“Identifying barriers for rooftop solar uptake in MSMEs and development of a mitigating financial framework”

The report was released at the 7th edition of the Indian Rooftop Solar Congress. Prepared by EY under the aegis of the World Bank-SBI promoted Grid-Connected Rooftop Solar Technical Assistance Program SUPRABHA

The report:

Highlights that MSME sector accounts for 38% of the GDP, employs more then 100 million of the nation’s workforce and has an energy demand to the time of 48% of the industrial energy demand it.

Estimates that MSME sectors offers a huge rooftop solar potential of 18 GW.

Presents the issues slowing uptake of rooftop solar amongst MSMEs despite the huge potential of 18 GW.

Proposes a few mitigating solutions to address the the issues plaguing this space.

Analyzes two key industries, namely the auto component manufacturing sector and the cold chain sector for rooftop rooftop solar implementation.

Summarizes the barriers faced by MSMEs related to lack of suitable financing options, awareness and trust in the Products available in the market. Lenders cited low creditworthiness of MSMEs as well as the inadequate experience of banking personnel regarding rooftop solar project assessment.

Outlines solutions range from standardisation of equipment and O&M to bridge the information gap in the market, insurance cover to instil more confidence in lenders, credit enhancement to make MSMEs a more credible borrowing class and media & outreach to enhance the awareness levels among MSMEs.

Presents four “credit guarantee” options – fixed coverage CG, portfolio-based CG to promote RESCOs, variable coverage CG based on differential rating of MSMEs and an asset-based securitisation to enable lending to MSMEs by FIs.

Estimates a US$200 million corpus to have the potential to leverage upto ~3 GW of rooftop solar installations.

Anticipates that the findings and recommendations will help in enhancing lending in this sector and thus create a favourable ecosystem for MSMEs in accelerating their rooftop solar adoption and make them more competitive and sustainable.

Currently The World Bank is working on establishing a USD 250 Mn Credit Guarantee Facility in India for enabling enhanced financing by banks to MSMEs for rooftop solar projects.

SUPRABHA is a USD 13 million program which is led by The World Bank and SBI and implemented in partnership with the Ministry of New and Renewable Energy (MNRE). SUPRABHA is offering Technical Assistance to 17 partner States towards establishing an enabling ecosystem for accelerated deployment of grid connected Rooftop Solar.