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The 28th session of the Conference of the Parties (COP 28) of the UN Framework Convention on Climate Change (UNFCCC) will convene at Dubai from November 30- December 12, 2023. India is expected to present strategy to promote sustainable finance for de-carbonising micro, small and medium enterprise (MSME) sector at the Conference.

MVIRDC World Trade Center Mumbai organised a roundtable meeting of an Expert Group constituted by the policy research institute TERI with the support of Bloomberg Philanthropies to discuss the financing of Long Term Low Carbon Development Strategy submitted by India to the United Nation last year. The event was organised jointly with All India Association of Industries (AIAI).

Speaking at this roundtable meet, Pratyush Mehrotra, Deputy General Manager, ESG and Climate Finance Unit, State Bank of India (SBI) remarked, "SBI is the first commercial bank in India to set up a ESG & Climate finance Unit to support Green Finance and meet the bank's target of achieving net zero. We are committed to expand our green finance portfolio, which currently stands at Rs. 36,000 crore. We have also tied up USD 2.3 billion worth credit lines from multilateral institutions such as World Bank in different currencies. We will pass on the concessional terms of these credit lines to MSME borrowers implementing clean technology projects. Of this, USD 1.9 billion credit line is for renewable energy projects and the remaining for electric mobility and other clean technology projects."

Mehrotra suggested the government to announce green taxonomy for effective implementation of the RBI's green bond issuance framework and green deposit guidelines.

In his remarks, Dr. Manish Kumar Shrivastava, Associate Director – Climate Policy & Financing, TERI pointed out, “Around 93% of MSMEs in India lack access to formal credit. Only 16% of commercial bank funding goes to the MSME sector. There is Rs. 16 trillion gap in sustainable finance for MSMEs in India. Therefore, TERI has launched the Expert Group on financing MSMEs for Long Term Low Carbon Development Strategy in association with Bloomberg Philanthropies.”

This Expert Group has identified four actionable strategies to promote sustainable finance to MSMEs. These are: 1) multi-stakeholder facilitation platform 2) multi-level risk guarantee mechanism 3) supply chain linked de-carbonisation model 4) multi-sector cluster-based approach.

Sharing his views on long term low carbon development strategy, Dr. Vijay Kalantri, Chairman, MVIRDC WTC Mumbai and President- All India Association of Industries (AIAI) remarked, “Access to sustainable finance is a distant dream for MSMEs who struggle to get even working capital loans to run day to day operations. India needs to bridge the gap in sustainable finance for MSMEs before the new carbon tax of the European Union becomes effective. RBI may expand the scope of priority sector lending norms to include de-carbonisation projects.”

Dr. Kalantri suggested government subsidy for clean technology projects of MSMEs and effective implementation of existing policies to transition to a low carbon economy. Dr Kalantri informed that WTC Mumbai and AIAI will work closely with TERI on policy advocacy and creating a facilitative environment for MSMEs to adopt clean technologies.

In his remarks, Arupendra Nath Mullick, Vice President, TERI Council for Business Sustainability informed that India will propose its action plan for enhancing flow of sustainable finance to MSMEs at the COP 28 Summit in Dubai later this year. “The dialogue at this event will help us prepare the action plan document for the government ahead of the COP 28 Summit,” Mullick remarked.

Dr Mukund Rajan, Chairperson of ECube Investment Advisors suggested measures such as allowing cluster-based common infrastructure support for MSMEs, easier access to long term External Commercial Borrowing for clean projects, extending government guarantees for sustainable finance projects, setting up a dedicated stock exchange for sustainable finance, promoting blended finance solutions and introducing carbon pricing. Dr Rajan also recommended large companies to support their MSME suppliers in de-carbonising their operations.

Speaking on this occasion, Nagasimha Swamy, Manager, Environment & Social, British International Investment Advisors Pvt Ltd. informed about the ticket size of the debt and equity capital support that his organisation provides to the green projects of MSMEs. He said his organisation extends equity capital of USD 20-50 million for MSME manufacturers, while it provides debt capital of USD 30-40 million for green projects of MSMEs.

The event was attended by sustainability consultants, bankers, MSMEs and other stakeholders.