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SIDBI's Initiatives in Sustainable Finance

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Importance of MSME sector

- Micro, Small and Medium Enterprises (MSMEs) are vital for development of a country:
 - Sustainable and balanced growth
 - employment generation
 - development of entrepreneurial skills and rural industrialization
 - Promotes innovation
- MSME Sector Contribution to Indian Economy
 - 45% of Industrial Production
 - 40% of shares in exports
 - More than 8000 products
 - Second Largest Sector after agriculture
 - Provides employment to over 60 million
 - Accelerates the growth of economy
- Globally, SMEs contribute over 90% of Business Enterprises and 50-60% of Total Employment.



MSMEs drives the Indian Economy

Challenges – To enable access to finance for MSMEs

MSMEs

- Rely more on internal funds
- Limited borrowing capacity
- Lack of perceived incentives
- Lack of technical capacity
- Little financial credibility
- Lack of Awareness on EE or Bank schemes
- Unable to invest in Modern Technology – Due to shortage of Funds

Banks/FIs

- To identify & capture cash flows – Credit Risk
- To assess EE projects delivery risks – Performance Risk
- Small deals with high transaction cost
- Ambiguity on asset creation/ ownership
- Lack of information on the potential market for lending
- More focus – Collateral based lending
- Uncertain Govt. policies

