

## 38-1 Revitalization of Industries and Livelihoods (Funding support)

Case study	Kesenuma Shinkin Bank, promoting community-based financing		
Location	Kesenuma City, Miyagi Prefecture		
Phases	Emergency response phase	Recovery phase	
	Early reconstruction phase	Late reconstruction phase	
Members	Shinkin Central Bank		
<p>Activity overview:</p> <p>The Kesenuma Shinkin Bank is a credit union that mainly operates in Kesenuma City, Miyagi Prefecture, and other areas along the Sanriku coast. Ten of its 12 branches were forced to close due to the earthquake, and because its borrowers' businesses were also hit by the disaster, it faced difficulty foreseeing its financial conditions moving forward. To address this issue, in February 2012, the bank received a capital injection of JPY 15 billion from the national government and Shinkin Central Bank under the Special Exception for Cooperative Financial Institutions under the Act on Special Measures for Strengthening Financial Functions.</p> <p>Based on its Business Enhancement Plan under Specific Special Provisions for Earthquake Disasters formulated in 2012 (updated in 2016), the bank — through the routine visits made by its sales reps, which are one of the strengths of shinkin banks — promoted community-based financing that addressed business issues that individual businesses faced, such as cash flow, business upgrades, business restructuring, and livelihood reconstruction, thereby contributing to regional reconstruction and revitalization, as well as the revitalization of the regional economy.</p>			
<p>Activity details:</p> <p>■Preserving and stabilizing financial functions that support the regional economy</p> <p>Kesenuma Shinkin Bank is a credit union that mainly operates in Kesenuma City, Miyagi Prefecture, as well as Minamisanriku Town, Rikuzentakata City, and Ofunato City, areas that suffered catastrophic damage in the Great East Japan Earthquake. Ten of its 12 branches were forced to close due to the earthquake. From the third day after the earthquake, customers who did not have their bank cards or pass books were able to receive JPY 100,000 in cash at branches that had escaped the disaster if they gave the name of a Shinkin Bank employee who had been servicing them, giving them peace of mind in meeting their immediate cash flow needs.</p> <p>A total of 980 or 14% of the bank's borrowers and JPY 21 billion or 47% of its total credit exposure were affected by the earthquake. Immediately after the disaster, the bank responded flexibly as a financial institution that called the affected areas home, extending new loans to affected businesses (a total of 3,597 borrowers, totaling JPY 65,192 million as of May 2020), modifying loan terms (a total of 422 borrowers, totaling JPY 7,356 million as of May 2020), and temporarily suspending scheduled repayments, thereby contributing to the preservation and stabilization of financial functions that support the regional economy.</p>			

■Capital infusion based on Special Provisions for Earthquake Disasters under the Act on Special Measures for Strengthening Financial Functions

Because it was difficult for Kesenuma Shinkin Bank to foresee its financial conditions moving forward due to the damage suffered by bank itself and its borrowers' businesses, in February 2012, the bank received a capital injection of JPY 15 billion from the national government and Shinkin Central Bank under the Special Exception for Cooperative Financial Institutions under the Act on Special Measures for Strengthening Financial Functions. The bank has formulated five-year Business Enhancement Plans under the Specific Special Provisions for Earthquake Disasters over two terms (April 2011 to March 2016, and April 2016 to March 2021) and currently promotes smooth financing in the region under the guidance of the Shinkin Central Bank, including the management and collection of loans of affected businesses.

■Support for business improvement and revitalization of companies

To assist regional businesses in improving their business operations, the bank gathers information on these businesses' actual business conditions during their regular sales visits, provides ongoing guidance and advice, and assists in the formulation of plans to improve their business.

With regard to the issue of double debt among businesses affected by the disaster, the Miyagi Industrial Reconstruction Corporation, the Iwate Industrial Reconstruction Corporation, and the Corporation for Revitalizing Earthquake-Affected Business are working to revitalize their businesses such as by supporting the purchase of their existing debt. As of the end of June 2020, these organizations have been utilized in 56 cases.

For customers with mortgages, the company is promoting awareness of the Individual Borrowers' Guidelines for Private Settlement by visiting individual customers to explain the guidelines, and holding consultation meetings to promote debt settlement in accordance with these guidelines. As of June 2020, the bank has received 41 offers to initiate debt settlement, of which repayment plans have been agreed upon in 26 cases.

■Support for business start-up and sales channel development

In November 2011, the Sanriku Reconstruction Tomodachi Fund was established with contributions from international NGOs and U.S. companies, and the fund worked with NPO Planet Finance Japan to provide grants for new business startups and re-employment at affected companies, as well as provide interest subsidies (the fund concluded in FY2014).

In cooperation with credit unions nationwide, the bank supported customers' exhibits in matching events such as Business Match Tohoku to help them expand their business.

In December 2013, the Kesenuma Shinkin Reconstruction Assistance Fund was established with support from the Mitsubishi Corporation Disaster Relief Foundation and the Nippon Foundation. In addition to subsidizing interest from Kesenuma Shinkin Bank's loans, the bank supported product planning and development, held sales channel development strategy classes to help businesses

develop sales channels, and provided support for social businesses.

In July 2016, the bank partnered with the Tokyo Higashi Shinkin Bank to implement the Produce Locally and Consume in Tokyo Project, with the aim to expand the sales channels of fishermen and fisheries processors in the Kesenuma region, who were working to rebuild from the earthquake, by matching them with restaurants and food-related businesses in Tokyo. In October 2017, the bank held a cross-industry meeting of young business owners from both regions.

■Reconstruction and revitalization of the region and regional economy

The bank celebrated its 90th anniversary in September 2016, and completed the construction of its new main branch in February 2017. As of September 2020, six of the ten branches affected by the disaster were operating normally, three were operating either in other branches or in temporary buildings, and one has been integrated with another branch. As for the three branches operating either in other branches or in temporary buildings, two branches are scheduled to be reconstructed in FY2020, and one in FY2021.

Going forward, the bank, through face-to-face sales, which is one of the strengths of credit unions, is committed to strengthen its consulting function which involves understanding its clients' business issues, and providing consultation and advice, and is also committed to provide support for business operations at affected companies, and to work to achieve the reconstruction and revitalization of the region, and the revitalization of the regional economy.

Source (Listed in other case studies, etc.):

- 気仙沼信用金庫「経営強化計画の履行状況報告書の公表について」(2020年9月)  
[http://www.shinkin.co.jp/kshinkin/kokuti/01shinsaikanren/keieikyokakeikaku\\_202009.pdf](http://www.shinkin.co.jp/kshinkin/kokuti/01shinsaikanren/keieikyokakeikaku_202009.pdf)

Systems and mechanisms applied:

- Act on Special Measures for Strengthening Financial Functions (Special Provisions for Earthquake Disasters)

Project cost: