

Japan Scholarship Foundation

1. Summary of operations implemented using FILP funds

For the purpose of contributing to the maintenance of the principle of equal opportunity in education, the Japan Scholarship Foundation (JSF) provides interest-bearing educational loans for school fees to promising students who have difficulty continuing their studies for economic reasons.

Note: Operations not eligible for FILP include interest-free educational loans for school fees to particularly superior students who have difficulty continuing their studies for economic reasons.

2. Amount of lending under FY 2002 FILP

(Unit : billion yen)

FY 2002 FILP	Estimated outstanding amount of FILP lending at end of FY 2001
221.9	862.3

3. Outcome and social and economic benefits of operations

1) Interest-bearing loans

- (i) Interest-bearing loans (FY 2000)
292,807 persons ¥206.8 billion
- (ii) Interest-bearing loans (FY 1984~2000)
681,584 persons ¥930.6 billion

(Note): The number of borrowers refers to the aggregate number of new borrowers in each fiscal year.

- (iii) Outstanding balance of loans (at the end of FY 2000)
572,199 persons ¥658.2 billion

(Note): The number of borrowers includes the borrowers who are repaying loans and the number of students.

- (iv) Projected lending (FY 2002)
392,233 persons ¥295.2 billion

2) Under the interest-bearing loan operations, loans for school fees are provided to students at universities, junior colleges, graduate schools, technical colleges (4th and 5th grades), and special training colleges (professional courses) on the assumption that the loans will be repaid after they graduate from these institutions.

Since 1999, the interest-bearing loan project has been drastically expanded to meet the needs of students through a significant increase in the number of borrowers, the introduction of an option system where students can select monthly loan amounts, the relaxation of lending terms, and other changes.

- An increase in the number of borrowers
(FY 1999) (FY 2002 plan)
208,000 persons → 392,000 persons
(1.9 times)

3) The interest-bearing loan project helps many students become self-supporting and therefore study without worry, contributing to the development of potential human resources.

4. Estimated policy (subsidy) cost analysis of the project

Outline of estimate

- 1) An estimate has been made for the JSF's interest-bearing loan project.
- 2) An estimate has been made for outstanding balance of loans (¥871.4 billion at end of FY 2001), and the loans provided for the prospective students who began or will begin to receive the loans in FY 2002 until their graduation, on the basis of the project in FY 2002 (projected loan amount: ¥685.7 billion)
- 3) An analysis has been made for a 26-year period during which repayment of outstanding loans and loans mentioned in 2) will be implemented (26-year period for FY2001).
- 4) Based on this assumption, subsidies needed to carry out the project have been estimated.

Policy (subsidy) cost

(Unit : billion yen)

Category	FY2001	FY2002	Increase/Decrease
1. Subsidies from the national treasury	105.1	118.6	13.5
2. Opportunity cost of capital investment from the national treasury	- 0.2	0.1	0.3
Subtotal (1+2)	104.9	118.7	13.8
3. Money transfer to the national treasury			—
Total (1+2+3=policy cost)	104.9	118.7	13.8
Analysis period (years)	26	26	—

Compared with 2001 (¥104.9 billion), policy cost increased due to an expansion in project scale

- (i) Subsidies from the government have increased (by approximately ¥1.0 billion) due to an increase in interest on borrowings;
- (ii) Subsidies from the national treasury increased (by approximately ¥13 billion) due to an increase in administrative expenses and bad debts written-off.

The case if assumption is changed

(Unit : billion yen)

Changed assumption and extent of change	Increase / decrease in policy cost
Interest rate +1%	44.6

(Reference)

Budgeted amount of subsidies and capital investment in FY 2002

Subsidies: ¥16.1 billion
Capital investment: —

5. Projections in the analysis

- 1) With respect to the JSF loans, the repayment of the outstanding balance of loans (¥871.4 billion as the end of FY 2001), ¥295.2 billion (loan amount of FY 2002) and ¥390.5 billion (loan amount to those who will continue receiving loans between FY 2003–2007) will be completed for the 26-year period.
- 2) Loan interest rates provided by JSF will not exceed 3% and no interest accrues during the period when students are in school.
- 3) The ratio based on outstanding balance of interest-free and interest-bearing loans is appropriated as general administrative expenses related to the operations of the interest-bearing loan project.
- 4) Although the general repayment method has been withdrawal from borrowers' bank account since 1999 when a sudden expansion in interest-bearing loans operation occurred, a general trend towards billing began in 1998. Therefore, in forecasting advanced redemption, the portion withdrawn from borrowers' accounts is calculated by utilizing past results of FY2000 (4.123%); whereas, in regard to the portion of bills suspended in adopting this system in FY1998, since advanced redemption is large at the completion of lending, it is calculated by utilizing the ratio (3.978%) taking into consideration a decrease ratio resulting from fewer persons who paid back loans in the FY2000 results.

With respect to advanced redemption after 2002, questionable debts amounting to ¥9.8 billion in the administrative cost account statement in accordance with the financial accounting standards for business enterprises in the private sector have been appropriated.

(Unit : %)

	Result					Estimated	Planned	Trial assumption				
FY	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006–2026	2027
Advanced redemption rate	5.234	6.064	5.576	4.909	4.638	4.252	4.030	4.063	4.081	4.093	~	4.123
Loans charged off rate	0.0006	0.0005	0.0005	0.0005	0.0005	0.0029	0.0054	0.0866	0.0866	0.0866	~	0.0866

- 5) The outstanding balance of risk management credit obligations at the end of FY2000 is the financial accounting standards for business enterprises in the private sector and is ¥20.5 billion. Questionable debt in the case of financial accounting standards for business enterprises in the private sector is ¥9.8 billion (end of FY2000) (reserve for possible loan losses/loans = 1.488%).

6. Reasons for granting of subsidies, mechanism and underlying laws

(Reason)

In conducting education and scholarship operations, the government, for the purpose of achieving its goal, provides JSF with financial assistance for operating expenses and compensation for repayment exemption, as well as subsidies from the national treasury to reduce the burden on borrowers.

Also, because of drastic expansion of interest-bearing loan operation from FY 1999, the government invested ¥3.7 billion to strengthen the financial foundation, and subsidies are provided to register allowance bad loans within the range of 0.003 for the outstanding balance of loans at end of each fiscal year.

(Underlying laws and regulations)

— The following law backs the granting of subsidies.

Article 1 of the Japan Scholarship Foundation Law:

The Japan Scholarship Foundation shall have the purpose of contributing to the maintenance of equal opportunity in education and fostering capable human resources for the nation and the society by providing educational loans for school fees to promising students who have difficulty continuing their studies for economic reasons.

Article 21 of the Japan Scholarship Foundation Law:

The Japan Scholarship Foundation shall carry out the following operations to achieve the goal described in Article 1.

- (1) Provide educational loans for school fees
- (2) Provide guidance to students who receive educational loans for school fees

Article 41 of the Japan Scholarship Foundation Law:

Within the limit of the amount specified in the budget, the national government shall be able to provide the JSF with subsidies as a part of expenses needed for operations described in Article 21.

— The following law backs capital investment from the national treasury.

Clause 2, Article 4 of the Japan Scholarship Foundation Law:

The government shall be able to provide the JSF with additional capital investment within the limit of the amount specified in the budget, if recognized as a necessity.

7. Special remarks

- 1) Policy (subsidy) cost of JSF's interest-bearing loan project is incurred because JSF provides long-term funds with low interest rates for school fees to superior students who have difficulty continuing their studies for economic reasons. As a result, such students can be self-supporting and study without worry, and capable human resources for the nation and the society will be fostered.
- 2) In this analysis, an estimate has been made for a "special account" for the purpose of maintaining the records of JSF's interest-bearing loan project. Administrative expenses not recorded in the special account are based on the ratio of outstanding balance of interest-free and interest-bearing loans.
- 3) With every 10% increase in loans charged off, policy cost increases ¥9 hundred million.
- 4) In accordance with the Reorganization and Rationalization Plan for Special Public Corporations, "these are to be established as independent administrative institutions that comprehensively implement new student support operations by integrating student support projects of the State after the abolishment". However, for the time being, analysis of the assuming of existing corporation form has not yet been implemented due to certain details.