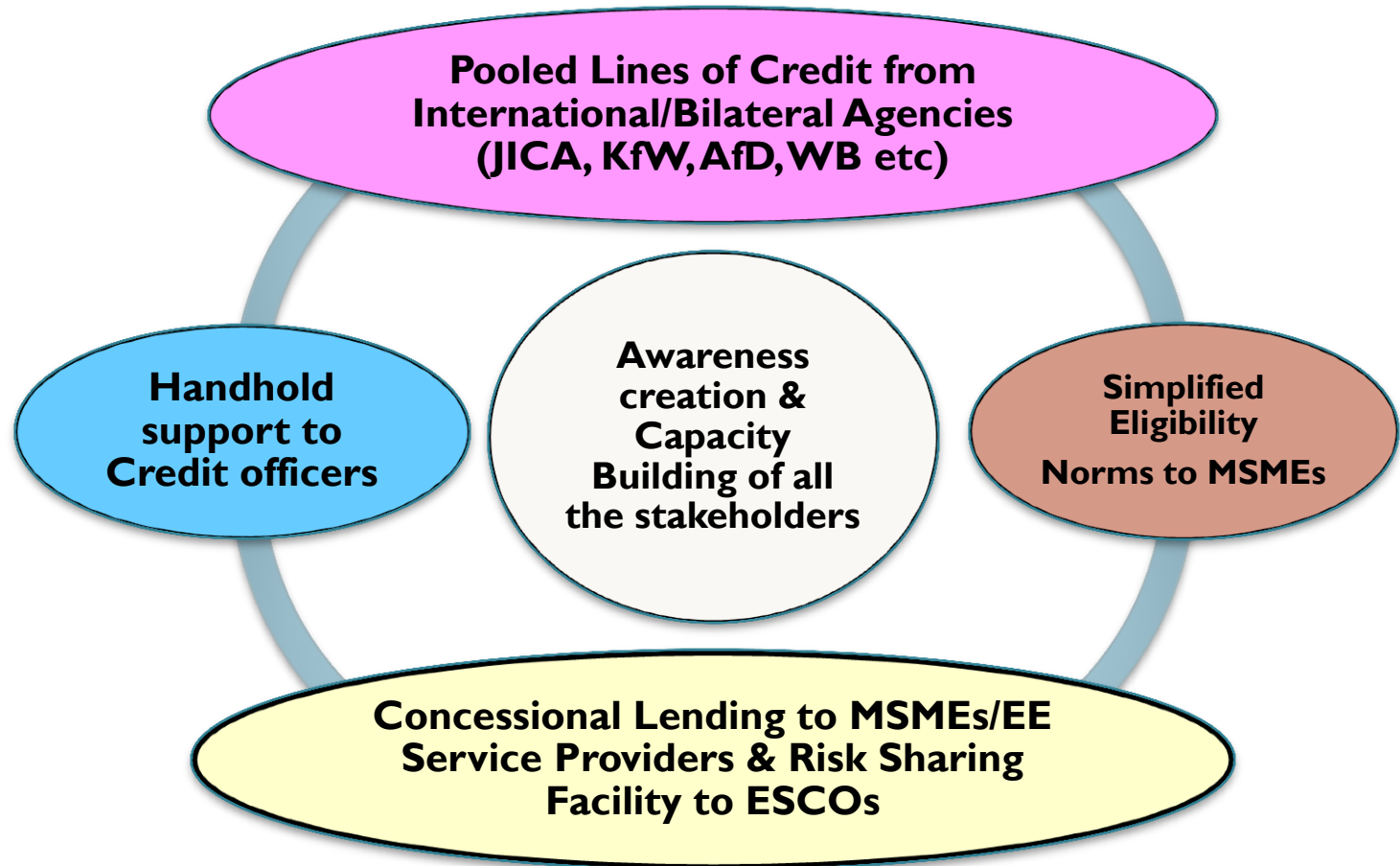
Vendors/ESCOs

- Lower attention to MSMEs due to their smaller project size
- Low awareness among industries about ESCOs
- Limited service providers for MSMEs
- Bank hesitant to share risk in ESCO projects
- ESCOs fear of dispute or non-payment of fees
- More hand-holding support required to MSMEs for project implementation

Result

Rejection of EE loan applications or offering unattractive financial terms due to high risk perceptions

SIDBI Sustainable Financing Initiative....



SIDBI's Sustainable Development Initiatives

- Recognized sustainable development is the key to MSMEs survival & growth.
- Introduced schemes for financing Energy Efficiency (EE) & Cleaner Production projects in MSME sector.
- Entered into strategic partnership with BEE, TIFAC, The World Bank, DFID, JICA, KfW, GIZ & AFD for promoting & financing clean & EE investments in MSME sector.
- Conducted awareness campaigns, focused group meetings, energy audits, pilot interventions in MSME clusters.
- Created a separate “Energy Efficiency Vertical and a dedicated team of experts housed at “Energy Efficiency Centre” for focused approach.
- Launched a new product, “**4E (End-to-End Energy Efficiency) Solutions**” on the occasion of the “World Environment Day” on June 5, 2014.



SIDBI's Sustainable Development Initiatives

■ Financial Assistance to MSMEs through various Lines of Credit:

- Attractive schemes for financing sustainable development projects being undertaken for MSMEs
 - For implementing Energy Efficiency Projects.
 - For implementing Cleaner Production/Technology measures.
 - For implementing Innovative Programmes.

Objective of these focused lending schemes is to reduce energy consumption, enhance energy efficiency, reduce CO₂ emissions and improve the profitability of the Indian MSMEs in their long run.

■ Developmental Support to MSMEs

- Cluster focused **Awareness & Capacity Building Programmes** for MSMEs, Industry Associations, Bankers and other stakeholders.
- Implementation of various developmental projects.



SIDBI's EE assistance/Initiatives: Highlights

- Covered diversified areas like Energy Efficiency, Cleaner Production/Technologies, Renewable Energy projects, CNG/LPG commercial vehicle, etc.
- Covered energy intensive sectors/clusters on pan India basis.
- Sanctioned Assistance of around Rs.5500 crore to more than 6500 MSME units.
- More than 800 Million units of electricity saved.
- Resulted in reduction of 770 kilo tons (kT) of CO₂ annually.
- Conducted more than 50 Awareness Campaigns, Focused Group Meetings etc. on EE.

