In order to ensure cost recovery of a loan to purchase a solar home lighting system from a community that has not previously taken a loan with the bank, the enterprising banker devised a group lending model comprising of 5-7 members to share the onus of recovery with the community and the bank. This model capitalizes on social dynamics within the community to ensure that in the absence of due diligence on individual members a shared risk model is feasible.

This is an urban community of 100+ families living in Mahadevkodigehalli, near Bagalur, Bangalore. The families have lived there for over 3 decades. The families are involved in agriculture, animal husbandry and sericulture. They live in permanent houses with access to basic amenities like toilets, electricity, drinking water etc. Although the village is electrified, the community faces erratic power cuts. There are power cuts during late evenings and early mornings for unascertained periods of time. The street lights in the community are under repair for over a year due to which the streets are dark by late evening and the community is concerned about safety. The community faced frequent power cuts for long hours during monsoon and sometimes the entire day. They expressed the need for light for at least 3 hours during night.

The Kaveri Grameena Bank, previously known as Kalpatharu Grameena Bank had assisted SELCO in few other projects. After reading about SELCO’s work, SELCO was approached by the branch manager of Kaveri Grameena Bank to give a demonstration during one of the community functions. Although there were no enquiries for two to three months post the demonstration, due to the persistent efforts from the bank manager a group of 7 families approached SELCO for solar system installations. The bank felt individual loan recovery was difficult and hence expressed the need for a financial model/scheme that would ensure recovery from the community. Several suggestions were exchanged between SELCO and Kaveri Grameena Bank to develop an effective scheme ensuring timely recovery of cost and making the system commercially sustainable. The Group lending scheme as suggested by the bank was finalized. Groups of 5 to 7 members were formed, each member representing one family. Each member had to make a down payment of 20 percent of the total cost. Two members from each group took up the responsibility of collecting monthly payments from all the members of their respective group. The group had to make up for the payment if payment was not received by one member. This made the community take responsibility of ensuring...
The electricity bill per family has come down per family and they enjoy a benefit of a subsidy of 1% rebate on the existing bill with installation of solar lights. This is expressed as an added benefit experienced by the customers. The feedback from the existing customers encouraged more families to enroll into the scheme.

**Key Aspects**

- A proactive bank manager who approached SELCO to provide lighting solutions for the community with erratic power supply.
- Demonstration by SELCO within the community helped them understand the benefits better and helped SELCO build a relationship with the community.
- Flexibility of the banker to customize financing (group lending scheme). The bank proposed a financing scheme that suited the community and ensured recovery of installation cost.
- Collection by group members ensures on time payments. If one member fails to pay then the other members should pool in to compensate. So they ensure each one makes payment on time.
- The simplicity of the model made replication uncomplicated. After the first group was implemented, SELCO was able to replicate for 4 more groups with few others in the pipeline.

**Limitations**

- Necessary for all members of the group to be present at the bank while registering for the group lending scheme. The members find it difficult to gather on the same day due to personal and work commitments.
- 20% margin down payment acted as a demotivating factor for some families
- Mandate of minimum of 5 members in a group to be registered for the scheme means groups with 3 to 4 members cannot avail the solar systems until they find more members. Some families had to wait for 3 months until they found other members.

**Impact**

- The community members who rear cattle are now able to get up early, clean feed the cattle and milk the cows and give the milk cans to the cooling unit before it closes at 6:30am.
- The families feel more secure due to solar lights in the front yard that allows them to see the activities and people around the house which was not visible earlier due to dysfunctional street lights.
- The children can now study during the evenings without having to worry about power cuts.
- Savings from purchase of kerosene for lighting and also creation of a long term asset.

**Project nuances**

- KalpatharuGrameena Bank requested SELCO to give a demonstration in the presence of the community at a community function
- Community approached SELCO after 2 to 3 months of demo
- Installations made within two days of formation of a group and completion of bank formalities

**INNOVATION**

Flexibility of financial partner

Ownership of collection taken by group members
Figure 1: Use of lights for dairy farming

Figure 2: End user and member of Group
Our Funding Partners