Webinar on Sustainable Finance Reforms

The Development Alternatives Group (DA), India, Caribbean Natural Resources Institute (CANARI), Trinidad & Tobago, and Trade and Industrial Policy Strategies (TIPS), South Africa are implementing national work under the Green Economy Coalition (GEC) project titled ‘Civil Society Participation for Sustainable Finance Reforms: Global Coverage’, funded by the European Union. The project aims to enhance finance and other support for Local Green Enterprises (LGEs), to take stock of which and exchange best practices, a cross-hub knowledge sharing event was organized virtually on 4 July 2022.

The event commenced with a round of introductions and a welcome address by Nicole Leotaud, Executive Director, CANARI. This was followed by a session by Gitika Goswami, Associate Vice President & Lead – Policy & Planning Domain, DA, who took cues from the organisation’s work with Fly Ash Brick (FAB) industry in Bihar, agriculture in Bundelkhand, and eco-tourism in Himachal Pradesh and Uttarakhand, to highlight the gaps in financing for local, nano, and micro enterprises in these
sectors. She called attention to the lending preferences of the private banking institutions. Such bankers have been found to not only prefer borrowers with at least 2–3 years of business vantage, limiting financing options for the new entrepreneurs, but also do not place any weightage to factors such as how much local and green the enterprise is in their decision-making criterion.

Government financing schemes seem to be a viable choice for such new entrepreneurs, but there are gaps in design and implementation there too. Not to mention, a good percentage of the nano and micro entrepreneurs are informal – meaning that they do not possess the identity proofs, which are imperative to apply for such government schemes. Those who do possess these documents often fail to apply due to information asymmetry, or are demotivated by long delays in the sanction or requirement of collateral. This results in such LGEs preferring lending from informal sources at 4x interest rates.

These issues were echoed by the working teams of Trinidad & Tobago and South Africa in their respective sessions, validating the need for a stronger financing ecosystem for LGEs.

The event ended with affirmation for a set of recommendations. It was collectively decided that the hubs shall hold many more such events to strengthen the learnings from time to time.