

Small-Scale Industries Development Projects IV, V, and VI

Report Date: October 2002

Field Survey: August 2000

1. Project Profile and Japan's ODA Loan



Small Industries Development Bank of India (SIDBI): Headquarters and Major Branches



An ODA-loan-funded small enterprise (brick factory)

1.1 Background

The government of India has, in general, consistently worked to protect and promote modern small-scale industries as part of its development policy. The impetus behind the policy can be summarized as follows: the sector is 1) relatively less capital-intensive; 2) labor intensive, and thereby contributes greatly to labor creation, 3) forms the basis for modernized large-scale industry, and 4) contributes to a better balance of economic power.

Meanwhile, however, modern small-scale industries are plagued by inherent problems of the sector such as lack of sufficient capital, marketing capability and delay in modernization, in addition to generally inadequate infrastructure, particularly in the electric power and transportation sectors—a factor that tends to limit the development of the country's industrial sectors in general. India's central bank has instructed commercial banks to provide 40% of total capital disbursed to the priority sectors that comprise modern small-industries, agricultural enterprises, small-scale transport industries, and retail business . However, due to lack of funds on the commercial banks themselves, there was no sufficient funds actually. The followings are the overview of the steps taken by the government to assist modern small-scale enterprises in light of these factors.

- Establishment of items reserved for exclusive production by the sector
Production of specified commodities is permitted only of modern small-scale industries.
- Limiting government procurement
The government purchases specified items on a priority basis from modern small-scale enterprises.
- Provision of tax concessions
Small-scale enterprises are allotted concessions related to depreciation and investment deductions, as well as indirect tax breaks.
- Application of institutional financing
Concessionary lending terms are made available for capital investment through the Small Industries Development Bank of India (hereinafter referred to as SIDBI).

In particular, the refinancing system, which is one component of India's financial institutional structure, is a system that provides supplementary capital, via reimbursement, to primary lenders that have already been provided loans by governmental financial institutions.

SIDBI has been lending to modern small-scale industries in its role as a governmental financial institution. The Japanese government has continued to provide ODA loans to the Indian government for the development of small industries, allocating a total of 69.28 billion yen disbursed in three ODA loans. On the other hand, number of small-scale enterprises were considerably increased from 160 million before the time of the first loan appraisal in 1987-88 to 210 million at the time of the completion of the third loan disbursement in 1991/92..

1.2 Objectives

To contribute to the development of the modern small-scale industry sector by providing capital to be disbursed through the existing SIDBI refinancing scheme.

1.3 Project Scope

To provide two-step loans (TSLs) to modern small-scale enterprises through a two-step process under which the ODA loans fund SIDBI, which funds primary lenders such as state-run public financial, industrial development, and industrial investment corporations, as well as commercial banks, and so on, which lend to the small enterprises.

Target enterprises:

As defined under the Small Industries Development Organization (SIDO), a sub-division of the Ministry of Small Scale Industries, target companies are the ones with fixed assets (facilities, machinery, and so on; historical-cost base) of 6 million rupees or less. However, for subcontractors and companies that had achieved an export ratio of higher than 30% in

three years of beginning the production, the maximum was set at 7.5 million rupees. In 1997, the cutoff line was raised to 30 million rupees.

Funding target:

Capital required to purchase facilities such as plants, machinery, and so on.

Lending conditions:

After 1996, SIDBI set the credit limits depending on financial and repayment status of each primary lender (a line-of-credit system) in order to control the primary lender credit. Credit limits are as indicated below.

- 1) State-run financial corporation: 15 million rupees (category A) (see note)
9 million rupees (category B) (see note)
- 2) State-run industrial development corporations: 25 million rupees
- 3) Commercial banks: 37.5 million rupees

Interest rates on refinanced funds disbursed to primary lenders through SIDBI and on sub-loans disbursed to end users through primary lenders were determined by the Reserve Bank of India taking market interest rate trends into consideration. An overview of the rates is as follows:

| Sub-loans | SIDBI to primary lenders | Primary lenders to end users |
|--|--------------------------|------------------------------|
| 25,000 rupees or less | 9.0% | 12.0% |
| Over 25,000- less than 200,000 rupees | 10.5% | 13.5% |
| Over 200,000 rupees | 15.5% | Lender discretion |

Note: Please refer to the footnote under 2.2 (efficiency) for an overview of categories A and B.

