



# **GIZ-SIDBI Project on Responsible Enterprise Finance**

**Small and Medium Enterprises : Energy Efficiency Knowledge Sharing (SAMEEEKSHA) Platform – 9<sup>th</sup> Meeting**

**7 April 2015**

# India: Land of diverse realities

After twenty years of continuous growth, India still ranks high in poverty

**300 million**  
people live in  
absolute poverty

## Demographic dividend or Demographic Bomb

A very young and rapidly growing population is eager to have its share of the growing wealth of the country

## 2/3 Population

still live in rural areas many of them depending on agriculture for their livelihood

**90%**  
**Employment**

in the unorganized sector

**13 million**

workforce added /  
year

**Only 3 million**

receive some form  
of training

## India needs jobs

**75%**

Graduates are  
considered  
unemployable

**40%**

entrants are  
**illiterate**

Only a massive industrial development combined with a large expansion of the skill development system can fit that bill

## Resource crunch

Rising pollution  
caused by  
antiquated  
technology

Input markets  
(land, water,  
energy) are  
malfunctioning

Rising prices

# The pivotal point for this change is the MSME sector!

Share of	Value
Industrial Units	95% (aprox. 29,8 Mio.)
Industrial Output	45%
Exports (in value)	40%
Gross Domestic Product (GDP)	8% (total of Industry: 11%)
Employment (in Million)	69



Innovative Start Ups and MSME develop Solutions for social and ecological challenges in sectors and address unserved needs at the BoP



MSME in traditional sectors (e.g. Foundry) often use dirty and old technologies and do not comply to social and environmental standards



MSME in export-oriented sectors and value chains (e.g. Textile sector) are driven by buyer pressure and customer demands



MSME in modern sectors (e.g. Automotive) are driven by competitive pressures to innovate sustainably



## Key challenges

Tackling  
environmental  
challenges

Promoting  
competitiveness

Boosting jobs

Being inclusive

Enabling  
framework  
conditions

Appropriate  
incentives

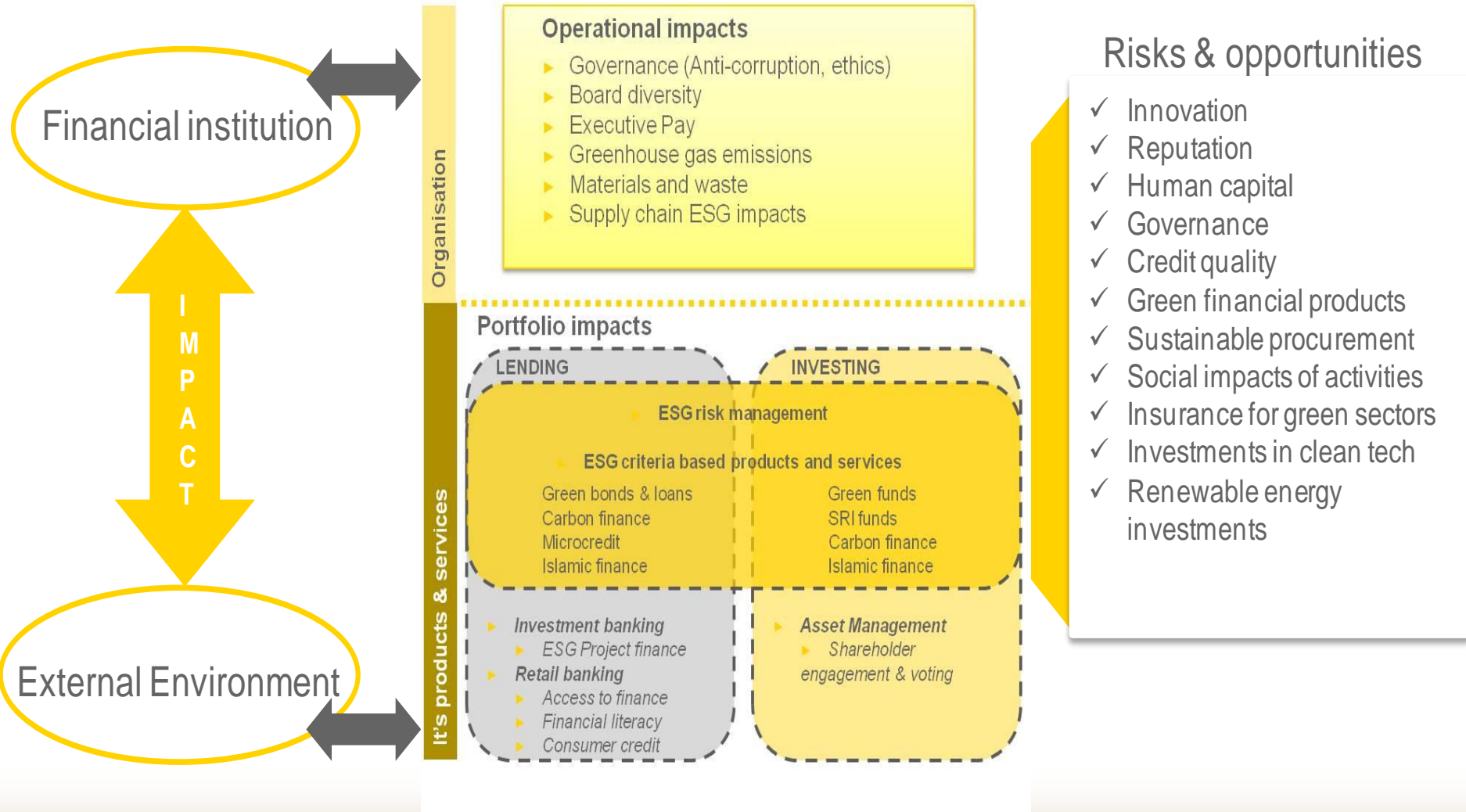
## Responsible Finance – A key gap and a key factor?

