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PARTNERSHIP TO ADVANCE CLEAN ENERGY-DEPLOYMENT TECHNICAL ASSISTANCE PROGRAM

# The Role of Microfinance in Radically Expanding Energy Access in India

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*Presented by*

Nithyanandam Yuvaraj Dinesh Babu,

USAID PACE-D TA Program

# HYPOTHESIS: MFIs OFFER AN EFFECTIVE GATEWAY FOR DELIVERING RENEWABLE ENERGY SYSTEMS AT SCALE

- By leveraging existing client networks, MFIs can distribute RE systems at scale in a cost-effective manner
- Strong long-term relationships with MFIs and high levels of trust provides comfort to clients in making RE purchasing decisions
- Financing provided by MFIs makes RE products affordable and MFIs offer reliable service through continuous engagement with clients
- Product companies are actively courting MFIs due to their distribution potential

- 30 million clients in India; averaging annual growth of 30% between 2011 and 2016
- Strong overlap between MFI customer base & natural constituency for RE systems
- MFIs can partner with other financial institutions that have similar reach among low income groups



## CHALLENGES: RISK PERCEPTIONS AMONG MFIs

- Lack of awareness about clean energy products among most MFIs
- Concerns about aftersales service and reputational risk if products fail
- Concerns about choosing the right business model for energy lending and integrating energy lending within mainstream microfinance business
- Concerns about making sufficient profit after investments in:
  - Product selection and procurement
  - Inventory, after sales and warranty management
  - New marketing approaches
  - Human resources
- Lack of ear-marked funding to onlend for energy loans from regular funding sources

# PROMISE: ENERGY LENDING AS A VIABLE BUSINESS OPPORTUNITY FOR MFIs

- USAID REMMP and PACE-D have provided TA to develop MFI energy lending programs
- Findings illustrate that MFIs could reach up to 50% of their client base with RE products
- Programs are financially sustainable: Return on Assets is on average 30%
- Strong demand for partnership models from smaller Local Finance Institutions (LFIs)
- Energy lending cannot be simply retrofitted into MFI – requires additional processes, systems and organization
- MFIs need to commit to make energy lending successful and scalable



# LEADING THE WAY ON MFI ENGAGEMENT IN ENERGY FINANCING

## KEY OBJECTIVES

- Enhance access to clean energy through financial inclusion mechanisms like microfinance
- Build capacity of MFIs to develop clean energy markets - better service delivery, product design and capacity building
- Facilitate investments, and partnerships between MFIs and RE suppliers
- Policy advocacy



# TECHNICAL ASSISTANCE STRATEGY AND SUCCESS ENABLERS

Visioning,  
partner  
assessment and  
identification

Business plan  
development  
Funds/investments

Operational  
plans and  
targets roll out

Monitoring and  
evaluation

Leverage results  
(policy, institutional  
reforms, technology  
development)

