



Japan Provides Loan to India

Why in News

[India and Japan](#) signed an agreement for a **loan of up to 50 billion yen** (about Rs. 3,550 crore) to **back India's economic support programmes** for the poor and vulnerable affected by the [Covid-19](#) crisis.



Key Points

▪ About the Loan:

- It is a part of Japan's **Official Development Assistance (ODA)** loan.
 - ODA is defined as **government aid designed to promote the economic development and welfare of developing countries.**
 - **Loans and credits for military purposes are excluded.**
- The loan has an **interest rate of 0.65%** per annum and a **repayment period of 15 years**, including a five-year grace period.
- The financial support **aims to support the Indian government's programmes such as [Pradhan Mantri Garib Kalyan Yojana \(PMGKY\)](#)**, which aims to mitigate socio-economic impacts and strengthen socio-economic institutions.
 - This includes **schemes for distributing food grains** to the poor and vulnerable, provision of assistance and **support to construction workers**, and provision of **special insurance for health workers fighting Covid-19.**
- It is for the **implementation of health and medical policy** by the Government of India, and is expected to lead to the **development of hospitals equipped with ICUs**

(Intensive Care Units) and infection prevention and management facilities.

- It is also expected to lead to the **enhancement of telemedicine** using digital technology in numerous villages across India.

▪ **Previous Support:**

- Japan had earlier provided **budget support of 50 billion yen** and **grant assistance worth one billion yen** to support the Indian government's efforts to counter the Covid-19 crisis.
- Japanese assistance to India now **totals** approximately **Rs. 5,800 crores.**

▪ **India-Japan Economic Relations:**

- India and Japan have had a long and fruitful history of **bilateral development cooperation since 1958.**
- In the last few years, the economic cooperation between India and Japan has strengthened and grown into **strategic partnership.**
 - Japan was the **4th largest investor for India in FY2019.**
 - India has been the **largest recipient of Japanese ODA Loan** for the past decades. **Delhi Metro** is one of the most successful examples of Japanese cooperation through the utilization of ODA.
- Further, Japan continues to cooperate in supporting **strategic connectivity linking South Asia to Southeast Asia** through the synergy between "Act East" policy and "Partnership for Quality Infrastructure."

Source: PIB

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