

# GREEN MICROFINANCE

*Can it allay both our environmental and  
social woes?*

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# THEME

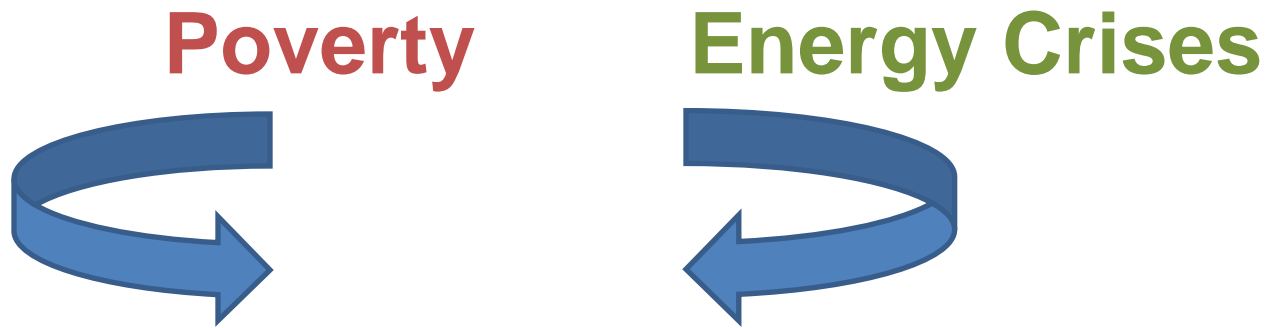
- Effective means of achieving an inclusive ‘*green economy*’ is through the use of *green microfinance*
- Supported by studying the impact of the SEWA Bank Project **URJA**
- How *economic growth* and *environmental stewardship* can be *complementary* to each other.

# MAJOR CHALLENGES

- **Poverty:** About 1.4 bn people in the Developing world (one in four) live on less than \$1.25 a day, the threshold for extreme poverty
- **Energy crisis:** 2 bn people in the world have no access to electricity and even more rely on traditional fuels as wood or charcoal

( Source : World Bank Report,2009)

# WHO SUFFERS THE MOST?



**Brunt lies most on**  
***POOR WOMEN***

**CAN MICROFINANCE ALONE  
ALLAY THESE WOES?**

# MICROFINANCE IS :

- Provision of financial services to low-income clients, including the self-employed especially women
- 95% MFI clients in India are women
- Includes both financial and social intermediation
- Not merely banking but a development tool

# **MICROFINANCE HAS PROVED THAT:**

- Poor are credit worthy
- Given the chance, people are capable of bringing themselves out of poverty
- Economic independence is the crux of a larger social empowerment process

# Microfinance and Environment Degradation *a positive correlation...*

- Micro enterprises have environmental costs
- Increase in borrower's income raises her level of consumption, leading to increasing strain on environment
- Lack of supervision by regulatory environmental agencies
- Low technological level & lack of supporting infrastructure and services

# How to make Microfinance *GREEN?*

- By providing capital and technical assistance so that micro businesses can invest in energy saving or renewable energy technology
- By providing capital and technical assistance so that ‘Green Collar Entrepreneurs’ can start or expand green micro businesses.
- By incorporating a strong component of environmental education
- By providing other services, in particular low-interest loans for residential energy-efficiency and renewable energy upgrades.

# Green Microfinance

*Green Microfinance seeks to lead the field Of microfinance, ensuring that the principles of sustainable development are integrated into all lending policies and programs*

# Green Microfinance:

- Supports clean energy for the poor
- Promotes distribution and use of renewable energy technologies which help reduce global warming
- Works primarily through MFIs

# How can Green Microfinance achieve Green Economy?

- Potential to address pervasive poverty, financial exclusion and energy inequality
- Can bridge the divide between those that are arguing for environmental improvements and those that are suffering most from environmental degradation.

# FEASIBILITY

- Non renewable sources of energy are expensive and in shortage.
- Need for energy substitutes for the poor
- opportunity for MFIs to expand into new service areas

# ECONOMIC VIABILITY

- Approx 2 bn people around the world use kerosene, consuming equivalent of 1.7 mn barrels of petroleum/day
- New technologies, inexpensive, reliable solar/light-emitting diode (LED) systems, have opened up the possibility products that are cost-competitive with kerosene lighting

- The market for clean energy products is enormous;
- There are 200 million households in Africa alone that could switch from kerosene to solar/LED lighting (Consultative Group to Assist the Poor Report,2009 )

**SEWA Bank Project URJA**  
*CASE STUDY*

- SEWA began its journey in 1972.
- Today, SEWA is the largest single trade union in the country with a membership of over 9,00,000 women.