PRODUCT  
SHOWCASE  
EVENTS

INVESTOR  
FORUMS

TRAININGS –  
STAFF AND  
CLIENTS

CUSTOMER  
SATISFACTION  
SURVEYS

OUTREACH  
PROGRAMS

POLICY  
EVENTS

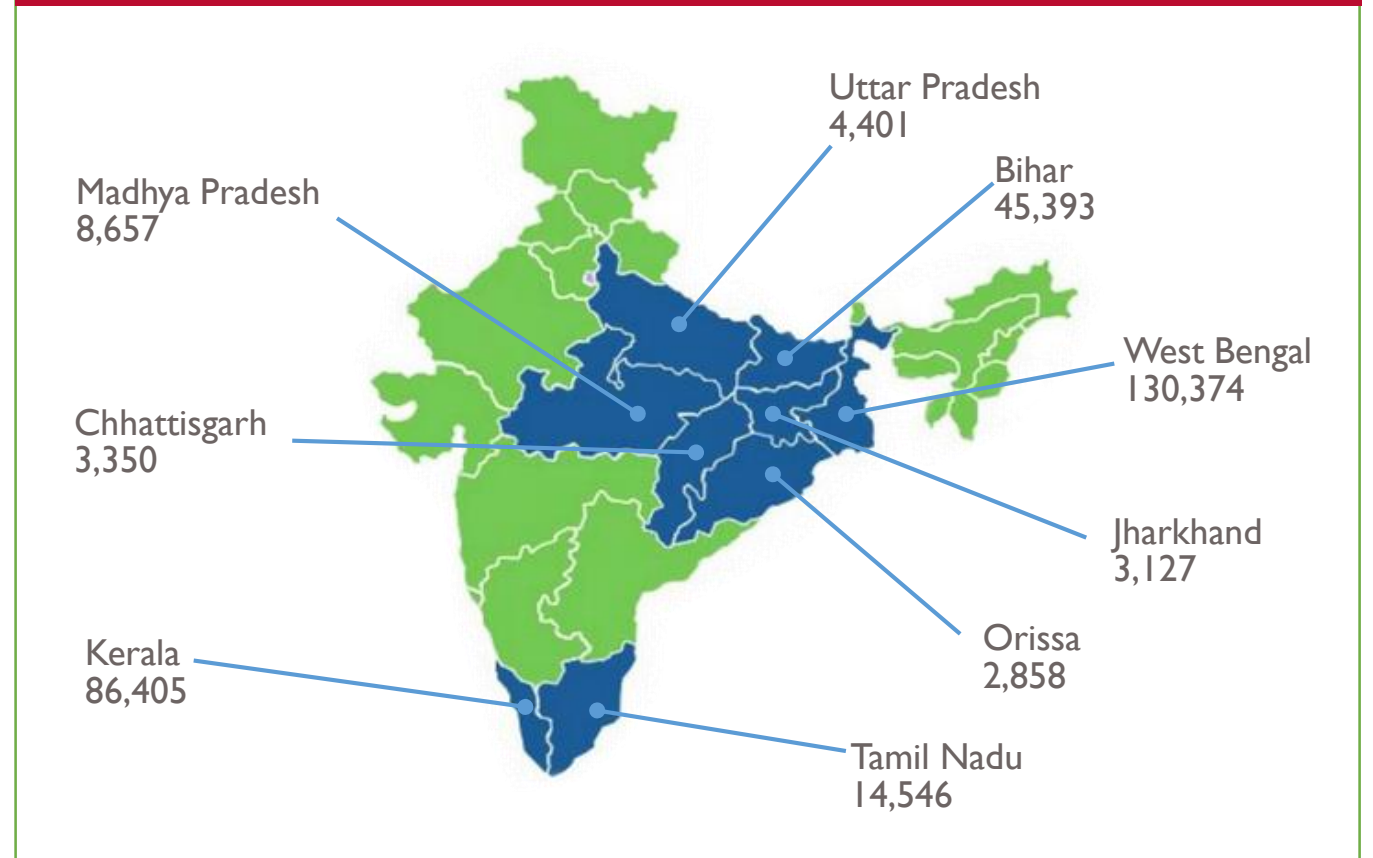
# PROGRAM REACH

## 7 MFI partners in 9 states

*with a concentration in the energy poor states of the North*



## NUMBER OF ENERGY CLIENTS BY STATE



(As of March 31, 2017)

# PROGRAM IMPACTS



■ Customers  
■ Household members

Over **313,930** customers now have access to modern energy products/services

Over **1.5 million** household members across 9 states have been reached



**100%** of all energy customers and energy finance clients are **women**



More than **249,000 tons of CO<sub>2</sub>** will be displaced over energy product lifetimes.



Over **USD 10 million** leveraged for clean energy micro-financing under PACE-D MSP through loans disbursed and cash sales



Over **USD 7.3 million** has been leveraged in investments



**8,726 person-hours** of training has been provided on renewable energy products and their value/supply chains, with 57% of training hours received by women (MFI staff and clients)

(As of March 31, 2017)

