoka held in June of 2006 and the Project of Reconstruction of Life began from August of 2006.

- Cooperatives aim to bring a lot of benefits for members, not to earn profits. Therefore, the objective of social finance is not making money but helping financially excluded people to regain comfortable life
- Social finance is operated by investments from members to practice our spirits of mutual help and solidarity. We manage reliable loan services to respond understanding and cooperation from members
- We lend money for temporary living costs, payment of taxes and public utility charges for clients who are forced to depend on consumer loan companies, have multiple debts and suffer for severe living conditions
- We encourage clients to realize present conditions of their living appropriately and head for reconstruction of life on the basis of clear will. Therefore, we continuously provide careful support for clients until they can fully regain comfortable life after lending

## A ROLE OF SOCIAL FINANCE BY A COOPERATIVE: - A CASE STUDY OF GREEN COOP FUKUOKA, JAPAN

Because of deep recognition about financial exclusion and an expected role of cooperative for the solution among members, utilizing their investments for all prefectural residents regardless of whether they are a member or not, and further practicing spirit of mutual help and solidarity for social inclusion was realized.

After telephone consultation, citizen counselors make a household account book for a month, review it and find a cause of debts with clients. And then, citizen counselors make a long-term plan on a family budget and think about how to reconstruct life and keep comfortable life. If citizen counselors find that lending is the best way for it as a result of consideration, loan is implemented. In case lending is not the best way to reconstruct client's life, citizen counselors show a client another solution. After lending, citizen counselors regularly meet borrowers, grasp condition of their family budget and give advice about how to manage family budget. This support is implemented until clients finish to pay off their debts and completely secure comfortable life. Such careful support on the basis of individual situation enable around 82% of 9,000 clients to solve their financial problems and regain comfortable life as of January of 2013 (Green Coop Fukuoka, 2014). For example, a certain woman could not only repay her debts but also have her child getting into a high school safely. A couple also could repay their debts; besides they had savings. According to the secretary general of Green Coop Fukuoka, a subsidy from Fukuoka Prefectural Government is a great help to Green Coop Fukuoka. Although it is not permitted to use for lending, it can be used for other purposes, especially for personnel expenses. Therefore, he said that Green Coop Fukuoka can provide enough training for citizen counselors so that they can grasp each client's situation precisely, propose the best solution and continue to implement careful support for clients.

### **Conclusion**

In-depth discussion about how some people were exposed to difficulty in making a living due to absence of social finance and what a cooperative can do by utilizing their spirits of mutual help and solidarity enabled Green Coop Fukuoka to draw understanding and cooperation from members, provide continuative careful support for clients and reconnect them with comfortable life. However, the secretary general of Green Coop Fukuoka and the person in charge of the collaborative project with Green Coop Fukuoka in Fukuoka Prefectural Government indicated that social finance similar to Green Coop Fukuoka did not develop in Japan because of time-consuming job and small profits. Although the Japanese Government suggested establishment and support of social finance institutions to local governments through the Act on Support for Independence of the Needy People in December of 2013, it was not binding.

In order to develop social finance in Japan, Green Coop Fukuoka and Fukuoka Prefectural Government are required to take the initiative in carrying out the following. The first is proposing to hold a national convention to learn how many people are excluded from appropriate financial services and suffer for hardship of life, and how social finance is necessary to help those people to regain comfortable life to the Japanese Government. They could take action with other social finance institutions, third sector organizations engaging in support for the needy people, bar associations and academics in this area. The second is suggesting to hold a study meeting targeting for the person in charge of supporting the needy people and third sector activities in each prefectural government and representatives of intermediary organizations located in each prefecture to the Japanese Government. The purpose of the study meeting is to learn why social finance is required, how to implement social finance and what kind of roles each sector can fill to bring comfortable life for all people through the experience of Green Coop Fukuoka and Fukuoka Prefectural Government. They also need to suggest that the Japanese Government provides a subsidy for management of social finance so that local governments and intermediary organizations show enthusiasm for establishment of a social finance institution and continue to concentrate on helping financially excluded people without worries. The last is suggesting that the Japanese Government encourages prefectural governments and intermediary organizations located in each prefecture to hold a meeting for local residents to know the cause and result of financial exclusion, efforts of social finance institutions to overcome this problem and think about what local residents can do to connect all people with comfortable life. By means of the meeting, spirits of mutual help and solidarity will be cultivated and spread in each community toward inclusive society.