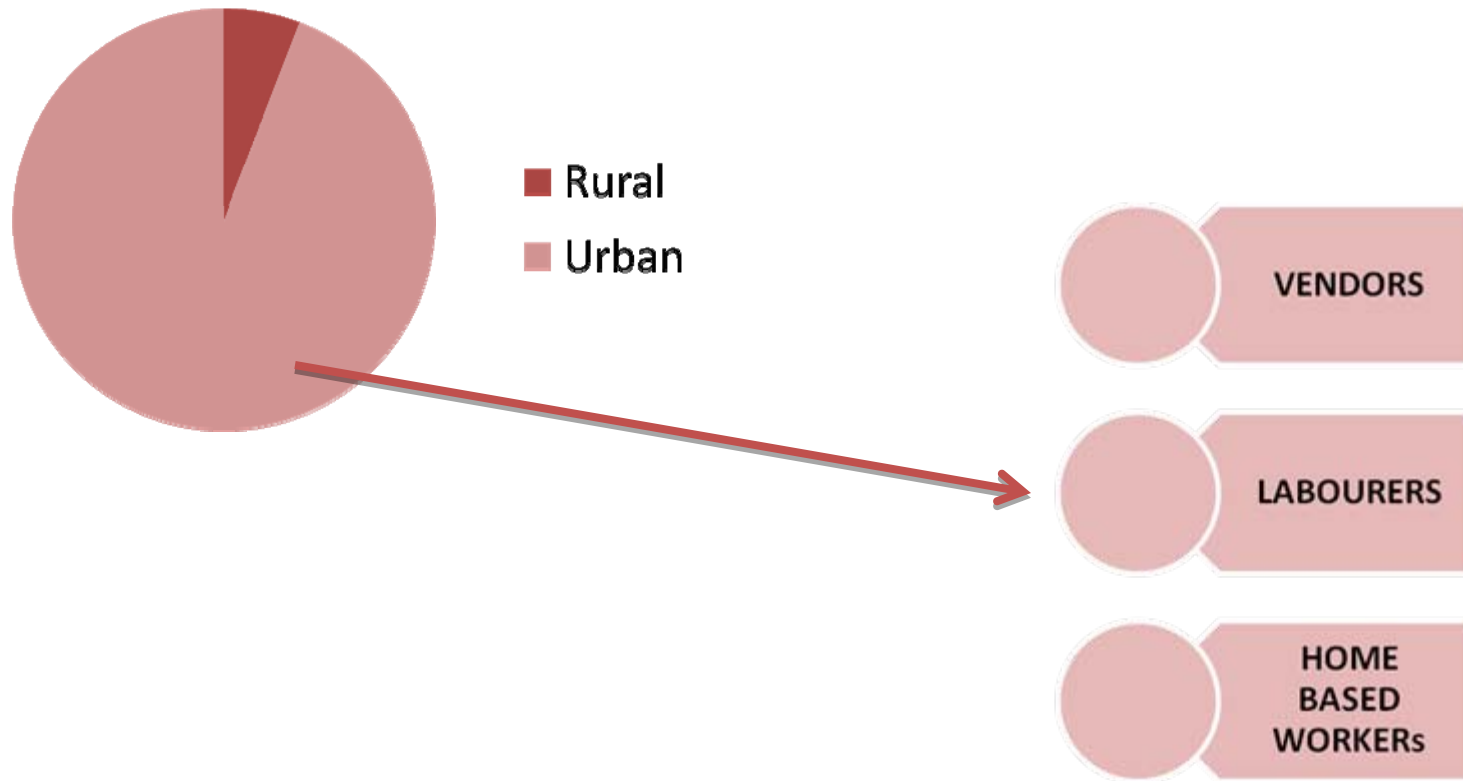
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# SEWA BANK

- Shri Mahila Sewa Sahakari Bank Ltd.
- came into being in the year 1974

# SEWA BANK'S CLIENT PROFILE

## Client Profile



# WHY PROJECT URJA FOR SEWA MEMBERS?

## Need Assessment Survey Findings

households visited used traditional three stone inefficient stoves, which

- need a lot of firewood
- time (3 to 4 hours per day)
- amount spent (Rs.350 per month)
- associated health risks

# SEWA Bank initiated the idea of using solar energy :

- Demand for it has increased at 25% per year for the last 15 years but unfortunately accounts for less than 0.1% of global primary energy demand
- Would facilitates more savings amongst its members (cost effective)
- Enhance their overall living conditions and better health prospects.

# **PROJECT URJA: 2006**

## **Three vital elements**

- The technological partner SELCO that designs and improvises solar and bio gas run cooking and lighting devices
- The people who use these devices to improve their living standards.
- The Mahila Housing Trust (MHT) and SEWA Bank that provide the financial support to these people for realizing their dreams

# FEATURES

# PROJECT *URJA*

Product

Flexible financing &  
customised energy  
service

Delivery Model

Door step financing &  
door step service

Service Model

Personalised service

Client Base

Over 2,90,000  
members

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graph TD; URJA[URJA] --> LIGHTING[LIGHTING]; URJA --> COOKING[COOKING];
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**URJA**

**LIGHTING**

**COOKING**

# PRODUCTS

- Solar lantern
- Head lamp for midwives & flower pluckers
- Annapurna stove
- Solar home lights
- Sarai cookers

**LALITABEN MAHENDRABHAI RAVAL**, owner of a cutlery cart, her views on solar lantern :

*“ Instead of using rented light, if one has own personal light one does not need to keep expectations from others, this has been possible for me by use of SolarLantern provided by SEWA Bank. It has increased my income by Rs.50 more per day by extending my working time by two hours due to lantern. This lantern is a blessing for me as it has helped me save Rs.100 per month spent on rented light and also when there is blackout elsewhere all customers come to me and has generated more income”.*

# SEWA Bank's Project *URJA* - Case study

**Also,**

- Created widespread awareness among its members
- Created entrepreneurs in these technologies among its members to ensure local availability of consumables

# CONCLUSION

- Need to link energy & access to affordable finance since the poor have a significant impact on environment protection
- Group lending programs enhance the social capital of a community, creating the potential for collective action to protect natural resources
- Green microfinance has potential to effectively tackle our problems of poverty and environmental degradation

**THE PATH AHEAD...**

Green MFIs could begin to create a more diverse environmental movement :

- By engaging borrowers on environmental issues opportunities for jobs and to save money on utility bills
- Implement certain requirements around their loans, for instance mandating that borrowers have energy audits done of their business
- Support the graduates of green job training programs