**What’s Factors in the Process of the Transformation of the Business Model**

**-The case of P2P Lending-**

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**ABSTRACT**

There are adaption issues when overseas companies cross border and enter to other countries。In our study, we believe there is the same problem when regarding to new business which led by developing technologies in recent years. Throughout our research, we take p2p lending as example. We pick three factors on cross border issue from literature, research about how these factors will impact P2P Lending, and finally conduct interview .The research result shows that P2P will eventually resulted in a failure if there were not enough analyze and thus losing advantages。In addition, this fact has a warning effect to overseas businesses which plan to cross border by utilizing technologies in the future.

**Keywords: P2P Lending, Consumer Lending, Business Lending, business model across border**

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**１．INTRODUCTION**

**1-1. BACKGROUND**

Recently, some innovative businesses have been spreading all over the world. However, sometimes businesses don’t work when it crossed border. One of examples is the case of Uber. Uber was established in the United States. The business model of Uber is to connect ordinary people who would like to earn income using their cars with passengers who want to move efficiency on the Uber System. The service that everyone could take passengers somewhere would not be applied in Japan. Because it is prohibited for ordinary people who are not taxi drivers to take passengers somewhere by Japanese law. Therefore, the attractive service by Uber disappeared in Japan. The next example is the case of Mobike in China. This company provide a service to lend their bicycles to customer. This service has been spreading in China because of the benefits of the system of Mobike. Thanks to the GPS and Information Technology, the rider can get off the bicycles when they would like to do. However, there was a problem in Japan. Leaving bicycles on the street is prohibited by Japanese law. Because there is a problem like an obstacle to traffic. The benefit that the rider can get off bicycles when they would like to do disappeared. There are other businesses which don’t work. P2P Lending of FinTech we take up as research is one of them.

FinTech is attractive attention in the financial industry. Financial Council in Japan (2015) describes as Fintech “Mainly, this is the innovative financial services through using Information Technology. Especially, nowadays, IT start-up companies provide the innovative financial services which traditional financial institutions don’t provide in a foreign country”. According to Kashiwagi (2016), “Fintech starts from in the United States. There are four reasons for rising Fintech in the United States”. Firstly, due to the financial crisis in 2008, Many people in the United States left the financial industry. And people who left the financial industry moved to Silicon Valley which is famous for Information Technology. Therefore, the foundation of FinTech was formed in Silicon Valley. Secondly, Millennial generation has been increasing. It indicates the people who were born from 1980 to 1990 in America. When they were born, they are with the Internet. Most of them buy something on the Internet. Therefore, their characteristic consumption behavior causes the growth of FinTech. Third, FinTech Services has been used gradually by spreading smartphones. And thanks to the spreading of social network. There are a lot of information on the SNS. Therefore, informational technology start-up companies could identify demand which traditional financial institutions can’t gain. Forth, Thanks to the changes in the international technology system of a company, for example, companies could determine the degree of risk of some persons by using Big data. Also, by using cloud storage, international technology start-up companies could reduce the cost to launch a net service.

**1-2 OUTLOOK OF P2P LENDING**

According to a society for the study of Fintech Business (2017), “Fintech could be divided into 7 categories, money transfer, Lending, Virtual Currency, Financial management, Asset management, Household budget, and Payment service”. Crowdfunding could be categorized as Lending. Crowdfunding has five types, Donation type, Reward type, Equity type, Royalty type, and Lending type. P2P lending is one of Crowdfunding, P2P lending could also be categorized as Lending type (Kashiwagi, 2016).According to a society for the study of Fintech Business (2017), P2P lending connects an individual who would like to lend money with another individual who would like to borrow money on the internet, that lenders and borrowers include enterprise and funder”. In addition, P2P Lending has two types. The first type is the Consumer Lending. It is that individuals or institutional funders provide a loan to consumer borrower. The second type is the Business Lending. It is that individuals or institutional funders provide a loan to business borrower (Rober Wardrop ,2016).P2P lending is a new platform of financial transactions that bypasses traditional intermediaries by directly connecting lenders and borrowers (Martina Pokorna and Miroslav Sponer, 2016).

