



Increasing Rural Access to Finance for Productive Energy Use

IFC (2013) report states that 76.1% of employment in Nepal is generated through Small and Medium Enterprises (SMEs). However, the sector is suffering from unreliable energy supply. Owing to this situation, entrepreneurs are finding it difficult to make investment decisions for business start-ups and expansion. In absence of reliable energy supply, SMEs are using costly energy sources such as fossil fuel to operate

Fast Facts

FUNDER: UK DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

PARTNER: JANAUTTHAN SAMUDAYIC LAGHUBITTA BITTIYA SANSTHA LIMITED (JSLBSL)

LOCATION (DISTRICTS): RUPANDEHI, KAPILVASTU, DANG, BANKE, BARDIYA, KAILALI, KANCHANPUR



machineries which is not viable for the SMEs consequently their hours of operation are limited or they had to adjust work time based on grid power availability. Besides, access to finance is especially inadequate in poor, rural areas and marginalized communities. To foster and assist SMEs, a need exists to improve access to financial services for climate resilient technologies (CRTs).

Project Approach

The project aims to increase sustainable access to climate resilient-focused loan products for enhancing the rural economy and improving rural livelihoods. The project will build capacity of Janautthan Samudayic Laghubitta Bittiya Sanstha (JSLBSL) and its members on potential opportunities for developing energy loan products. JSLBSL will provide subsidized energy loan to SMEs/members for installing CRT. Investing in SMEs for productive use of energy will catalyze rural economic development across sectors which in turn will increase income, jobs and the demand for financial services. The availability of finance for CRTs will not only accelerate the productivity and profitability of SMEs and households but it will also increase their resilience to climate change by increasing income, efficient use of available energy and decreasing dependency on wood and fossil fuels. The project will ultimately support in decreasing energy disparity between rural and urban areas.

Project Objective

- Provide a new credit facility of climate resilient-focused loan products for SMEs, enabling individuals to use CRTs to create or expand businesses and income generation activities (IGAs).

Project Activities

- Develop and strengthen financial mechanisms
- Build capacity of JSLBSL on increasing financial access of SMEs and households for IGAs to install CRTs
- Facilitate JSLBSL on assessing business opportunity for productive use of energy product for SMEs and IGAs
- Increase financial literacy and create awareness on CRT and its benefits
- Provide technical assistance for developing business plan for SMEs and households for IGAs
- Facilitate in creating a network of Banks and Financial Institutions (BFIs) and private companies
- Create linkages of SMEs and households with the vendors and market actors
- Create market demand for additional loan for cross-selling activities

Partnerships

Winrock has developed partnership with JSLBSL to implement the project. Winrock is responsible to build capacity of JSLBSL on CRTs and its productive use; support JSLBSL in developing energy loan product for SMEs and IGAs; facilitate in integration of insurance policy in the credit mechanism for CRTs to safeguard against disaster; create linkages between JSLBSL, CRTs supplier companies and customers for installation of CRTs and regular after sales services; design and create Information, Education and Communication (IEC) materials for the promotion of CRTs targeting end users; provide technical support in creating demand for CRTs; support JSLBSL in conducting training on financial literacy to its members; support SMEs and IGAs to replace inefficient energy use practices to efficient one; and create linkage between JSLBSL and commercial banks for wholesale lending.

Results

- 9 CRT loan products developed.
- JSLBSL staff trained on CRTs, its productive use and benefits to end users.
- Brochures and flipcharts on solar lighting system, solar dryer, solar water pump, solar water heater, solar refrigerator, solar grinding and milling, improved cookstove, biogas and electric vehicle developed and disseminated to members of JSLBSL.
- Linkage created between JSLBSL and 9 CRT supplier companies
- NPR 17 million credit disbursed to JSLBSL members for installing 326 improved cookstoves, 73 solar lighting system, 45 electric rickshaw, 13 biogas, 6 solar dryer, 5 solar refrigerator, 4 solar water pump and 1 solar water heater.



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