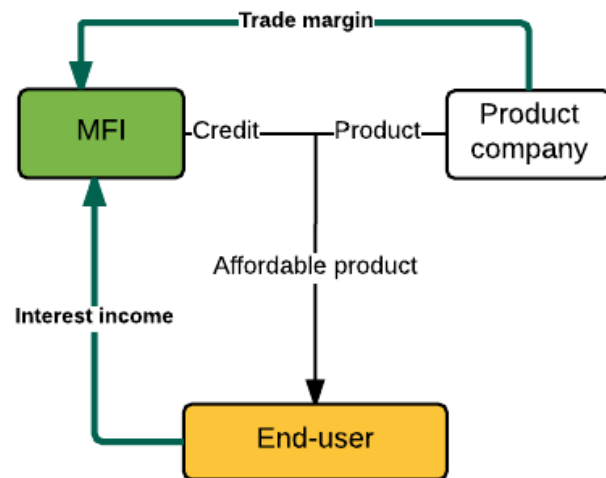


# BUSINESS MODELS: DIFFERENT MODELS HAVE EMERGED AND ARE MATURING

## Entry level energy lending model

### PRODUCT COMPANY & MFI PARTNER

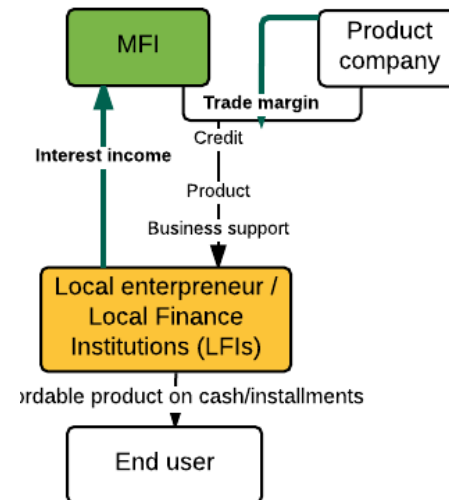
- MFI lends for the RE product within existing customer base
- MFI receives trade margin and interest on the loan



## Partnership model (LE and NGOs)

### EXTENDS THE ENTRY LEVEL MODEL

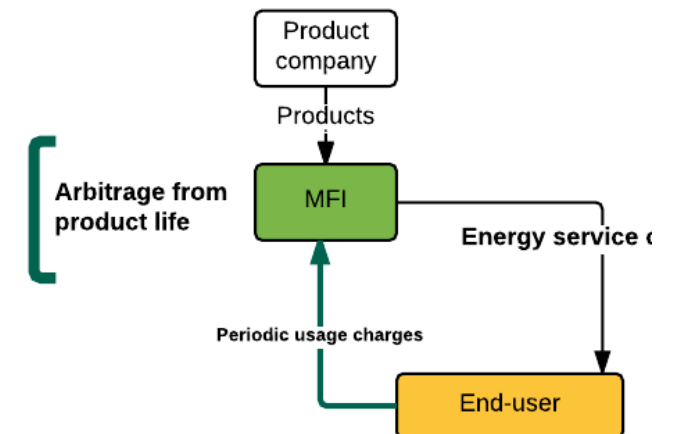
- MFI partners with Local Entrepreneur (LE) or local FI (partner)
- Offers product through long-term credit to partner
- Partner provides product to ultimate end-user (client of partner) on credit
- MFI reaches customers beyond its client base



## Energy services model

### VARIANT OF ENTRY LEVEL MODEL

- MFI provides end-user products as a service
- Ideally suited for micro-grid, shared services or pay-as-you go systems



# KEY SUCCESS FACTORS

## Product partner selection

- Suitable products and partnerships
- Affordability and utility
- After sales support
- Extended annual maintenance service contracts

## Organizational structure

- Deploying trusted microfinance delivery channel (marketing, sales and distribution)
- Centralized management and monitoring
- Independent audit and risk management function
- Capacity building and Incentive program
- Business planning, projections and cash-flow management

## Customer centricity

- Suitable and affordable energy products and loan design
- Customer feedback mechanism
- Awareness generation and product communication
- After-sales service



**Anurag Mishra**

Senior Clean Energy Specialist

USAID/India

Email: [amishra@usaid.gov](mailto:amishra@usaid.gov)

**Nithyanandam Yuvaraj Dinesh Babu**

Chief of Party

PACE-D TA Program

Email: [ydbabu@nexant.com](mailto:ydbabu@nexant.com)



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