The procedure of P2P lending is firstly to accept an application to lend individual money through a computer or smartphone, and enterprises make an examination of loan automatically. The style of an examination by P2P lending service providers are different from the style by traditional financial institutions. They take advantage of the Information of Big Data and it on the SNS. Second step is to determine the interest rate and the period of the loan with the information of the borrowers. They are based on the examination. Finally, investors carry out an evaluation of the borrower. And invest on the P2P lending platforms. First P2P lending platforms were established in the United Kingdom and in the United States. Their concepts are to connect directly small investors with borrowers (Martina Pokorna and Miroslav Sponer, 2016).

**1-3 BENEFITS OF P2P LENDING**

P2P lending is a type of financial transactions concluded directly between individuals or between individuals and a company without the intermediation of a traditional institution. It has a short history but it has rapidly grown in recent years. There are many advantages of P2P lending compared to loan transactions made through traditional lending institutions. According to Magee (2011), “The main advantage of P2P lending is that borrowers can get a loan at a lower rate without collateral, while lender can obtain a higher return on his investment”. Sakashita (2014) explained that the reasons of this is to reduce contract costs by IT. The next big advantages are transparent, flexible conditions, quick decisions and lower costs because operational costs of P2P lending platforms are not so administrative and hierarchic overload (Martina Pokorna and Miroslav Sponer, 2016).

P2P lending has attracted a huge entry of investors who has been discouraged by the stock market returns and lower interest rates offered by bank ( Brennan , 2009).

**1-4 OBJECTIVE**

Some studies about the global marketing have revealed that when some enterprises do business cross the border, there are some environmental factors matters. However, the question has remained unanswered what factors change the innovative business model when it crossed borders. Therefore, we attempt to reveal these factors.

First, we consider what factors effect to develop the business model of P2P lending based on literatures and archieve data. Then, we confirmed these factors we found by interview with the P2P lending service providers. When the innovative services crossed borders, there are some cases don’t work. However, we found that the innovative service can be applied to the previous research. So, we believe identifying these factors is valuable for academic and practical fields.

**Objective: This study was undertaken in order to identify how the factors related each other in the process of the transformation of the business model of P2P lending when it crossed borders.**

**2. THEORETICAL BACKGROUND**

In this section, we reviewed literatures and compared with business model between the United States Japan and China to extract three factors may change this business model. Finally, we explain Japan business model and also describe the history and laws of the Japan P2P Lending.

**2-1. Literature Review**

The issue of standardization and adaptation of international marketing strategies has been made since the 1960s. In the Standardization of international marketing is particularly there has been a debate that the standardization of international relations between products and advertising should mainly lead to corporate profits through cost reductions due to economies of scale.

(Buzzell,1968:Levitt,1983:Jain,1989)The reason why the international standardization and adaptation is necessary is that the theoretical assumption that the enterprise can have benefits when the product policy is standardized worldwide is pointed out. (Morokami,2008) The literature review, there is described in terms of standardization and adaptation, includes factors that influence various processes. Nakao (2011) said that it is important to adapt to the needs of local countries and regions, to point out the need to see customers. In addition, construction means to realize the superiority of the enterprise is an effective means to realize the resource advantage (Kou,2013). He said about the strategy of the enterprise is described. Inoue (1994) stated that the International strategy can demonstrate superiority by living in the region of cutting-edge technology products and general-purpose products, so market contention and the corner of that is cited. Moreover, laws regulating financial markets vary by country and region. There are restrictions on financial instruments, procedures are cumbersome, and financial markets are not attractive. (Kubo 1995), this is said in regulation. Others review is aspects of technology. The technology and management resources that will be relocated will affect whether the company survives (Yoshihara 2006) And a multinational service is not only moving capital but also transferring product technology and knowledge-know-how (Shiomi, Tanaka 2015) and other aspects of technology. Oishi (2007) was categorize these factors are divided into law, politics, economics, geography and culture. In addition, Usui (2006) is divided into factors such as environmental factors, market factors, customer problems, competition-related factors, products/industrial factors, organizational factors, and Manet. However, the factor can be roughly divided into the industrial or market factor and the enterprise factor, and it is not particularly constant among studies. (Morokami,2008)

**2-2　Compare with the P2P business model between the countries.**

Here is compare each country and then, show that Japanese business model has developed its own. In this study, pick up three country ( Japan, America, China).

**(1) P2P Lending business model in the United State**

The market size of Consumer Lending in the United State is 256.9 billion dollars in 2015, and the market size of Business Lending in the United State is 25.5 billion dollars in 2015(Breaking new ground the United State alternative ﬁnance benchmarking report). This number shows that Consumer Lending has been developing in the United States, and Business Lending has not developed compared to Consumer Lending.

