

GREEN INCLUSIVE FINANCE

Case Studies Series on Essential Practices

Essential Practice No.7:

Offering green financial products and services



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About the Green Essential Practices Case Studies Series

The “Green Essential Practices Case Studies Series” highlights the experience of Financial Service Providers (FSPs) with good practices in the 8 key areas identified in the Green Index 3.0.¹ The Case Studies under this series offer practical examples of how an FSP developed its practices to inspire and facilitate the journey of others.

The **8 Green Essential Practices (EPs)** provide a roadmap for FSPs to maximise their green impact:

- **EP1:** Define their environmental strategy
- **EP2:** Implement their environmental strategy
- **EP3:** Identify client or portfolio-level environmental risks and opportunities
- **EP4:** Identify institutional-level environmental risks and opportunities
- **EP5:** Manage client or portfolio-level environmental risks and opportunities
- **EP6:** Manage institutional-level environmental risks and opportunities
- **EP7:** Offer green financial products and services
- **EP8:** Offer green non-financial products and services



Each Case Study in the series follows the same structure:

1. **Background** of the FSP and the context in which it operates.
2. **Evidence** of how the FSP is demonstrating good performance in the Essential Practice that is being highlighted. This is the main section of the Case Study and offers – as relevant – a review of what has enabled the FSP to reach its results, and what these results are:
 - *Capacity:* how did the FSP acquire the capacity to implement the activities needed? (e.g., internal training, training through external partnerships, technical assistance, financial support, etc.)
 - *Tools:* which tools did the FSP use to implement the needed activities? (e.g., indicators, documents, materials, IT solutions, etc.)

¹ For more details about the Green Index 3.0, refer to these links: https://www.e-mfp.eu/sites/default/files/resources/2022/11/Green%20Index%203.0_final.pdf and https://hedera.online/gicsf_ag_tools/green-index-digital.html

- *Outreach*: what were the FSPs' quantitative results? (e.g., outreach, implementation status, etc.)
- 3. The FSP's **journey** to implement the identified good practice, and lessons learned.
- 4. The FSP's **next steps** – if any – to continue to improve in this area.

Green Essential Practice No. 7 (EP7): Offering green financial products and services

In the **Green Essential Practice No. 7 (EP7)**, the focus is on offering green financial products and services:

- The FSP offers (alone or in partnership) a range of financial products that allow its clients to address environmental risks and leverage green opportunities:
 - Loans for renewable or efficient energy, nature-based solutions, or water and sanitation
 - Loans for sudden climate change events
 - Financing for targeted SME activities: SMEs loans (non-dedicated or dedicated) to finance SMEs involved in making green practices or technologies available to clients
 - Climatic micro-insurance products to help clients or the portfolio becoming more resilient to environmental shocks or climate risks
 - Financing to help clients to become more resilient to environmental shocks or climate threats
 - Financing for the implementation of green practices and technologies that generate positive environmental impact
- The FSP develops its specific capacities and applies specific procedures in regard to the above-mentioned loans and other financing mechanisms
- The green practices or technologies financed are specified by a recognized taxonomy

The FSPs highlighted in Case Studies on the **Green Essential Practice No. 7 (EP7)** demonstrate good practices in offering green financial products and services.

EP7: Offering green financial products and services at Annapurna

A. Background

About Annapurna

Annapurna Finance Pvt. Ltd (AFPL) was established in 2009 in India and is now one of the top five NBFC-MFI (Non-Banking Financial Company - Micro Finance Institution) in the country. It has its roots in the not-for-profit entity, People's Forum, which worked for the development and welfare of unserved sections of the community. As of March 2023, Annapurna serves 2.4 million active clients and had an average net profit of close to USD 4.0 million. Annapurna Finance Pvt. Ltd. aims to support financially excluded and vulnerable segments of the population with tailor-made microcredit products to meet their lifecycle needs, and to empower them with credit-plus services to enable the potential of enterprise development, financial management, and business planning.