1.4 Borrower/Executing agency

Fourth ODA loan: President of India/SIDBI

Fifth ODA loan: SIDBI/ SIDBI

Sixth ODA loan: SIDBI/ SIDBI

1.5 Outline of Loan Agreement

Fourth ODA loan

| | |
|-------------------------------------|--|
| Loan Amount / Loan Disbursed Amount | 30,000 million yen / 30,000 million yen |
| Exchange of Notes / Loan Agreement | December 1993 / January 1994 |
| Terms and Conditions | Interest Rate: 2.6% p.a. Repayment Period (Grace Period): 30 years (10 years) General Untied |
| Final Disbursement Date | September 1994 |

Fifth ODA Loan

| | |
|-------------------------------------|--|
| Loan Amount / Loan Disbursed Amount | 30,000 million yen / 30,000 million yen |
| Exchange of Notes / Loan Agreement | January 1996 / January 1996 |
| Terms and Conditions | Interest Rate: 2.3% p.a. Repayment Period (Grace Period): 30 years (10 years) General Untied |
| Final Disbursement Date | March 1998 |

Sixth ODA Loan

| | |
|-------------------------------------|--|
| Loan Amount / Loan Disbursed Amount | 30,000 million yen / 30,000 million yen |
| Exchange of Notes / Loan Agreement | October 1997 / December 1997 |
| Terms and Conditions | Interest Rate: 2.3% p.a. Repayment Period (Grace Period): 30 years (10 years) General Untied |
| Final Disbursement Date | June 1998 |

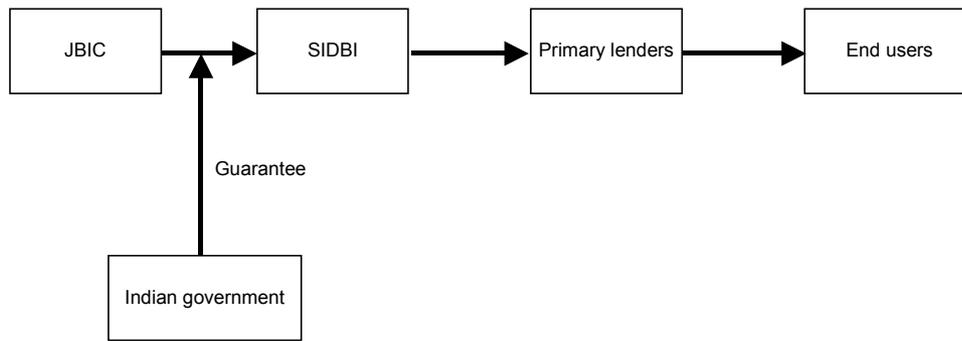
2. Results and Evaluation

2.1 Relevance

At the time of the planning stages, the modern small-scale industry sector was in the process of growth in terms of employment, production, and exports, and the first three ODA loans have contributed to the part of this growth. The problem of inadequate capital, however, continued to be a severe constraint of the modern small-scale enterprises. In light of these circumstances, the fourth, fifth, and sixth loans were designed to provide low-interest capital to these sectors that had been limited to access the low-interest capital, and thereby to promote the growth of employment, production, and exports. So it could be said that the project was relevant. Since the latter half of the 1990s, though the Indian government has been gradually phasing out its protectionist policy to encourage competition, demand for capital to finance the expansion of production, advanced technology, enhancement of quality, and export promotion of the modern small-scale industry sector is increasing and the need for ODA loan projects is, therefore, ongoing.