(Reference) Financial Statements**Balance Sheet**

(Unit : million yen)

Item	End of FY 2000 (Result)	End of FY 2001 (Estimated)	End of FY 2002 (Planned)	Item	End of FY 2000 (Result)	End of FY 2001 (Estimated)	End of FY 2002 (Planned)
(Assets)				(Liabilities and capital)			
Current assets	17,127	14,187	12,682	Current liabilities	829	3,104	3,967
Cash and deposits	16,873	13,933	12,428	Accounts payable	26	26	26
Accrued income	255	255	255	Advances received	106	106	106
Fixed assets	2,433,996	2,738,645	3,065,981	Accrued expenses	78	2,360	3,223
Loans receivable	2,426,713	2,730,334	3,057,111	Suspense receipts	75	69	69
First Category Scholarship	1,770,513	1,861,572	1,947,680	Other	544	544	544
Second Category Scholarship	658,174	871,376	1,112,769	Fixed liabilities	2,459,018	2,758,853	3,077,604
Allowance for doubtful debts	- 1,975	- 2,614	- 3,338	JSF bonds		10,000	66,000
Tangible fixed assets	737	705	675	Long-term loans payable	2,458,459	2,748,322	3,011,152
Buildings	357	341	325	Allowance for retirement benefits	46	50	1
Land	297	297	297	Grants as deferred income	513	482	451
Other	83	67	52	(Total Liabilities)	2,459,847	2,761,957	3,081,572
Investments and other assets	6,547	7,606	8,195	Capital			
Long-term deposits	5,675	6,314	7,038	Funds			
Long-term prepaid expenses	799	1,218	1,083	Government's equity	3,701	3,701	3,701
Leasehold deposits	74	74	74	Surplus	4,668	2,387	1,524
Deferred assets				Additional paid-in capital	298	298	298
Deferred loss for forgivable refund	17,093	15,213	8,133	Retained earnings	4,370	2,088	1,225
				Reserve	4,370	4,370	2,088
				Net loss	0	- 2,282	- 863
				(Total capital)	8,369	6,088	5,225
Total assets	2,468,216	2,768,045	3,086,796	Total liabilities and capital	2,468,216	2,768,045	3,086,796

Income Statement

(Unit : million yen)

Item	FY 2000 (Result)	FY 2001 (Estimated)	FY 2002 (Planned)	Item	FY 2000 (Result)	FY 2001 (Estimated)	FY 2002 (Planned)
(Expenses)				(Revenues)			
Ordinary expenses	46,728	50,771	49,492	Ordinary profits	46,728	48,490	48,629
Operating Expenses	18,172	22,253	22,134	Operating revenue	8,184	8,528	9,157
Interest Expenses	18,135	22,100	21,542	Interest on loans	8,086	8,416	9,045
Interest on bonds		50	281	Interest on funds	97	112	112
Bond issuance expenses		66	273	Grants income	18,032	20,281	20,806
Donations expenses for Scholarship	37	37	37	Government grants income	8,129	9,002	9,098
General and administrative expenses	8,766	9,408	9,530	Government subsidies income	9,902	11,279	11,708
Bad debts written-off	34	146	52	Donations income	37	37	37
Provision for doubtful debts	1,975	2,614	3,338	Forgiveness of loans income	17,699	16,258	14,322
Amortization of deferred loss for forgivable refund	17,781	16,350	14,429	Reversal of allowance for doubtful debts	1,479	1,975	2,614
Reserves	0	0	9	Reversal of grants as deferred income	33	32	31
Extraordinary losses				Non-operating revenue	1,264	1,380	1,663
Loss on disposal of fixed assets	1	0	0	Interest income	34	16	8
				Miscellaneous revenue	1,230	1,363	1,655
				Net loss	0	2,282	863
Total	46,729	50,771	49,492	Total	46,729	50,771	49,492

Note: Totals may not agree because figures have been rounded off.