Figuer1: P2P Lending business model in the United State.

Risk

Bank

Investment

Investment

Dividend

**借手**

**個人**

**返済**

**①融資**

**②債権譲渡**

**FICOスコアによる**

**借手信用情報審査**

**（テクノロジー関与）**

Repayment

Loan

Risk

Risk

Borrowers

Platform

Investors

（Source : author）

P2P Lending business model in the United State is four actors involved. (Borrowers, Investors, Platform) Platform is the company that service provider. In United State, it is the bank, Platform and Investor that takes the risk. Especially, in United State exited the Bank and it has some risk. that takes the risk. In addition to, borrowers can publish their own information, investors can view the borrower's information as a criterion for investment.

**(2) P2P Lending business model in China**

The market size of Consumer Lending in China is 524.4 billion yen in 2015, the market size of Business Lending in China is 396.3 billion yen in 2015. (Breaking new ground the Americas alternative ﬁnance benchmarking report). To consider this numbers, in China Consumer Lending and Business Lending is growing, too.

Figuer2:P2P Lending Business model in China

Repayment

Dividend

v

Loan

Investment

Platform

Investor

Borrower

Risk

Risk

（Source : author）

Business model in China is three actors involved. (Borrowers, Investors, Platform company) In China, it is the investors and Platform that take the risk.

**(3) P2P Lending business model in Japan**

The market size of Consumer Lending in Japan is 0.025 billion yen in 2015, the market size of Business Lending in Japan is 3.24 billion yen in 2015. (Breaking new ground the Americas alternative ﬁnance benchmarking report). What is conceivable from this, the main business is Business Lending in Japan. Then, the number in Consumer Lending is extremely small.

Figuer3:P2P Lending business model in Japan

Anonymous

Loan agreement

Dividend

Repayment

Platform

Investor

Borrower

Risk

Loan

Investment

Risk

（Source : author）

Business model in Japan is three actors involved. (Borrowers, Investors, Platform) In Japan, it is the investors and Platform that take the risk. The structure in Japan which fund providers lend directly to funders is required to register based on the Money Lending Business Act, assumed that each fund provider is engaged in lending business. It also provides services using a system called a silent partnership with the aim of protecting borrowers by making it impossible to have direct relationships between investors and borrowers. With the anonymous association, the information of both (borrowers / investors) is in the form of services which cannot be seen mutually.

HISTORY: Number of companies developing business

maneo and AQUSH are the two companies that have been developing business in Japan. maneo began business in 2008, withdrawing from P2PLending business in 2011 after three years, lending to corporations, not individuals. AQUSH started its business in 2009, and as of 2017, it stopped its business and withdrew from business. These days, both were stopped services on their platform. By tracing the history of the company, Consumer Lending was first deployed in Japan and then changed to Business Lending.

※1 Please refer to the accompanying documentation.

In Japan, the lenders and the borrowers do not form a loan agreement directly. In our country, P2P lending enterprises directly provide loans to borrowers, it is common for lending funds under the silent partnership agreement. In our country, there is the business law to lend. Lenders which would like to do lending services have to be registered. Under the current regulation, it is difficult for lenders to lend directly finance loans to borrowers. The service is constituted that lenders invest to a partnership as an investor, and a enterprises who registered a lending business lends money to borrowers to avoid the regulation. Also, the P2P lending platforms does not specifically disclose the information of the lenders to avoid the regulation and it is designed to finance funds from lenders to multiple borrowers by anonymous contract

Regulatory Law for Loan Business was established in 1983.Establishment of revised Regulatory Law for Loan Businessin 1999. Reduction of maximum interest rate on annual lenders.2006 Amendment of Total Quantity Regulation Establishment of Regulatory Law for Loan Business.However, it took six years to be fully enforced, and it is fully enforced in 2012.Consumer Lending in Japan like maneo was born during this law amendment.

**2-3. The Literature Review about P2P Lending in Japan**

In this section, we primarily focus on P2P Lending in Japan. We researched about what factors had led hindered the development of P2P lending in Japan through existing research studies. Twenty-two studies about social lending and nine studies about P2P Lending had been found in National Diet Library in order to find the main issues. However, there were just too few studies to find the result besides most of them were from magazines and reference journals. In addition, these studies mainly discussed the development of P2P lending overseas but few about the history of P2P Lending in Japan.We organized the difficulties that Japan had faced throughout the whole history of P2P Lending in Japan by utilizing existing literature.