2.2 Efficiency

The following is an overview of the projects' sublease scheme. As illustrated here, SIDBI provides refinanced capital to primary lenders servicing modern small-scale industries.



| | | | |
|-------------------|----------|-------------------|-------------------|
| Interest: | 2.3% | 9 ~ 15.5% | 12% or over |
| Repayment period: | 30 years | Up to 10 years | Up to 10 years |
| Grace period: | 10 years | Up to three years | Up to three years |

The refinancing schemes of the fourth and fifth ODA loans with loan that was applied by the primary lenders consisted of the "Normal Refinance Scheme" which advance permission had to be obtained from SIDBI, and the "Automatic Refinance Scheme" which was applied at the discretion of the primary lender (hereinafter referred to as "NRS" and "ARS" respectively). ARS loans, often disbursed to small-scale enterprises, were capped at 5million rupees per corporation for state-run public financing and industrial development corporations, and at 20million rupees per enterprise for commercial banks. For loan amounts that did not meet ARS conditions, the NRS was applied. Since sixth loans, in order to control the primary lender credit, the line of credit system that divided the primary lenders to the three categories (as bellow) by financial status and set the limit of the credit. Note:

Category A: Repayments to SIDBI are made on schedule. 25% of annual capital demand is met by the primary lender self.

Category B: Repayments are made to SIDBI; however, the financial status of the primary lender requires improvement.

Category C: Primary lenders in default on payments to SIDBI.

2.2.1 Loans to new companies

Proportion of the new companies that were assisted under the fourth ODA loan amounted to 96% of the total , 89% under the fifth ODA loan, and 80% under the sixth ODA loan.

| | Companies that were assisted under ODA loan projects | New companies |
|-----------------|--|---------------|
| Fourth ODA loan | 36,948 | 35,370 |
| Fifth ODA loan | 31,297 | 27,850 |
| Sixth ODA loan | 14,595 | 11,676 |
| Average | 27,613 | 24,965 |

Source: SIDBI

Companies that were assisted under the fourth through sixth ODA loans amounted to an annual average of 27,613, including 24,965 new companies .

2.2.2 Primary lender loan performance

| | Fourth ODA Loan | | Fifth ODA Loan | | Sixth ODA Loan | |
|---|------------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|
| | No. of companies | Loan amount (million rupees) | No. of companies | Loan amount (million rupees) | No. of companies | Loan amount (million rupees) |
| State-run finance corporations | 19,796 (54%) | 7,652 (68%) | 17,356 (55%) | 6,889 (62%) | 7,882 (54%) | 5,316 (60%) |
| Commercial banks | 16,641 (45%) | 2,651 (23%) | 13,816 (44%) | 4,090 (37%) | 6,130 (42%) | 2,518 (28%) |
| State-run industrial development corporations | 511 (1%) | 1,027 (9%) | 125 (1%) | 222 (1%) | 583 (4%) | 1,102 (12%) |
| Total | 36,948 (100%) | 11,330 (100%) | 31,297 (100%) | 11,201 (100%) | 14,595 (100%) | 8,936 (100%) |

Source: SIDBI

Among the primary lenders, state-run finance corporations provided the highest number of sub-loans. reason of this believed to be that the corporations had extensive networks of branches, which were accessible to the end users.

2.2.3 Comparison by sector

| Fourth ODA Loan | | | | |
|-------------------|------------------|--------|------------------------------|--------|
| Industry | No. of companies | | Loan amount (million rupees) | |
| Textiles | 7,332 | (20%) | 1,854 | (17%) |
| Rubber & plastics | 6,280 | (17%) | 1,141 | (10%) |
| Foodstuffs | 4,741 | (13%) | 1,505 | (13%) |
| Metalworks | 3,564 | (10%) | 1,286 | (11%) |
| Machinery | 2,555 | (7%) | 773 | (7%) |
| Others | 12,476 | (33%) | 4,771 | (42%) |
| Total | 36,948 | (100%) | 11,330 | (100%) |

| Fifth ODA Loan | | | | |
|-------------------------|------------------|--------|------------------------------|--------|
| Industry | No. of companies | | Loan amount (million rupees) | |
| Textiles | 4,251 | (14%) | 1,469 | (13%) |
| Foodstuffs | 3,845 | (12%) | 1,398 | (13%) |
| Electricity/electronics | 2,600 | (8%) | 496 | (4%) |
| Metalworks | 1,936 | (6%) | 684 | (6%) |
| Cement | 1,750 | (6%) | 609 | (5%) |
| Others | 16,915 | (54%) | 6,545 | (59%) |
| Total | 31,297 | (100%) | 11,201 | (100%) |

| Sixth ODA Loan | | | | |
|----------------|------------------|--------|------------------------------|--------|
| Industry | No. of companies | | Loan amount (million rupees) | |
| Services | 4,089 | (28%) | 1,836 | (21%) |
| Foodstuffs | 1,880 | (13%) | 1,262 | (14%) |
| Chemicals | 1,802 | (12%) | 1,405 | (16%) |
| Textiles | 1,483 | (10%) | 899 | (10%) |
| Metalworks | 633 | (4%) | 535 | (6%) |
| Others | 4,708 | (33%) | 2,999 | (33%) |
| Total | 14,595 | (100%) | 8,936 | (100%) |