By improving the supply of risk capital and loans for sustainability oriented investments of micro, small and medium-sized enterprises (MSME)



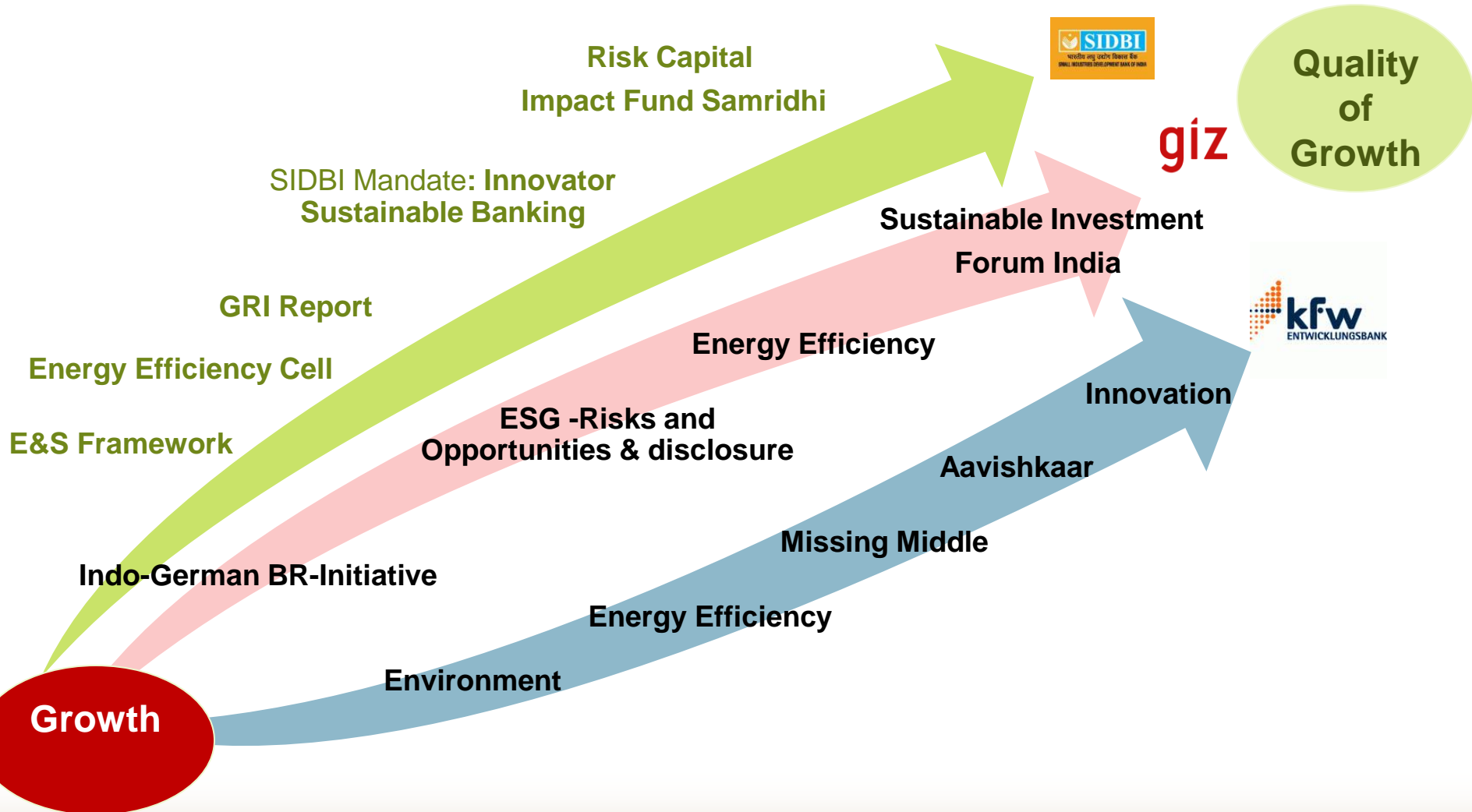


# Role of the Financial Sector





# Some building blocks



# Project Structure

## Responsible Enterprise Finance

Impact : The supply of risk capital and loans for sustainability oriented investments of micro, small and medium-sized enterprises (MSME) has improved.