# A ROLE OF SOCIAL FINANCE BY A COOPERATIVE: - A CASE STUDY OF GREEN COOP FUKUOKA, JAPAN

## References

- Cabinet Office. (2012). Retrieved August 19, 2014, from [http://www.cao.go.jp/consumer/iinkai/2012/004/doc/097\\_120807\\_2\\_shiryoku2-2.pdf](http://www.cao.go.jp/consumer/iinkai/2012/004/doc/097_120807_2_shiryoku2-2.pdf) (in Japanese)
- Editorial Team for Encyclopedia to Know Okinawa (Ed.). (2000). *Encyclopedia to know Okinawa (Okinawa wo shiru jiten)*. Tokyo: Nichigai Associates. (in Japanese)
- Financial Service Agency. (2007). Retrieved August 17, 2014, from <http://www.fsa.go.jp/policy/kashikin/symp200706/04.pdf> (in Japanese)
- Financial Service Agency. (2010). *Enforcement of revised Money Lending Business Act and situation on measures to help people suffering for multiple debts (Kaisei kashikingyo hou no sikou to tajyu saimusya taisaku no jyokyo ni tsuite)*. Retrieved August 19, 2014, from <http://www8.cao.go.jp/jisatsutaisaku/local/shukan/k-6/pdf/s2.pdf> (in Japanese)
- Furue, S. (2008). Multiple debt problems and regional difference: An attempt of Green Coop Fukuoka to tackle multiple debt problems (*Tajyu saimu mondai to chiiki kakusa: Green Coop Fukuoka ni okeru tajyu saimu mondai eno torikumi*). *Financial Market (Kinnyu Shijyo)*, 2, 10-14. (in Japanese)
- Green Coop Fukuoka. (2014). *Report about the project for reconstruction of life implemented by Green Coop Fukuoka as of January of 2014 (Green Coop Seikyo Fukuoka seikatsu saisei soudan shitsu 2014 nen 1 gatsu ji houkoku)*. Retrieved March 11, 2014, from <http://www.greencoop.or.jp/saisei/index194.html> (in Japanese)
- Higuchi, D., & Sakano, Y. (2004). *Bankruptcy of clients of consumer loan companies: Characteristics and causes (Shouhishakinnyuu kokyaku no jiko hasan: Sono tokucho to gennin)*. Tokyo: Institute for Research on Consumer Financial Services Waseda University.
- Hira, T. K. (1992). Causes and effects of consumer bankruptcies: A cross-cultural comparison. *Journal of Consumer Studies and Home Economics*, 16, 229-234.
- Hirano, E. (1987). *Faith in Fuji Sengen (Fuji Sengen shinkou)*. Tokyo: Yuzankaku. (in Japanese)
- Hosokawa, K. (1936). About *Tanomoshi* in the Middle Ages (*Chusei no Tanomoshi ni tsuite*). *The Social Reform (Shakai Seisaku Jihou)*, 184, 125. (in Japanese)
- Iwasaki, K. (1992). *Strategy for credit in period of change: From risk management to marketing of card (Henkakuki no credit senryaku: Card no risk management kara marketing made)*. Tokyo: Sanno Institute of Management Publication Dept. (in Japanese)
- Iwashina, S. (1983). *History of Fuji Ko (Fuji Ko no rekishi)*. Osaka: Meicho Shuppan. (in Japanese)
- Japanese Consumers' Cooperative Union. (2013). *Report for investigation and research on a model for a counseling service about living and lending by local cooperatives (Chiiki koubai seikyo ni okeru seikatsu soudan/kashitsuke jigyo model kouchiku chousa kenkyu jigyo houkokusho)*. Retrieved March 7, 2014, from [http://jccu.coop/kurashi\\_tasukeai/welfare/pdf/topics\\_20140516\\_01\\_01.pdf](http://jccu.coop/kurashi_tasukeai/welfare/pdf/topics_20140516_01_01.pdf) (in Japanese)