Source: SIDBI

The above represents the top five categories of industries assisted by the fourth through sixth ODA loans respectively. As shown, the three ODA loans largely assisted the textile and foodstuff industries, which constantly placed near the top.

2.2.4 Loan amounts

| Loan Amount | Fourth ODA Loan | | Fifth ODA Loan | |
|-------------------------------------|------------------|--------|------------------|--------|
| | No. of Companies | | No. of Companies | |
| 100,000 rupees or less | 21,447 | (58%) | 15,611 | (50%) |
| over100,000,less than200,000 rupees | 5,716 | (16%) | 4,508 | (14%) |
| over200,000,less than500,000 rupees | 5,508 | (15%) | 5,280 | (17%) |
| over500,000,less than1M rupees | 2,392 | (6%) | 2,935 | (9%) |
| over1M,less than2.5 million rupees | 1,531 | (4%) | 2,289 | (7%) |
| More than 2.5 million rupees | 354 | (1%) | 674 | (3%) |
| Total | 36,948 | (100%) | 31,297 | (100%) |

Source: SIDBI

Note: Data unavailable for the sixth ODA loan.

More than 50% of enterprises were disbursed loans of 100,000 rupees or less under the fourth and fifth ODA loans. Enterprise receiving loans in the range of over 100,000 to less than 500,000 rupees were the second largest share at approximately 30%. Loans amounting to 1million rupees or more under the fourth ODA loan totaled 5%, while this figure increased slightly, to 10% under the fifth ODA loan. It remained, however, at less than 10% of the total.

2.2.5 Applications of Loan

Under the fourth ODA loan, 44% of sub-loans were utilized for capital investment such as machinery, followed by real estate at 34%. Capital and real estate investment accounted for 54% and 26%, and 52% and 27% under the fifth and sixth ODA loans respectively.

2.3 Effectiveness

Modern small-scale industries comprise an important component of the Indian economy, accounting for approximately 40% of production revenues and approximately 45% of exports. Compensating for the lack of capital that hinders the development of modern small-scale industries, the ODA loans contributed to expanded production on the part of small enterprises by enabling establishment of new companies as well as expansion of existing companies.

The number of companies in the modern small-scale industries sector had increased for six years by an annual average of 130,000 companies. Meanwhile, the number assisted under the fourth—sixth ODA loans amounted to an annual average of 29,790, with the number of new companies among this figure estimated at 27,940. The ODA loans therefore assisted the establishment of 21% of new enterprises in the sector.

| Modern Small-Scale Industries in India | | |
|--|---------------------------|---------------------------|
| Year | Revenues (million rupees) | Increase (million rupees) |
| 92-93 | 2,093,000 | |
| 93-94 | 2,416,000 | 323,000 |
| 94-95 | 2,940,000 | 524,000 |
| 95-96 | 3,562,000 | 622,000 |
| 96-97 | 4,126,000 | 564,000 |
| 97-98 | 4,562,000 | 526,000 |
| 98-99 | 5,383,000 | 731,000 |
| | Average | 548,000 |

Source: SIDBI

| Revenues of enterprises assisted by ODA loans (million rupees) | |
|--|---------|
| Fourth ODA loan | 413,818 |
| Fifth ODA loan | 266,024 |
| Sixth ODA loan | 106,115 |
| Average | 261,985 |

Source: SIDBI

Revenues generated by the Indian modern small-scale industries sector increased by a yearly average of 548 billion rupees over the previous six years, while revenues generated by the enterprises assisted by the fourth-sixth ODA loans amounted to 262 billion rupees.

