

Recent Development of Information Technology in Japanese Banks

ABSTRACT

Although Japanese banks have suffered from huge non-performing loans since the burst of the bubble, they have invested as much as possible in information technology. However, due to the shortage of available funds, each bank has felt that its investment was not high enough to compete with leading U.S. and European banks. This is one important reason why major Japanese banks have been merging with each other in recent years. Information technology has now become a key issue in the Japanese banking business.

This chapter discusses the recent development of information technology in Japanese banks in detail. The section titled **THE CHANGE IN THE BUSINESS MODEL** provides a brief explanation of the current Japanese banking environment. In **THE STEADY PROGRESS OF NEW INFORMATION TECHNOLOGY IN FINANCIAL INSTITUTIONS**, we discuss how Japanese financial institutions, mainly banks, have dealt with new information technology. The section on **INTERNET BANKING** provides a detailed discussion of new Internet banks and the Internet banking services of existing banks. As information investment has an external effect, the market will fail without government assistance. Therefore, in **GOVERNMENT EFFORTS: E-JAPAN STRATEGY**, we explain what the Japanese government has done in terms of IT usage in financial services. Finally, the **CONCLUSION** section concludes this chapter.

KEY WORDS

(1) Internet, (2) Internet Banking, (3) Japanese Banks, (4) Soft information, (5) e-Japan, (6) Japanese Economy, (7) Regional Banks, (8) Information Technology, (9) Relationship Banking.