- Japan Federation Bar Association. (2012). *President's statement on greeting second year after full enforcement of the Revised Money Lending Business Act (Kaisei kashikingyou hou no kanzen sikou go 2 nen wo mukaete no kaichou seimei)*. Retrieved August 17, 2014, from <http://www.nichibenren.or.jp/activity/document/statement/year/2012/120618.html>  
(in Japanese)
- Japan Industrial Association. (2013). *Active consumer life adviser (Katsuyaku suru shouhi seikatsu adviser)*. Retrieved March 24, 2015, from <http://www.nissankyo.or.jp/adviser/about/katuyaku/interview8-1.html>  
(in Japanese)
- Kanamori, A. (2004). *Visit to Ise Shrine and Edo (Ise Moude to Edo no Tabi)*. Tokyo: Bungei Shunju. (in Japanese)
- Kimura, Y. (2001). Change of collective characteristics and village of *Kijiya* in a Japan lacquered ware district at Aizu region (*Aizu shikki sanchi ni okeru kijiya no shudanteki seikaku to kijiya shuraku no henyou*). *Historical Geography (Rekishi Chiri Gaku)*, 43-4 (205), 1-17. (in Japanese)
- Koseki, T. (2009). *The safety net does not spread: Third year after the Revised Money Lending Business Act (Hirogaranai safety net kashitsuke: Kaisei kashikingyou hou kara 3 nen)*. Retrieved March 9, 2014, from [http://news.searchina.ne.jp/disp.cgi?y=2009&d=1215&f=column\\_1215\\_001.shtml](http://news.searchina.ne.jp/disp.cgi?y=2009&d=1215&f=column_1215_001.shtml)  
(in Japanese)
- Map of Japan. (n.d.). Retrieved April 9, 2014, from <http://ja.wikipedia.org/wiki/%E6%97%A5%E6%9C%AC%E5%9C%B0%E5%9B%B3> (in Japanese)
- Ministry of Health, Labour and Welfare. (2012). *About the funds for life and welfare (Seikatsu fukushi shikin kashitsuke seido tou ni tsuite)*. Retrieved March 9, 2014, from <http://www.kantei.go.jp/jp/singi/saimu/kondankai/dai01/siryou05.pdf> (in Japanese)
- Miura, H. (1958). *Research on legal history (Houseishi no kenkyu)*. Tokyo: Iwanami Shoten. (in Japanese)
- Mutual system on Tanomoshi Ko and Mujin, and birth of a Mutual Bank (Tanomoshi Ko/Mujin to iu tasukeai no system. Arui ha Sougo Ginkou no tanjyo). (2005). Retrieved August 7, 2014, from <http://www.tanken.com/tanomosi.html> (in Japanese)
- Nakamura, K. (2002). *Competition and efficiency in the consumer credit market: Moral hazard on personal financial service and desirable measures (Shouhisha shinnyou shijyou no kyousou to kouritsusei: Kojinkinnyuu ni okeru moral hazard to housei no arikata)*. Tokyo: Economic and Social Research Institute of Cabinet Office. (in Japanese)
- Nakashima, Y. (2006). Revising a cap interest rate stipulated by the Investment Law: The point of the Revised Money Lending Business Act (*Shusshi hou jyou no jyougen kinri no minaoshi: Kashikingyou kisei hou tou kaisei no ronten*). *Legislation and Investigation (Rippou to Chousa)*, 261, 3-8.

## A ROLE OF SOCIAL FINANCE BY A COOPERATIVE: - A CASE STUDY OF GREEN COOP FUKUOKA, JAPAN

- National Consumer Affairs Center of Japan. (2006). *Research about present conditions and measures on multiple debt problems (Tajyu saimu mondai no genjyo to taiou ni kansuru chousa kenkyu)*. Retrieved August 9, 2014, from [http://www.kokusen.go.jp/pdf/n-20060322\\_2.pdf](http://www.kokusen.go.jp/pdf/n-20060322_2.pdf) (in Japanese)
- Nippon Hoso Kyokai. (2013). *Series disparate society: Reviewing family budget to reconstruct life (Series hinkon kakusa shakai: Kakei wo minaoshi, seikatsu saiken he)*. Retrieved March 24, 2015 from <http://www.nhk.or.jp/heart-net/tv/calendar/2013-01/28.html> (in Japanese)
- Shimizu, K. (1972). About *Tanomoshi*: Historical progress and current conditions (*Tanomoshi ni tsuite: Sono rekishi teki na keika to genzai no jyotai*). *Bulletin of Nara University of Education*, 21 (1), 177-191. (in Japanese)
- Shimokawa, Y. (2006). *Like Okinawa even more (Motto suki ni nacchatta Okinawa)*. Tokyo: Futabasha. (in Japanese)
- Uehara, T., Kazama, H., Tange, M., & Fujiyama, M. (2010). Can the Revised Money Lending Business Act solve the multiple debts problems? (*Kaisei kashikingyohou ha tajyu saimu mondi wo kaiketsu dekiruka?*). *Economic Instrument Screen (Keizai Hyakuyou Bako), Extra Edition*, 1-10.
- Utsunomiya, K. (2002). *Consumer loan: Actual condition and relief (Shouhishakinnyuu: Jittai to kyusai)*. Tokyo: Iwanami Shoten. (in Japanese)
- World Bank. (2014). *Financial inclusion*. Retrieved March 10, 2014, from [http://siteresources.worldbank.org/EXTGLOBALFINREPORT/Resources/8816096-1361888425203/9062080-1364927957721/GFDR-2014\\_Complete\\_Report.pdf](http://siteresources.worldbank.org/EXTGLOBALFINREPORT/Resources/8816096-1361888425203/9062080-1364927957721/GFDR-2014_Complete_Report.pdf)
- Yomiuri News Paper. (2013). *Providing counseling service on family budget for the needy (Seikatsu konkyusya ni kakei soudan)*. Retrieved March 24, 2015, from <http://www.yomidr.yomiuri.co.jp/page.jsp?id=85114> (in Japanese)
- Yui, K. (1935). *Tanomoshi Ko and the legal relation (Tanomoshi Ko to sono houritsu kankei)*. Tokyo: Iwanami Shoten. (in Japanese)