



LEARNING FROM SELCO EXPERIENCES





WHAT INSIGHTS CAN WE OFFER?

Typologies of the Poor

Flexible Financing + Systems

Division of roles

MoUs

Derisking Mechanisms

Convergence Schemes

Conclusion: Partner Selection

TYPES OF THE POOR



MULTIPLE ENERGY NEEDS = MULTIPLE FINANCIAL PRODUCTS

- Design 3-4 financial products for energy with various combination of systems
 - Loan size may change but terms remain the same
 - Large volumes need not come from one product but also large amount of one loan
 - Pitfalls of short period loans within 12 months

Sl.No.	Size	Cost	Interest	Weekly installment Amt (Rs)	Total installments
1	4 light	20,000	18%	174	150
2	3 light	12,000	18%	104	150
3	2 light	8,000	18%	70	150
4	1 light	5,000	18%	44	150

Refer
I.SELCO India & SKDRDP
pricing list

SAMPLE PRICING

Table 2: Lending Terms- Solar Powered Sewing Machine

Particulars	Amount (Rs.)
Total Cost of the System	Rs.27,000
Margin Money	Rs.6,000
Amount taken as loan	Rs.21,000
Interest Rate	13 %
Loan Tenure	36 months
Equal Monthly Installments (EMI)	Rs.700
Total Amount to be repaid to bank (Approx.)	Rs.25,500
Total Amount spent on the system (including interest on loan)	Rs. 31,500

Source: Study of interventions by SELCO Foundation

Table 6: Lending Terms-Solar Powered Printing/Photocopying and Mobile Repair Center

Particulars	Amount (Rs.)
Total Cost of the System	Rs.75,000
Margin Money	Rs.10,000
Amount taken as loan	Rs.65,000
Interest Rate	13 %
Loan Tenure	40 months
Equal Monthly Installments (EMI)	Rs.2,000
Total Amount to be repaid to bank (Approx.)	Rs.80,500
Total Amount spent on the system (including interest on loan)	Rs. 90,500

Source: Study of interventions by SELCO Foundation

CLEAR DIVISION OF ROLES BETWEEN TSP AND MFI

Key Roles in Financing Process

- Identification
- Needs assessment
- System Design and Costing
- Due diligence and
- Financing
- System Installation
- Ensuring Regular repayment
- Periodic servicing and evaluation

MFI Role

- Send out a circular to all its Regional offices and Branches about Clean Energy Financing
- Undertake awareness programmes for identification of end users
- Engage commissioned BCs for identification and generation of sales
- Due Diligence
- Extend loans and collections

TSP Role

- Identify and assess end user needs
- Provide customized technology solution
- Support MFI with loan application where required
- Undertake system installation
- Undertake system servicing
- Facilitate basic tech training for basic maintenance
- During scheduled servicing crosscheck on repayment schedule and other concerns with loan repayment

“Create MoUs with clear division of responsibility”

VENDOR SELECTION

“Introducing end-user finance before reliable distribution and after-sales service is a formula for failure”

- Vendor sales and service offices are situated within 60 Kms to the bank branch
- Capacity to conduct awareness and demonstration programs in the weekly /monthly meetings
- Capacity to design and deploy solutions as per client needs
 - Share needs assessment surveys
 - Should have trained local staff and capacity to undertake orders in chosen area of operations
 - Range of products
- A 5-year maintenance contract or due equivalent to cover the full period of the loan;
- Should be able to attend complaint or maintenance calls within 48 hours
- Joint marketing of technology through village meetings and other publicity platforms (weekly or monthly basis depending on customer location etc.)
- Buy back guarantees for failed SHS and/or other mechanisms in the event of loan defaults due to poorly functioning systems or blacklisting label

VALUE OF A TSP PARTNER?

- Pricing strategy: Is it more expensive for the poor?
 - Stock management
 - Product development + quality assurance
 - Sales and service roles
- Mixed “role” perceptions by community
- Feedback loop of accountability on both sides

MFI-TSP MOU: EXAMPLE

SKDRDP (MFI) - SELCO SOLAR LIGHT CO. (TSP)

