**Revolving Fund with a Community Building Partner**

In the absence of an institutional financial partner like a bank, community partners can play a critical role in facilitating financing through innovative financial mechanisms. Tribal communities in remote locations are viewed as largely unbankable and thus this case story demonstrates a model through which a community and technical partner come together to provide a holistic solution-financing plus technical product and in addition demonstrates in particular how a financial mechanism like a revolving fund can be successfully used to plug in access to credit for remote communities to purchase long term energy solutions.

Community partner, BNGVN impressed upon SELCO the need for solar lighting solutions in its remote areas of operations in Maharashtra. Villages are in the backyard of large hydropower plants whose power is diverted to mainly urban areas leaving these regions displaced by the construction or without any access to the power generated in their own vicinity. These families are from mainly backward hilly tribal areas of Maharashtra that have little to no electricity. The average family size is 5 members with an annual income ranging from Rs.10,000 to Rs. 25,000. These families are from mainly backward hilly tribal areas of Maharashtra that have little to no electricity. Most are small farmers who barely make ends meet and at times of sparse yields they migrate into cities to look for daily wage employment to sustain their families. Their main source of lighting is from kerosene lamps.

Through three field visits by SELCO staff over a period of 6 months it was determined that stand alone solar home lighting solutions was a feasible option to meet their basic energy needs-lighting and mobile charging. Absence of a financial institution like a bank in the region willing to finance these perceived high risk customers has lead BNGVN to offer finance services in the region for various purposes. However they had not financed this particular set of customers previously.

**Two important developments lead to the replication** of a financial process to enhance affordability of end users:

- BNGVN heard of SELCO’s past project (refer Case Story 4, Basket Weaver Revolving Fund) with a similar community-building partner using a revolving fund to finance un-bankable end users
- Available soft funding¹ was used to demonstrate the viability of this financial model through a pilot in the region, which would then be used to convince future uptake by financial institutions.

Thus a revolving fund was set up that extended financing to households at very affordable interest rates for loan periods of up to 18 months. The collected money is put back into the revolving fund – thus enabling more households to avail financing. By setting up a long term revolving fund it creates a channel of end user financing that is essential for

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¹ A grant was received by The Climate Group in December 2013
financing even beyond energy loans. The partners intend to also tap into other financial institutions in the area to convince them to also extend financing to these customers, thus, establishing an ecosystem of appropriate technology and financial support for the customer.

Key outcomes
- A scalable and replicable revolving fund (depending on context of end users and financial institution) for solar home lighting systems.
- A fund that can be customized to the local needs in terms cash flows
- Localization can also help in restructuring bad debts in a more socially ethical manner
- Better utilization of philanthropy from traditional donations to smarter use of limited flexible funding

Key Aspects
- Revolving Fund through a community partner as a viable financial model in absence of formal bank ecosystem
  - Clear Division of Roles between technical and financial partners
  - Setting up a Loan Monitoring Team to oversee the regular repayments and maintenance of the revolving fund. The team comprises a member from both partners and a financial advisor to ensure financial discipline and build up of a robust financial process.
  - Needs Assessment 1 to 3 months prior to commencement of project assists in understanding willingness to pay, cash flows and prospective customers over the next few months to ease efforts in maintaining regular repayments to the revolving fund.
  - Experienced partner in collections in this sort of remote hilly terrain to make the collection process as efficient as possible and lower transaction costs of multiple trips. Absence of roads or terrain navigable by automobiles makes human resource efforts quite substantial.
  - Customized technical training keeping in mind three main aspects—rugged terrain, local dialects and design of houses. Knowledge of easy pathways and ability to withstand the tedious journey is critical. In addition with over 11 dialects spoken in the identified tribal areas for this project knowledge of this language reinforces trust and ease of communication with customers. Finally Houses in the area are self made, patched together from mud and brick with hay cover for the roof. Such designs also require local knowledge of sturdiness of building.
  - Simultaneous engagement with local banks to keep them updated on the viability of the concept and thus also begins institutionalizing such a mechanism through banks for seemingly “unbankable” customers.
Figure 1: Revolving Fund Process

Figure 2: Rugged terrain technicians have to walk through

Figure 3: Training, classroom and on site
Our Funding Partners

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