Fujiwara (2011) has one opinion about P2P lending will replace financial institutions in Japan in the future regarding to the developing tendency of the model of P2P Lending. First, Fujiwara mentioned the issue of legal provisions. Especially to P2P Lending companies, Money Lending Business Act is the most important issue. For example, after the revision of Money Lending Business Act, the new rule called “total volume control” will impact the Money Lender’s P2P Lending companies negatively. Secondly, there are issues about the convenience of P2P Consumer Lending. Compare the rapid speed of reviewing consumer finance companies (25m~40m) to lending abilities, P2P Lending companies need more time in order to examine borrower’s credit rating and to complete financing, which is the disadvantage.

Morita (2013) claimed the issue of information asymmetry emerges within the P2P Lending industry in Japan which just like traditional financial institution. Take Maneo for example, since the ID is anonymous while the investor is financing to the borrower, and direct contact between investor and borrower is prohibitive, meaning that investors are only allowed to acquire borrower’s information according to the information provided by Maneo to proceed financing judgment. Thus, there would be no difference between P2P Lending and traditional financial institution, which means no advantages are especially showed by P2P Lending.

More than literature review, in this study will extract three of the "competition, technology, and regulation" as a factor, and continue research from a marketing perspective as to whether these factors apply in the future, and existing research applies to innovative business.

**2-4. Research Questions**

Based on these, we found that P2P lending model in Japan is undergoing unique changes by comparing the P2P business model in the other country. And we found three factors may change this business model across the border based on the literature review. How these three factors influence in the process of transformation on the business model. We decide to set up two research questions to clarify the cause of this phenomena. The following are research question 1 and 2.

**RQ 1: Why did Consumer Lending fail in Japan related with three factors?**

**RQ 2: Why did Consumer Lending success to turn into Business Lending in Japan related with three factors?**

Our goal in this study is to identify how three factors related each other in the process of the transformation of P2P business model in both questions. We found three factors may influence the P2P lending business model from Literature Review. We decided to make an interview to clarify these factors to P2P Japanese companies.

**3. METHONOLOGY**

In this section, we carried out a qualitative survey to identify how those three factors related each other in the process of the transformation of the business model when it crossed border.

**3-1. Procedure and Sampling**

Our goal in this study is to identify how three factors related each other in two research questions. Therefore, we carried out exploratory investigation to clarify how three factors related each other in the process of the transformation of the P2P business model when it crossed in Japan. Data were gathered from nine P2P lending service providers using the interview. P2P lending service provider consists of only 23 P2P lending companies in the industry (date of 01/09/2017). We succeeded in interviewing with 9 P2P lending company occupied more than the half size of the P2P lending market in Japan. and one person who be capable of understanding of the whole history of the development of P2P lending in Japan. Especially, the only Maneo we interviewed occupied more than half size of the P2P lending in Japan. we interviewed them from September 1, 2017 to October 20, 2017. The method we interview is the semi-structed interviews. The reason we interviewed is that we could not clear the factors based on the secondary data. And, the reason we need to know the factors is that we could clear the cause of failure consumer lending and success of business lending in Japan. We think that the previously research can be applied to the innovative service. Therefore, we interviewed them based on three factors. The three factors are: (1) regulation (2) technology (3) competition.

※2 Please refer to the accompanying documentation.

**4.RESULT**

In this section, state what they said from based on the interview. First show Raw Date, then state more detail.