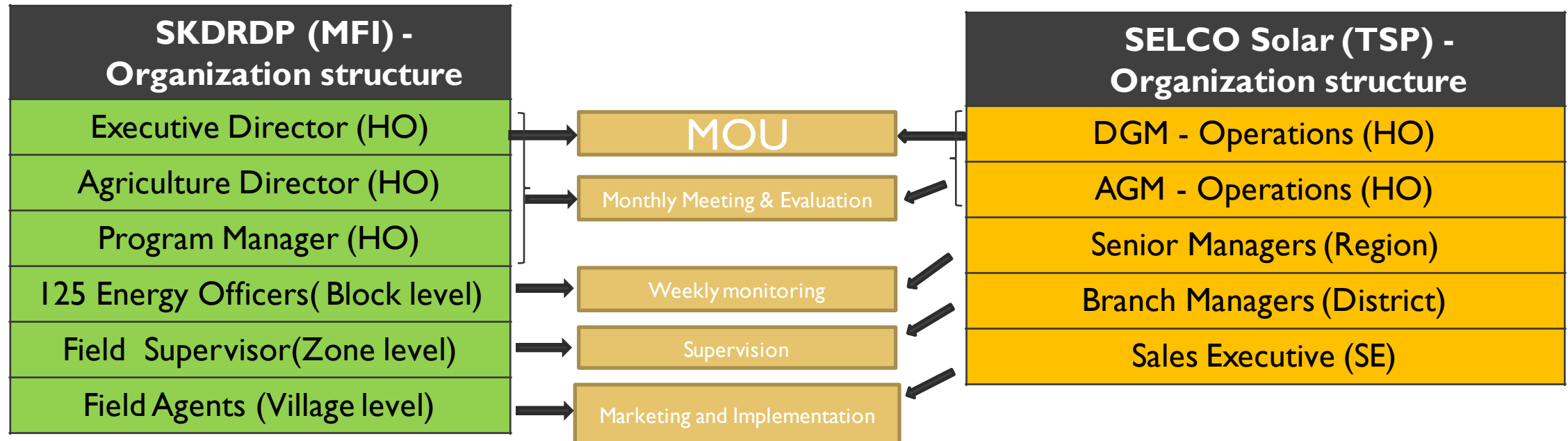
- SKDRDP's and SELCO Solar light co.'s branches overlap in each others operational areas.
- The overlapping of the geographic area helps in reaching out to the customers in timely manner within 48 hours.
- A MOU is signed based on a mutually agreed upon list of products and its prices with 1 year validity. This list is renewed annually.
- Targets to reach the beneficiary is worked out mutually and informed to operational officials of both organizations.
- The achievements against the targets are monitored and reviewed in a monthly meeting and feedbacks are given to officials in both the organizations for corrective actions.

Refer

2. Case Study: Financial Partner Tie Ups

3. Sample MoU

EXAMPLE (CONT...): ORGANIZATION STRUCTURE AND CO-ORDINATIONS



OPERATIONAL INSIGHTS FROM SELCO - MFI EXPERIENCE

Operational best practices

Administration and Management: There should be a separate energy team within the MFI for effective administration

Designated Staff: Energy enterprise should allocate designated staff who are key liaisons for MFI

Internal Audit: Regular meetings are conducted on a weekly and monthly basis between staff of both organizations

Demonstrations for MFI staff: awareness building and training given to MFI staff before dealing with clients so there is a clear understanding of the “end solution”. Encouraging staff to USE systems for their personal use to build confidence (see. Handout 3a. Circular).

DE-RISKING MECHANISMS = INNOVATIONS=DEEPER REACH

Risk Guarantee	Collateral in the form of FD parked with bank for Enterprise and End-user Financing Ex. Slum Dwellers, SELCO Incubatee
Interest Subsidy	Interest on FD or upfront partial interest payment made to bank - to credit against loan account on a monthly basis - to ensure EMI's meet cash-flows of entrepreneur. Ex. Sewing Machine, Solar Fridge in Bakery
Gap Finance	Gap finance for projects that have a component of technical innovation that are considered high-risk. Ex. Entrepreneur model for light rental
Margin Money	For poor end-users unable to bring in margin money Ex. Lighting for unelectrified households
Grant	Provided as a last EMI waive i.e. back ended subsidy for encouraging end-users to engage with bankers. Ex. Tribal and nomadic communities
Revolving Risk Fund	To benefit multiple end-users where the fund provides risk-guarantee. Ex. End-users in remote region

Refer

4. Case Studies on DRE Financing
5. Guide for End User Financing

CONVERGENCE = ACCESSIBILITY AND AFFORDABILITY

- Social policy ex. Differential Rates of Interest (DRI)
- Housing loans ex. light + cooking, lighting
- Agriculture ex. Powering appliances or agriculture

Refer

6. Sample Convergence Schemes

PARTNERSHIP SELECTION

What should an TSP look for?

- Common Vision
- Reputation and reliability
- Local presence
- Capacity to meet client needs
- Willingness to provide technical training
- Willingness of after sales service- replace, service, warranties

What should a MFI look for?

