

Feature Articles

This month's focus: **Financial Literacy and Financial Behavior**

Financial Literacy and Behavior: Situation in Japan, United States and United Kingdom

Tetsuya Kamiyama

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Japan's financial and economic education is about to enter a new phase with the establishment of the J-FLEC. In the United States, the FLEC has served a central role in supporting decision-making based on individual responsibility. In the UK, efforts to improve the financial literacy of citizens have primarily been made through MaPS, with some utilization of nudge theory. As we consider future issues in Japan such as the use of online tools, how to address regional disparities and the utilization of "nudges" in certain circumstances, we should seek optimal solutions while considering lessons learned from the overseas experience.

Why don't Japanese people have NISAs?—Comparative Analysis of Financial Literacy and Psychological Perspectives

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Although there has been growing awareness about the Nippon Individual Savings Account in recent years, only about 20% of the total population have one. In this study, we analyze the impact of financial literacy and psychological perspectives on opening a NISA according to level of awareness of the program. The results of the regression analysis show that among people who are well-informed about the NISA, financial literacy has no significant effect on whether or not they have an account, and that among those who only know the name, psychological perspectives have a greater impact than financial literacy on whether or not people are interested in the program.

Defined Contribution Pension Plans and Financial Education and Literacy

Hiroyuki Ono

Two surveys conducted periodically by the Japan Securities Dealers Association (JSDA) are analyzed to determine how financial education and literacy affects participation in defined contribution pension plans (company-type and individual-type). The results appear to underline the importance of financial education and financial literacy. The importance of these two factors was reaffirmed in the context of the declining birthrate and aging population, which have shaken the credibility of public pensions and the desire to enhance private pensions in guaranteeing people's livelihoods in old age.

Feature Articles

The Utilization of External Expertise as a Key Component of Financial Literacy: Challenges and Considerations

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Appropriate use of external expertise is an important aspect of financial literacy, but the reality is that many people are not necessarily aware of its importance. This paper analyzes the status of the use of external expertise based on a survey we conducted in August 2023. Currently, the need for paid advice is low, but those who have actually received such advice rate it highly. Providing groups with low financial literacy, who have an inherently greater need for advice, with opportunities to experience the benefits of consultation would be an effective measure in making the use of external expertise more widespread. At the same time, efforts should be made to increase trust in advisors, which is crucial for the high-literacy group.

Awareness, Experience and Intention to Use FinTech and Financial Literacy

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We analyze the impact on awareness, experience and intention to use regarding fintech services for individuals, based on a questionnaire survey conducted in Japan. The main findings are three. First, financial literacy promotes both awareness and use of fintech. Second, the financial literacy effect has a more pronounced influence on the experience of use in the household finances segment than in the investment services segment. Third, daily financial information acquisition behaviors also promote fintech use.

Articles

The Similarity of Managerial Ability in Mergers and Acquisitions and Stock Price Effects

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This paper examines how the similarity in managerial ability between the acquiring and target firms in M&As involving Japanese companies affects the short-term stock price at the time of M&A announcement. Using the managerial ability score introduced by Demerjian et al. (2012), we found that M&As between firms with a similar level of managerial ability are rated highly by the stock market, even if the managerial ability is low. Furthermore, we found that among firms with a similar level of managerial ability, M&As between those with a high level are rated more highly than those between firms with a low level. This paper consists of a main and supplemental sections.

Articles

An Empirical Analysis of Market Responses to Quarterly Earnings Announcements: The Role of the Firm's Information Environment in the Usefulness of Earnings Information

Kiyoshi Yakabi & Sayako Matsumoto

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This study examines the relationship between earnings forecast revisions and quarterly earnings announcements. The analysis shows that a growing number of firms do not revise their forecasts, leading to decrease in forecast accuracy. The regression results also suggest that firms that do not revise their forecasts experience a more significant stock price reaction (earnings response coefficient) at the time of their quarterly earnings announcement. These findings suggest that timely disclosure of earnings information becomes more crucial when firms choose not to revise their forecasts. This also highlights the need for a thoughtful discussion on the voluntary nature of quarterly disclosure.