2.4 Impact

2.2.1 Impact on capital markets for small enterprise

| | 94/95 | 95/96 | 96/97 | 97/98 |
|---|--------|--------|--------|--------|
| Capital disbursed by SIDBI (million rupees) (1) | 13,910 | 12,350 | 21,240 | 19,420 |
| ODA loan (million rupees) (2) | 5,450 | 3,484 | 6,434 | 3,203 |
| Percentage (%) (2) / (1) | 39 | 28 | 30 | 16 |

Source: SIDBI

The above chart shows amounts disbursed under the fourth and fifth ODA loans (1994-1998) as well as by SIDBI for the same period. As indicated, the proportion of the ODA loan for each year almost remains at less than one third (Data for the loans disbursed by SIDBI under the sixth ODA loan was unavailable). In addition to refinancing, SIDBI carries out indirect financing via bills re-discounting and short-terms loans, and direct financing by assisting the establishment of new enterprises. ODA loans were also provided for these schemes.

2.4.2 Impact on the Environment

In principle, assisted corporations must conform to the guidelines set forth by the State Pollution Control Board. Only enterprises with the appropriate environmental policies are granted the permission to operate by a Board committee. According to SIDBI, there are no reports about significant negative effects on the environment.

2.4.3 Socioeconomic Impact

SIDBI has prepared the reports with an impact study for each of the fourth through sixth ODA loans. The reports include quantitative analysis of impact based on sample data.

Employment Creation

Employment creation for each surveyed company was 15 persons under the fourth ODA loan (1996-97); 14 persons under the fifth ODA loan (1997-98); and 11 persons under the sixth ODA loan (99-2000). As a result, employment creation generated by the companies assisted by ODA loan projects is estimated at 554,000 persons under the fourth ODA loan; 438,000 under the fifth ODA loan; and 161,000 under the sixth ODA loan.

| | Fourth ODA loan | Fifth ODA loan | Sixth ODA loan |
|--|-----------------|----------------|----------------|
| Companies surveyed | 3,396 | N.A | 3,100 |
| Employment generation/company | 15 | 14 | 11 |
| No. of companies | 36,948 | 31,297 | 14,595 |
| Employment creation (thousands of persons) | 554 | 438 | 161 |

Source: SIDBI

Note: Data for the fourth, fifth, and sixth ODA loans is from 96-97, 97-98, and 99-2000 respectively.

Employment creation ratio generated by the ODA loans for the Indian modern small-scale industries sector (employment generated by the ODA loans to that generated by the entire sector) amounted to 3.4% for the fourth ODA loan (96/97); 2.6% for the fifth ODA loan (97/98) and 0.9% for the sixth ODA loan (99-2000).

| Year | Indian modern small-scale industries sector | | |
|-------|---|--|--|
| | No. of companies (million rupees) | Employment creation per company (persons) | Total employment creation (million persons) |
| 96/97 | 2.86 | 5.6 | 16.0 |
| 97/98 | 3.01 | 5.6 | 16.7 |
| 98/99 | 3.12 | 5.5 | 17.2 |
| 99/00 | 3.23 | 5.5 | 17.7 |

Source: SIDBI

Exports

Reports on the fourth and fifth ODA loans include data about export value of sample export enterprises (135 enterprises under the fourth ODA loan and 127 under the fifth ODA loan). Export value per the sample export enterprise totaled 18 million rupees under the fourth ODA loan (1996-97), and 11 million rupees under the fifth ODA loan (97-98). Export value for the sector as a whole totaled 140,000 rupees per export enterprise in 96/97, and 150,000 rupees in 97/98.

| Year | Indian modern small-scale industries sector | | |
|-------|---|------------------------------------|--|
| | Companies (million) | Export value (1 billion rupees) | Export value per company (million rupees) |
| 96/97 | 2.86 | 392.49 | 0.14 |
| 97/98 | 3.01 | 439.46 | 0.15 |

Source: SIDBI

2.5 Sustainability

2.5.1 Sub-project sustainability

The following is an overview of the sustainability of assisted enterprises based on SIDBI sample data.

| | Fourth ODA loan | Fifth ODA loan | Sixth ODA loan |
|-------------------------------------|---------------------------|---|-------------------|
| No. of companies surveyed | 5,680 | 5,523 | No data available |
| Rate of operation (%) | 94 | 85 | |
| Reason for suspension of operations | Lack of operating capital | Market competition / competition with rival products Lack of operating capital | |

Source: SIDBI

SIDBI utilizes the operational ratio (percentage of enterprises operating) to measure sustainability of enterprises. The ratio stood at 94% for the fourth ODA loan and 85% for the fifth ODA loan. Meanwhile companies that had suspended operations had done so due to lack of operating capital as well as market competition and/or competition with rival products.