- Credit worthiness and sustainability
- Demand for energy from clients
- Dedicated capacity for clean energy
- Internal individual champion of energy access
- Capacity to meet client needs
- Flexibility in designing energy loans
- Partners for to complement roles



Thank you

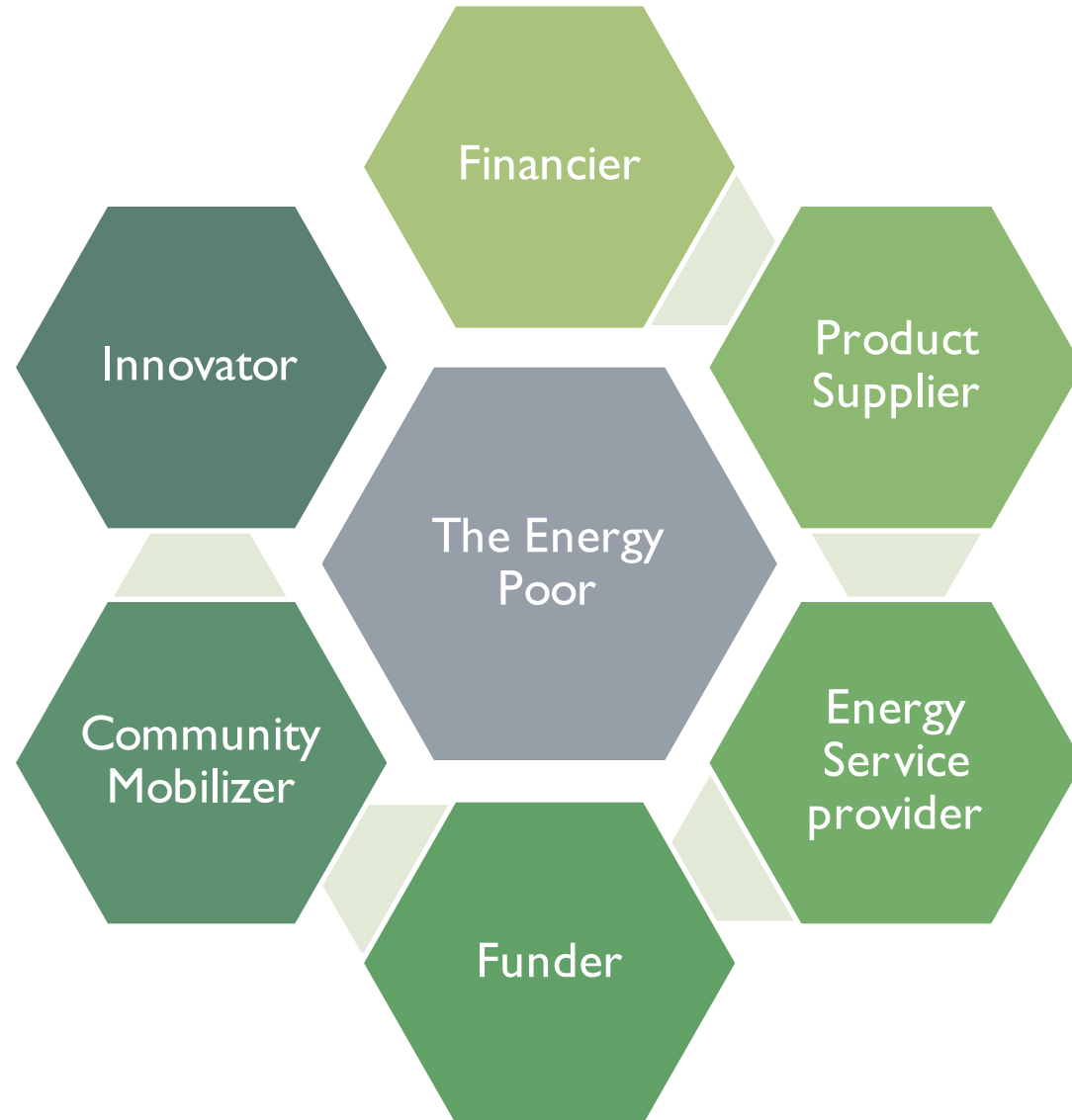
MATCHING YOUR PURPOSE AND NEED FOR CLEAN ENERGY

1. Energy is an **ASSET** not a product
2. Credit facilities that are **CASH FLOW** based suited to the needs of the poor
3. Provide a means to **INCREASE LIVELIHOOD** or other development like **EDUCATION OR HEALTH** opportunities, income savings
4. Provision of energy services will enable MFIs **TO EXPAND** their businesses

DEVELOPMENT OF ENERGY LENDING PORTFOLIO

1. Motivations to expand business or address client needs?
2. Do you build an internal vertical for lending and technical supply or partner with a TSP?
3. Do you offer a designated product or multiple products?
4. Should it be separate lending product or clubbed under existing loan products?
5. Do cost structures vary determined based on roles?

DEFINE YOUR POSITION OR ROLE



ADAPT YOUR REACH



Business Correspondents for Larger FIs

ADAPT YOUR REACH



JLG Model- cluster financing



Pigmy agent- Slums



Street Hawker Model- Entrepreneur loan

SOURCE OF FUNDING

Terms of Engagement

Source of funding- MFIs- End Users