

# COP28 Summit: Experts Suggest Plan To Bridge Rs 16 Tn Sustainable Financing Gap For MSMEs

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*The 28th session of the Conference of the Parties (COP 28) of the UN Framework Convention on Climate Change (UNFCCC) is going to take place in Dubai from 30 November to 12 December*



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Amid the 28th session of the Conference of the Parties (COP 28) from November 30 to December 12, India is expected to present a strategy to promote sustainable finance for de-carbonising micro, small and medium enterprises (MSME) sector at the conference.

Speaking at MVIRDC World Trade Center Mumbai ahead of the COP28 summit, experts suggested an action plan to bridge the Rs 16 trillion sustainable financing gap in the MSME sector. They also discussed the financing of the long-term low-carbon development strategy submitted by India to the United Nations (UN) last year.

Pratyush Mehrotra, Deputy General Manager, ESG and Climate Finance Unit, State Bank of India (SBI) remarked, "We are committed to expanding our green finance portfolio, which currently stands at Rs. 36,000 crore. We have also tied up USD 2.3 billion worth of credit lines from multilateral institutions such as the World Bank in different currencies."

Mehrotra stated that the bank will pass on the concessional terms of these credit lines to MSME borrowers implementing clean technology projects. Of this, the USD 1.9 billion credit line is for renewable energy projects and the remaining is for electric mobility and other clean technology projects.

Manish Kumar Shrivastava, Associate Director– Climate Policy and Financing, Energy and Resources Institute (Teri) pointed out, "Around 93 per cent of MSMEs in India lack access to formal credit. Only 16 per cent of commercial bank funding goes to the MSME sector. There is a Rs 16 trillion gap in sustainable finance for MSMEs in India."

Therefore, Teri has started the expert group on financing MSMEs for long-term low-carbon development Strategy in association with Bloomberg Philanthropies, he added.

This expert group has identified four actionable strategies to promote sustainable finance to MSMEs. These are a multi-stakeholder facilitation platform, a multi-level risk guarantee mechanism, a supply chain linked de-carbonisation model and a multi-sector cluster-based approach.

Sharing his views on long-term low carbon development strategy, 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 (UN) becomes effective."

Kalantri suggested government subsidies for clean technology projects of MSMEs and effective implementation of existing policies to transition to a low-carbon economy. 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.

Arupendra Nath Mullick, Vice President, Teri Council for Business Sustainability informed that India will propose its action plan for enhancing the 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.

Mukund Rajan, Chairperson, 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.

Nagasimha Swamy, Manager, Environment and Social, British International Investment Advisors informed about the ticket size of the debt and equity capital support that his organisation provides to the green projects of MSMEs.