2.5.2 Status of primary lenders

Due to the slowdown of the Indian economy, the performance of state-run finance corporations has deteriorated since the period of 1997/3. By the period of 1998/3, non-performing loans ratio of whole state-run finance corporations had amounted to approximately 45%, with total losses of 490 million rupees.

SIDBI categorized the state-run finance corporations into three groups (refer to page 4 for an overview) as follows: Category A, 5 corporations; Category B, 2; and Category C, 11. With the introduction of the line of credit system as of the sixth ODA loan, state-run industrial development corporations totaled 5, 1, and 11 for categories A, B, and C respectively. However, SIDBI's performance improved steadily over this period, leading to its achievement of a triple-A credit rating from India's Credit Analysis and Research, Ltd.—considered the ultimate authority on the subject in the country. Due to the limit of the independent effort, state-run finance corporations expect additional investment by SIDBI and reduction of finance interest rate..

Since the state-run financial corporations are considered part of SIDBI's direct financing operations, it is necessary to include indicators regarding their status in assessing the financial soundness of SIDBI. As indicated in the chart below, an analysis of financial status and business performance (as of the third quarter of 1998) of joint SIDBI/state-run financial operations indicates that, compared to the performance of commercial banks, their percentage of bad debts was very high—at 32%—and that ratio of retained surplus was low. (Data on state-run industrial development corporations was unavailable).

Comparison with commercial banks on issues of viability and profitability as of the period of 1998/3

(Unit: %)

| | Joint SIDBI/SFC Operations | Bank of India | Canara Bank | Karnakata Bank | Punjab Bank |
|---|----------------------------|---------------|-------------|----------------|-------------|
| capital adequacy ratio (to total assets) | 10.0 | 5.0 | 5.3 | 5.9 | 4.2 |
| Ratio of retained surplus (to total assets) | 2.0 | 3.6 | 5.6 | 3.6 | 3.6 |
| Net profit rate (to revenues) | 11.8 | 8.1 | 4.6 | 12.2 | 10.3 |
| Net profit rate (to total assets) | 1.6 | 0.8 | 0.5 | 1.5 | 1.0 |
| Net profit rate (to net assets) | 16.1 | 15.7 | 8.8 | 25.5 | 28.9 |
| Bad debts rate (to total loan amount) | 32.3 | 12.4 | 21.0 | 10.6 | 15.4 |

Source: SIDBI

2.5.3 Loan recovery

a) Flow base

The following chart depicts recovery (flow base) for the fourth through sixth ODA loans. The data represents, however, loan collection status for SIDBI only; it does not reflect the status of loans disbursed from primary lenders to end users, as this data was unavailable.

(Unit: million rupees)

| | 95/96 | 96/97 | 97/98 | 98/99 | 99/2000 |
|--|-------|-------|-------|-------|---------|
| Fourth ODA loan | | | | | |
| Principle for which interest is past due (a) | N.A | N.A | N.A | N.A | N.A |
| Amount recovered (b) | 1,174 | 1,564 | 1,260 | 1,640 | 1,289 |
| Cash collection rate (b)/(a) (%) | N.A | N.A | N.A | N.A | N.A |
| Fifth ODA loan | | | | | |
| Principle for which interest is past due (a) | | | 1,920 | 2,765 | 2,936 |
| Amount recovered (b) | | | 1,898 | 2,765 | 2,936 |
| Cash collection rate (b)/(a) (%) | | | 98.9 | 100.0 | 100.0 |
| Sixth ODA loan | | | | | |
| Principle for which interest is past due (a) | | | 219 | 1,308 | 1,379.2 |
| Amount recovered (b) | | | 219 | 1,308 | 1,378.9 |
| Cash collection rate (b)/(a) (%) | | | 100.0 | 100.0 | 100.0 |