### PILLAR1

ESG framework in  
SME Financing

RISKS

### PILLAR 2

Sustainability oriented  
Products & Services

OPPORTUNITIES

### PILLAR 3

Risk Capital for  
Social Enterprises

FINANCING IMPACT

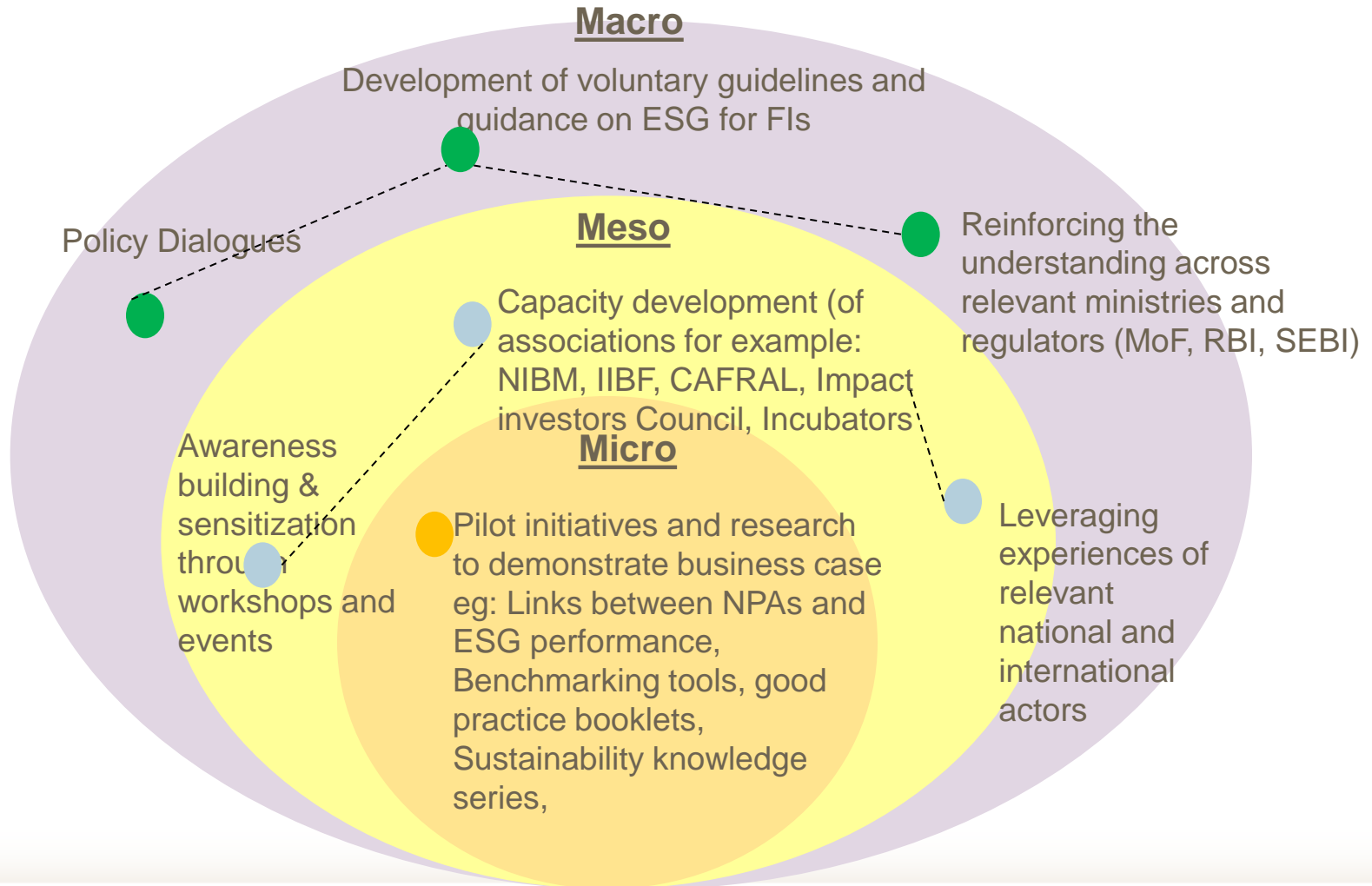
### PILLAR4

ESG Guidelines for  
the Financial Sector

SYSTEMATIC BLUE  
PRINT FOR ACTION



# Approach (and integration among pillars)



## Output: Pillar 1 (ESG Framework)

### Result:

Banks introduce an ESG risk management framework for SME lending

- A common ESG-framework has been introduced and is applied.
- Formation of a multi stakeholder working group to drive development and adoption of the framework
- Evidence Studies linking ESG factors with Banks' portfolio performance

## Output: Pillar 2 (Sustainability oriented Products and Services)

### Result:

Banks have increased the share of loans for sustainability oriented investments

- Banks integrate energy efficiency in their lending
- Energy Efficiency Investments – End to End Energy Efficiency (4E) Model for SIDBI has been introduced
- Banks increase renewable energy financing in their lending portfolio
- Increase uptake of loans offered by Public Sector Banks for women entrepreneurs in the SME sector

## Output: Pillar 3 (Risk Capital for Social Enterprises)

### Result:

Higher number of start-up enterprises and social entrepreneur, receive risk capital

- Market Transparency has increased and contributes to capital flow to social enterprises: Report Indian Impact Investing Story, Reporting and Benchmarking Tool for (Impact) Funds (PRISM), Indian Impact Investor Council strengthened
- More Risk Capital is available for social enterprises: Support to Angel Networks, SIDBI Social Enterprise Recognition award and financing (PRAISE), Awareness Raising amongst Banks, National Innovation Financing Platform
- More Social Enterprises are investment ready: Virtual Incubation Platform (startupwave), Impact Stream in Incubator Indian Angel Network, Capacity Building of Incubators with CIIE, Support to SVCL Investee Companies, Entrepreneur's Guide De-mystifying Impact Investing

## Output: Financial Sector Guidelines for Responsible Banking

### Result:

Private and public-sector banks apply a voluntary banking code for the integration of sustainability aspects.

- Guidelines and Implementation Guidance on Responsible Financing are developed
- Non-financial Reporting Framework is developed
- Various advocacy measures are implemented (Research-dialogue-workshops)
- Capacities of up to 4 intermediary organisations are enhanced on ESG integration