 **SIDBI received ADFIAP Award, 2012 for Energy Efficiency Lines of credit**



End to End Energy Efficiency (4E) Solution

- SIDBI has launched 4E Intervention on the occasion of “World Environment Day” on June 5, 2014.
- 4E Intervention would help the MSME units to adopt energy efficient practices by providing the following services:
 - (a) Detailed Energy Audit (DEA)
 - (b) Support for implementing the identified Energy Conservation Measures (ECMs) including Measurement & Verification for quantifying actual savings.
- 4E Intervention is expected to benefit 3,000 MSME units in the next three years
- India SME Technology Services Ltd. (ISTSL), a subsidiary of SIDBI will support SIDBI to implement the 4E Initiative



SIDBI's Developmental Initiative for EE

- **World Bank – GEF Project :**
- **Objective - To increase demand for energy-efficiency investments in target MSME clusters and to build their capacity to access commercial finance.**
- Main deliverable - catalyzing investments for implementing Energy Conservation Measures in around 500 MSMEs.
- Target Clusters – Ankleshwar (Chemicals), Pune (Forging), Kolhapur (Foundry), Tirunelveli (Lime kiln) and Faridabad (Mixed).
- Providing technical support through Walk through & Detailed Energy Audits, Preparation on Investment Grade Detailed Project Reports (IGDPR) and implementation support.
- Creating wide spread awareness through workshops/ training to MSMEs, vendors, equipment manufacturers, Industrial Associations, bankers, Local service providers etc.,
- Investment estimated at 100 Crore and Green House Gas emission reduction estimated at 1.224 million tonnes of CO₂

 **SIDBI received ADFIAP Award, 2013 for the Project.**



SIDBI's Developmental Initiative for EE

- **pCDM Project – Stainless steel Re-rolling mill cluster**

SIDBI, as Co-ordinating & Managing Entity (CME), is implementing a programmatic CDM project for EE improvements in furnaces along with ISTSL and KfW.

1st CDM Project of its kind in the entire world

- EE improvements in existing furnaces used in SMEs (Steel Industry) clusters across India aimed at reducing GHGs emissions by reducing fossil fuel consumption.

Project registered with UNFCCC on December 29, 2012

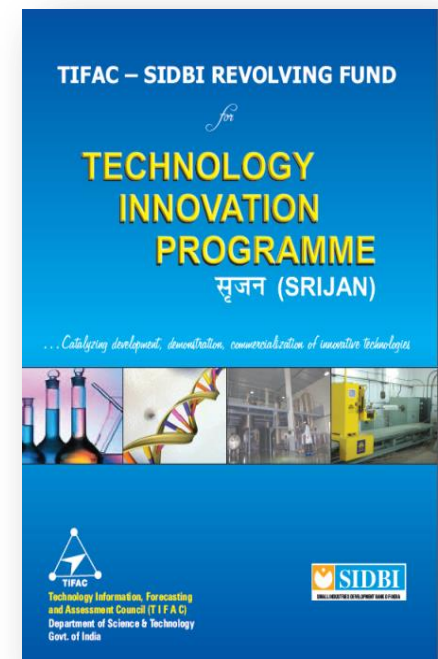
 **SIDBI received ADFIAP Award, 2013 for the Project.**



SIDBI's Sustainable Development Initiative

TIFAC-SIDBI Revolving Fund for Technology Innovation -(Srijan Scheme)

- To support MSMEs for up-scaling and commercialization of innovative technology based project at flexible terms & interest rate.
- Preference accorded to sustainable technologies / products.
- Soft term loan with an interest of not more than 5%.



Way forward

- ☀ Wider dissemination of successful EE/CP case studies for its replication.
 - ☀ Empanelment of Energy Auditors, Energy Managers, Energy Professionals/Energy Service Companies (ESCOs) through 4E Solution.
 - ☀ Promotion of ESCo model of financing for MSMEs etc. through Partial Risk Sharing Facility.
 - ☀ Exploring more innovative loan products for sustainable development of MSMEs.
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- ❑ All these endeavours are founded on the belief that clean and energy efficient processes will make Indian MSMEs more competitive and resilient to shifts in policy changes arising out of environment action plans.
 - ❑ SIDBI will continue to innovate new strategies and loan products to enhance the sustainable development in MSMEs. Thus contributing to the country's economy and globally to mitigate Climate Change.