Source: SIDBI

Due to limitations on data (unavailability of figures on principal for which interest is past due), cash collection rates could not be calculated for the period of the fourth ODA loan; for the fifth and sixth ODA loan, however, they approached almost 100%, and sub-loan collection rates had essentially reached target levels.

b) Stock base

The following chart depicts recovery(stock-base) for the fifth and sixth ODA loans. The data represents, however, loan collection status for SIDBI only; it does not reflect the status of loans disbursed from primary lenders to end users, as this data was unavailable.

| | 95/96 | 96/97 | 97/98 | 98/99 | 99/2000 |
|---|-------|-------|-------|-------|---------|
| Fifth ODA loan | | | | | |
| Lending institutions assisted by ODA loans (a) | 21 | 70 | 70 | 70 | 70 |
| Institutions with non-performing loans (b) | 0 | 0 | 1 | 1 | 1 |
| Ratio (b)/(a) (%) | 0 | 0 | 1 | 1 | 1 |
| Outstanding loans (million rupees) (c) | 6,934 | 9,637 | 7,739 | 4,974 | 2,038 |
| Outstanding non-performing loans (million rupees) (d) | 0 | 0 | 22.06 | 0.5 | 0.19 |
| Ratio of non-performing loans (d)/(c) (%) | 0 | 0 | 0.3 | 0.01 | 0.01 |
| Sixth ODA loan | | | | | |
| Lending institutions assisted by ODA loans (a) | | | 19 | 68 | 68 |
| Institutions with non-performing loans (b) | | | 0 | 0 | 1 |
| Ratio (b)/(a) (%) | | | 0 | 0 | 1.5 |
| Outstanding loans (million rupees) (c) | | | 8,936 | 8,516 | 8,012.5 |
| Outstanding non-performing loans (million rupees) (d) | | | 0 | 0 | 0.26 |
| Ratio of non-performing loans (d)/(c) (%) | | | 0 | 0 | 0.003 |

Source: SIDBI

Financial institutions assisted by the fifth ODA loan rose from a total of 21 for fiscal 95/96 to 70 as of fiscal 96/97. The number of financial institution which was saddled with non-performing loans as of fiscal 97/98 was only one, indicating that lending, repayment, and capital management by financial institutions to end users was highly efficient. Outstanding amount of non-performing loans totaled 22.06 million rupees in fiscal 97/98; 0.5 million rupees in fiscal 98/99; and 0.19 million rupees in fiscal 99/2000. The ratio of non-performing loans to total outstanding loans stood at 0.3% and 0.01% respectively.

Financial institutions assisted by the sixth ODA loan rose from 19 in fiscal 97/98 to 68 as of fiscal 98/99. Only one financial institution had non-performing loans in 99/2000. Outstanding amount of non-performing loans totaled 0.26 million rupees in fiscal 99/2000, while the ratio of non-performing loans to total outstanding loans amounted to a negligible 0.003%.

2.5.4 Revolving funds

The following depicts the operational status of revolving funds (special accounts) for the fourth through sixth ODA loans.

(Unit: million rupees)