**DATE**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Classification** | Influence  Company | **Technology**  (ex. Judging Criteria) | **Regulation** | **Competition**  (ex. concept) | | **About Consumer Lending** |
| Consumer Lending Company | Pioneer　in Japan. | **For Borrower** | | | |  |
| ・It is the same as the examination standard of the bank. Rather it was tough | ・Presence of total regulation | ・Mature markets | |
| **For Investor** | | | |
| ・See the information about borrower. | ・Anonymous | ・Deposit substitute service | |
| Business Lending Company | Company ①  ※ | **For Borrower** | | | | ・Consumer lending is not adopted. At this stage, it is difficult to build a relationship of trust with investors and borrowers. |
| **−** | **−** | **−** | |
| **For Investor** | | | |
| ・Devises the design on the web to know easy about how to use. | ・It is subject to the Real Estate　Law so it is not tied up. | ・ The concept is a part of investment services  ・Before start this, has Investors from parent company. | |
| Company② | **For Borrower** | | | | ・Consumer lending is not adopted  Because there is no company physical strength, if the default rate increases the company management becomes dangerous. |
| ・Don’t need Technology because it is enough to judge Borrower by human who from the real estate world. | ・Don’t feel to tied up by regulation. | ・The concept is directed to local small and medium-sized companies that can‘t get a loan from the bank. | |
| **For Investor** | | | |
| ・Make an effort to disclose all the information clearly in order to obtain credit. | ・Has a little feeling for regulation, don’t show about borrower. | ・Part of investment services  ・Social　contribution is the main. | |
| Company③ | **For Borrower** | | | | ・We had previously done consumer lending.  Depending on market conditions, there is a possibility of thinking about re-entry. |
| ・No significant change in the examination method of the bank　because has cultivated the know-how that does not cause bad from Consumer Lending. | ・Don’t feel to tied up by regulation | ・The concept is for small and medium enterprises that accept loan from bank. | |
| **For Investor** | | | |
| ・Make an effort to disclose all the information ,hold a seminar. | ・Has a little feeling for regulation, don’t show about borrower. | ・The concept is part of investment services also the goal as Business Lending service is regarded as an alternative to stocks. | |
| Company ④ | **For Borrower** | | | | ・Consumer lending is not adopted.  As banks and consumer finance already exist in Japan, it is difficult to newly enter in consumer lending |
| ・No specificity | ・Don’t feel to tied up by regulation | ・Doing Business Lending as a securities company. | |
| **For Investor** | | | |
| ・Make an effort to disclose all the information ,hold a seminar. | ・Has a little feeling for regulation, don’t show about borrower. | ・Doing Business Lending as a securities company. | |
| Company ⑤ | **For Borrower** | | | | ・It is no idea to do P2P Lending in Japan. They don’t feel good, it’s look so dangerous and isn’t expect a profit. |
| ・Don’t use any special technology because method for judging is from real estate industry | ・Don’t feel to tied up by regulation | | ・Service as a means to collect funds from our company |
| **For Investor** | | | |
| ・Make an effort to disclose all the information ,hold a seminar. | ・Has a little feeling for regulation, don’t show about borrower. | | ・Part of investment services |
| Company ⑥ | **For Borrower** | | | | ・Consumer lending is not adopted. It is no borrower in Japan. They want to expand overseas rather than develop a domestic market. |
| ・Has its own Judging criteria that go company to see real. | ・Don’t feel to tied up by regulation | ・The concept is for small and medium enterprises in foreign  ・It is important to has the potential or not in foreign company. | |
| **For Investor** | | | |
| ・Make an effort to disclose all the information ,hold a seminar. | ・Has a little feeling for regulation, don’t show about borrower. | ・It is regarded as an alternative to stocks.  ・Since the borrower is a developing country, it also includes social contribution. | |
| Company⑦ | **For Borrower** | | | | ・Even if we introduce technology, P2P lending will not produce a successful image |
| ・Has its own Judging Criteria. | ・Don’t feel to tied up by regulation. | ・The concept is for small and medium enterprises in foreign. | |
| **For Investor** | | | |
| ・Make an effort to disclose all the information ,hold a seminar. | ・Has a little feeling for regulation, don’t show about borrower. | ・The concept is part of investment services | |
| Company ⑧ | **For Borrower** | | | | ・It seems to be difficult to do p2p lending.  Difficult to recruit and review borrowers.  We are not planning to start P2P lending service. |
| ・Don’t use any special technology　because feel enough alternative system from real estate industry. | ・Don’t feel to tied up by regulation. | ・The concept is small and medium enterprises and the targeting is things that are socially valuable. | |
| **For Investor** | | | |
| ・Make an effort to disclose all the information, hold a seminar. | ・Has a little feeling for regulation, don’t show about borrower. | | ・The concept is part of investment services |

※１

This company does not lend out because it is immovable in his company as its content.

In Business Lending, there was no company that replied Consumer Lending. Business Lending service providers already think starting Consumer Lending, they didn’t find advantage. Also, Pioneer in Japan state to lost advantage.

However, in Business Lending, there are no regulation based on no company feel tied up by regulation and there was a hole in the market. Hence, Business Lending has advantage in Japan.

