



Stakeholder Dialogue to Promote Green and Inclusive Entrepreneurship

Development Alternatives with support from Green Economic Coalition (GEC) and European Union organised a Validation workshop in Bundelkhand with an aim to improve the investment climate for green Micro or Small enterprises or Local Green Enterprises (LGEs) in India, focusing on the Agriculture and allied sector by bridging the gap between entrepreneurs and the formal financial system. The workshop brought together 39 entrepreneurs and 13 financiers under one platform to discuss the key challenges in access to formal finance.

The workshop was organised with a context that Micro or Small enterprises or Local Green Enterprises have the potential to provide solutions for not just creating local jobs but also for coming up with solutions for reducing the adverse effects, and in many cases for conserving nature. It is also crucial to acknowledge that making MSMEs environmentally conscious not only helps in saving the environment but also assists businesses to grab consumers' interests in the market, as an increasing number of people are shifting their choices towards more green and organic products. These could give a boom to these businesses. The inclusive pattern of sustainable growth of the MSME sector has also the potential to provide employment opportunities at the local level considering women, marginalized and backward communities.

For this purpose, it becomes vital that a favorable ecosystem is created for these LGEs or green MSMEs to sustain and expand. To understand these gaps at the micro-level and to look for potential solutions, Development Alternatives conducted in-ground surveys in several districts in Bundelkhand. Perspectives of both entrepreneurs from the Agricultural and allied sectors and financiers were taken for that. It came out that significant potential lies in the region to strengthen local entrepreneurship, especially in the agricultural and allied sectors to pave the path for a green and inclusive economy. But there exist several challenges in attaining that.

The workshop saw participation from Financiers (NABARD representatives, private and public banks, small finance banks) and Entrepreneurs (farmers/FPOs/ SHG) to discuss their challenges in lending and accessing formal finance. From the Financiers group, it was pointed out that financial illiteracy, incomplete or mismatched documents, and lack of trust in the banking system are the top three

challenges for banks in lending to SMEs/ small farmers / FPOs. Whereas, entrepreneurs were of the opinion that, due to heavy documentation, lack of information, and high transaction cost to access formal finance were among the top three challenges.

The platform was used to discuss other pertinent issues regarding Green and Sustainable Finance for MSME. The general consensus among the Financier group was that even if it's a green project or business, the idea of profitability is a priority for private banks when lending. More than Green, Societal benefits were more recognised and valued while lending loans. Furthermore, in the discussion, it was pointed out that housing and vehicle loans are given more preference and are regarded as Priority Sector Lending (PSL) than MSME loans. Lack of awareness is considered as the major challenge regarding government schemes and the corresponding schemes matching their business. Entrepreneurs often have no knowledge of the differences between a loan, subsidy, grant, and they are often misguided to think of loans as free money. The workshop discussion indicated that there is also a lot of confusion regarding waivers that are being awarded by the government amongst the entrepreneurs. It is pointed out by the bankers that CSOs can step in at this point and help the entrepreneurs gain knowledge and avoid misconceptions regarding the banking system. The session was concluded by giving a brief presentation on key MSME schemes for entrepreneurs to help them gain more knowledge and clarity on government schemes.