| | 93/94 | 94/95 | 95/96 | 96/97 | 97/98 | 98/99 | 99/2000 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Fourth ODA loan | | | | | | | |
| ODA loan | 5,450 | 3,485 | | | | | |
| First collection of sub-loan principle | | | 1,174 | 1,564 | 1,260 | 1,640 | 1,289 |
| Revolving fund sub-loan principle collected | | | | 196 | 489 | 780 | 1,183 |
| Total collected | 5,450 | 3,485 | 1,174 | 1,760 | 1,749 | 2,420 | 2,472 |
| First sub-loan disbursed | 5,450 | 3,485 | | | | | |
| Revolving fund sub-loan disbursed | | | 1,174 | 1,760 | 1,749 | 2,420 | 2,472 |
| Repayment of ODA loan principle | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total paid out | 5,450 | 3,485 | 1,174 | 1,760 | 1,749 | 2,420 | 2,472 |
| Fifth ODA loan | | | | | | | |
| ODA loan | | | 6,434 | 3,203 | | | |
| First collection of sub-loan principle | | | | | 1,898 | 2,765 | 2,936 |
| Revolving fund sub-loan principle collected | | | | | | 316 | 830 |
| Total collected | | | 6,434 | 3,203 | 1,898 | 3,081 | 3,766 |
| First sub-loan disbursed | | | 6,434 | 3,203 | | | |
| Revolving fund sub-loan disbursed | | | | | 1,898 | 3,081 | 3,766 |
| Repayment of ODA loan principle | | | 0 | 0 | 0 | 0 | 0 |
| Total paid out | | | 6,434 | 3,203 | 1,898 | 3,081 | 3,766 |
| Sixth ODA loan | | | | | | | |
| ODA loan | | | | | 6,030 | 2,899 | |
| First collection of sub-loan principle | | | | | 60 | 420 | 503 |
| Revolving fund sub-loan principle collected | | | | | | | |
| Total collected | | | | | 6,090 | 3,319 | 503 |
| First sub-loan disbursed | | | | | 6,030 | 2,899 | |
| Revolving fund sub-loan disbursed | | | | | 60 | 510 | 592 |
| Repayment of ODA loan principle | | | | | 0 | 0 | 0 |
| Total paid out | | | | | 6,090 | 3,409 | 592 |

Source: SIDBI

a) Fourth ODA Loan

ODA-loan amounts totaled 5,450 million rupees for fiscal 93/94 and 3,485 million rupees for fiscal 94/95. In fiscal 95/96, the first sub-loan principle was collected in the amount of 1,174 million rupees, and all of which was re-disbursed as a revolving fund. Since fiscal 96/97, the sub-loans derived from the revolving fund were collected and re-disbursed as loans together with the total of the first round of sub-loans collected.

b) Fifth ODA Loan

ODA-loan disbursed over a two-year period totaled 6,434 million rupees for fiscal 95/96 and 3,203 million rupees for fiscal 96/97. In fiscal 97/98, the first sub-loan principle was collected in the amount of 1,898 million rupees and all of them were re-disbursed as a revolving fund. Since fiscal 98/99, the sub-loans derived from the revolving fund were collected and again re-disbursed as loans together with the total of the first round of sub-loans collected.

c) Sixth ODA Loan

ODA loan disbursed totaled 6,030 million rupees for fiscal 97/98 and 2,899 million rupees for fiscal 98/99. In fiscal 97/98, the first sub-loan principle was collected and all of them were re-disbursed as a revolving fund. Since fiscal 98/99, the sub-loan totals derived from the revolving fund included interest income from the fund; as a consequence, disbursed funds slightly exceeded collected funds as of fiscal 98/99.

Comparison of Original and Actual Scope

| Item | Plan | Actual |
|-----------------------------|--|-------------------------|
| (1) Project Scope | <p>Companies eligible for financing: Enterprises with investments in fixed assets such as facilities and machinery totaling less than six million rupees (historical-cost basis). However, for sub-contractors and enterprises that had achieved an export ratio of 30% or more after three years in business, the cut-off line was set at 7.5 million rupees. In 1997, the amount was raised to 30 million rupees.</p> <p>Funding target: Capital required to purchase facilities such as plants, machinery, and so on.</p> <p>Interest rates: SIDBI → primary lenders 25,000 rupees or less: 9.0% >25,000-200,000 rupees: 10.5% Over 200,000 rupees: 15.5%</p> <p>Primary lenders → end users 25,000 rupees or less: 12.0% >25,000-200,000 rupees: 13.5% Over 200,000: determined at lender discretion</p> | as planned |
| (2) Implementation Schedule | | |
| Fourth ODA loan | January 1994-January 1996 | January-September 1994 |
| Fifth ODA loan | January 1996-January 1998 | January 1996-March 1998 |
| Sixth ODA loan | December 1997-December 1999 | December 1997-June 1998 |
| (3) Project Cost | | |
| Fourth ODA loan | | |
| Foreign currency | 30,000 million yen | 30,000 million yen |
| Fifth ODA loan | | |
| Foreign currency | 30,000 million yen | 30,000 million yen |
| Sixth ODA loan | | |
| Foreign currency | 30,000 million yen | 30,000 million yen |