**5. DISUCISSION**

In this section, we use three obstructive factors when cross border based on the interview results in order to discuss how it impact specifically on international markets.

**5-1. Technology: Applying Big Data to Risk Management**

The reason why Fintech is developing rapidly in global scale is because it utilizes technology and finance, and thus the effectiveness of financial industry had improved enormously.

One of the key elements is the utilization of technology. It applied Big Data in order to avoid from high cost, low efficiency on manual review and prediction of status quo according to personal experience. Moreover, Big Data is able to explore potential fine quality borrower. Within the traditional bank system, standards of assessing borrower are based on two primary elements, which are credit score and human judgment, and personal income and score of assets information play essential roles. However, Fintech holds more advantages compared to the review standards of traditional bank, employing more elements in order to assess borrowers’ credit exposure. For example, it assesses an individual’s credit comprehensively and calculates possible cost for breaking a contract through social media, the record of online shopping and even through heuristic factor such as the activities that one had joined on line. On contrast to the traditional financial institutions, after analyzing these data through Big Data, financing are allowed to be completed in a higher speed. There are some classical examples of applying big data to risk management within FinTech filed, like Alibaba’s Ant Financial. Referring to Alibaba’s colossal database, Ant Financial analyzes user data through cloud computing and eventually produce user’s credit data. Since Alibaba’s database contains various data kinds and the capacity is enormous, Ant Financial is able to assess user’s default rate comparatively accurately, determine user credit promptly and thus becoming a high-efficiency lending platform by using existing data. However, these advantages which stated above did not been applied to the marketplace of P2P lending in Japan, still utilizing traditional assessment to estimate user credit, which lead to no differentiation between traditional financial institution on borrower selection and lending speed. Therefore, this is a fatal reason that P2P consumer lending in Japan had resulted in a failure. Besides, this technology had not been applied on P2P business lending, and thus we suspect its sustaining development in the future.

**5-2. Regulation: Money Lending Business Act**

With the background of the rapid development of digital technique, industrial structure and business model is changing tremendously, which caused a conflict with former regulation.

In Japan, so-called “Business-Law” usually regulates standards and supervises every industry and business type. Nevertheless, a part of old regulation resists this type of new business model during the process of carrying out new business model, and thus new business model needs to adjust and change according to regulation under this situation. By conducting variations the new model will lose its original structure and advantage and becoming obstructive factors while developing in countries. The marketplace development of the sharing economy company “Uber” in Japan is a typical instance. In 2013, Uber started to entering Japanese market, originally planned to use platform for those who need a ride and those who drive own car to earn money in order to create value. However, Uber drivers are limited to people who possess business qualification according to Road Transportation Act, but normal drivers are not allowed to accept this service. Uber in Japanese market needed a corresponding mode which matches to the regulation, and so UberTaxi and UberTaxilux had been produced, which did not show its original advantages enough. Consequently, the development of Uber in Japan is majorly subjected to the regulation. Additionally, our research on P2P consumer lending is also an example. Since Uber is limited largely by Japanese regulation, the original model of P2P lending in Japan should be changed under its regulation, resulting in Japanese unique silent partnership contract. This causes asymmetry on information between borrower and investor. Investor’s lending will is completely based on the trust of platform’s database. This led to platform’s initial function is not for matching user but acquiring investor’s trust, giving rise to utilizing comparatively strict assessment standards in order to protect credit, which is incongruent with the traditional P2P platform model.

Secondly, the regulation of total volume control and interest rate upper limit after the revision of money lending business act had limited P2P lending companies’ borrowers. In contrast, as the same competitor, bank lending never get limitation under this regulation. It shows that the development of P2P lending companies in Japan had gotten suppressed.

**5-3. Competition: Finance Infrastructure**

Over the last few years, FinTech is developing rapidly in Chinese market inclunding mobile payment, bitcoin and P2P lending. Especially market turnover of P2P lending market became world top number one, meaning competitive environment is indispensable for countries’ marketplace.

Different from developed countries in Europe and America, the number of Chinese financial institutions like banks is limited. There are only approximately 1000 financial institutions including safe company, public funds, securities company and banks. Besides, Chinese bank system is led by nationalized bank, and loans mainly flow to state-owned business. Therefore, it is difficult for individual enterprises and small enterprises which need fund demand to financing from bank due to the bank’s complicated approval process, strict standards, low approval rate and partial to state-owned business.

One of the main advantages of P2P consumer lending is meeting financing demand as soon as possible for borrowers who need money immediately. On the other hand, for Japanese financial market, petty loan is market is dominated by consumer finance companies. Consumer finance companies utilize long time development and experience to conduct speedy lending services for unsecured petty loan borrower. There one tenth of the population are using their services to experience petty loan in Japan, suggesting it is a popularized and systematize mode. Despite statements above, there is still an issue about the high interest existed.Bank is responsible for low interest rate and large loans, but its disadvantages are strict assessment, complicates process and low-efficiency. The reason why P2P consumer lending in Japan did not become one of the new financing methods between these two is because the characteristic of the borrower is biased to petty loan market, forcing it to compete with robust consumer finance companies for fine borrower. Like mentioned before, there was no advantage for P2P consumer lending on lending speed and interest rate, which attracted low-quality borrower who was unable to financing from bank or consumer finance companies, resulting in rapid rise of default, and thus eventually led to the failure. However, there was only bank for SMEs which demand for large amount of fund. Above all, these are the main reasons why P2P business lending in Japanese market was able to develop sustainably.

**6.CONCLUSION**

When some businesses cross the borders , there is a problem that it can’t be adapted to the environment of the local. In our research, we also thought that the problem of adaptation occurred in a new business using most advanced technology that has developed recently. We have taken P2P lending as an example in our research to verify this problem. There are two points identified in our research.

The first point was to clarify why did Consumer Lending failed in Japan related with three factors The second point was to clarify why did Consumer Lending succeed to turn into Business Lending in Japan related with three factors? From the above two points, it was confirmed that the three factors, "legal regulation", "competition" and "technology", which are also described in the existing theory, influence the adaptation. Also, we have learned from this result. if market analysis is inadequate, the advantages of the business model will disappear and fail.

Contribution of our research is to refer to standardization and adaptation problems in the innovative businesses using technology which did not exist in previous research. Some businesses with high uncertainty, that is, those that can’t measure how much factor to be aware of in standardization adaptation affect business models or lose superiority. The innovative businesses by the development is uncertainty when companies cross the border. other innovative businesses have some problems like the case of P2P lending. We think that our research helped the case of Uber and Mobike. First, it is necessary to continue this line of research with multiple longitudinal case studies and a survey with a much larger sample to further confirm our research propositions.

In addition, we only examined P2P Lending in our study. Further research should be conducted to determine whether the findings are applicable to more complex and high-tech industries such as Uber and Mobike.

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| --- | --- | --- |
|  | Consumer Lending | Business Lending |
| 2008 | maneo started service. |  |
| 2009 | AQUSH started service. |  |
| 2010 |  |  |
| 2011 | maneo changed business. | maneo and SBI started service. |
| 2012 |  |  |
| 2013 |  | CrowdBank started service. |
| 2014 |  | Crowdcredit and Owers Book were　started service. |
| 2015 |  | LC Lending GAIA FUNDING and J.LENDING, SMART EQUITY were started. |
| 2016 |  | SAKURA social Lending, Crowd Realty, Green infra Lending, American FUNDIING Smart Lend, Crowd Lease and TATERU FUNDING were started. |
| 2017 | AQUSH stopped business | APPLE BANK and Cash Flow Finance were started. |

5※

|  |  |  |  |
| --- | --- | --- | --- |
| Interview Company | Person in charge | Position | Day |
| ①TATERUFUNDING  (Investor Crowd, Inc) | Murakami  Kurosaki | Operating officer  Corporate Planning | 9/1  14：00~ |
| ②SAKURASOCIALLENDING  （SAKURASOCIALLENDING  ,Inc） | Iwata | President | 9/4  16：00~ |
| ③maneo  （maneo,Inc） | Adachi | Operating officer | 9/13  17：00~ |
| ④Cloud Bank  (Japan Cloud Securities, Inc) | Doi | Director | 9/15  17：30~ |
| ⑤LC LENDING  (LC LENDING,Inc) | Yamanaka | President | 9/20　13:00~ |
| ⑥Crowdcredit  (Crowdcredit, Inc) | Takei | Chief Strategy Officer | 9/20 17:00~ |
| ⑦Gaia Funding  (Gaia Funding, Inc) | Kelvin  Ohara | President  Director | 9/26　14:00~ |
| ⑧Crowd Reality  (Crowd, Inc) | Yanagihara | General Affairs Department | 10/20　15:00~ |

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