Annapurna has been involved in green finance projects since 2019. Its 'Finance's Environmental Policy' will span over ten years. To keep the Environmental, Social, Governance (ESG) agenda in focus and be more responsible in its lending practices, the institute introduced Environmental and Social Management Systems in 2018. The annual budget devoted to the green agenda is EUR 300,000 annually, intended for managing the environmental and social risks of its operations. The objectives of the green agenda are to:

- Manage the environmental impact in lending
- Make constant efforts to improve internal standards of environmental management
- Reduce carbon footprint through resource optimization and introduction of environment-friendly measures
- Promote green products through appropriate product design.

Annapurna is one of the pioneer microfinance institutions in India that started having its practices evaluated by third-party organizations for social performance and customer protection. All the frameworks used by the institution are prepared in alignment with industry best practices, complying with not only national regulation, but also considering standards of global entities such as International Finance Corporation (IFC), United Nations (UN), Asian Development Bank (ADB), and British International Investment (BII).

Since 2019, the Grameen Credit Agricole Foundation has played the role of a catalyst in Annapurna's green strategy development journey. The Sustainability Linked Loan (SLL), a recent collaboration between Annapurna and the Grameen Credit Agricole Foundation, represents a step for scaling up lending in renewable energy and strengthening environment-friendly initiatives.

Annapurna's first pro-environment product was a safe water and sanitation loan, [SWASTH](#) ('Safe Water And Sanitation To Households'). Introduced in 2014, the product has been successful in reaching almost 200,000 households and has brought both awareness and access to better water and sanitation practices. The major achievement of this product is its positive impact on the overall health of the household members and the reduction in risk arising from open defecation practices.

What context does Annapurna operate in?

Around 60% of Annapurna customers work in agriculture and allied sectors, which are vulnerable to climate risk. Several of the states where Annapurna operates are exposed to specific risks from disasters such as cyclones, floods, droughts, etc. Referring to the India Meteorological Department (IMD)'s report², the frequency of natural disasters has increased sharply. Since 1900, the country has recorded a total of

² [RBI gears up to deal with climate-related financial risks \(mongabay.com\)](#)

756 instances of natural disasters. In the last century (from 1900 to 2000), the country has witnessed as many as 402 natural disasters. In comparison to this, a total of 354 such events have occurred just in the past two decades (2001-2021) – that means 88% of natural disasters in the last century have occurred in the past 20 years.

The uncertainty about the timing and severity of climate and environmental-related risks certainly threatens the safety and resilience of the individuals and households and, in turn, the stability of the overall financial system. Up until two years ago, the Reserve Bank of India (RBI) had no initiatives to deal with climate-related financial risks.

The [Task Force on Climate-Related Financial Disclosure](#) (TCFD) has since been created by the Financial Stability Board, an international body to monitor the global financial system. The regulators at the Task Force on Sustainable Finance, including RBI, have deliberated extensively about the ways and means to scale up sustainable finance in India. This group set up by the Ministry of Finance (MoF) has put together a substantive draft report (Taxonomy and Sustainable Finance Roadmap) which awaits release and public consultations. The RBI and the MoF (and other regulators) will have to work very closely in putting the pieces in the climate risks and sustainable finance jigsaw together correctly. A majority of banks, including seven out of twelve public sector banks intend to initiate discussions with their large corporate borrowers about their plans to reduce their carbon emissions. Nonetheless, it appears that the Public Sector Banks (PSBs) are least prepared as of now.³ The key players supporting the ecosystem remain yet mainly external stakeholders such as the IFC, U.S. International Development Finance Corporation (DFC) and the World Bank.

B. Essential Practice No.7 at Annapurna

Addressing the water and sanitation needs of Annapurna rural clients, the SWASTH product provides financial assistance to individuals to access safe water and sanitation facilities at household level.

The idea of providing the SWASTH product was initiated at Annapurna Finance in 2013. It was observed that in the states of Odisha and Chhattisgarh, the clients had complained about water quality and poor hygiene. There were various reported cases of diarrhea, cholera, and other water-borne diseases due to the use of contaminated water. Various research reports revealed that the majority of rural India has poor access to sanitation and many in urban areas are in the same plight. The management team of the institution was keen to identify a customer-centric solution to address this serious issue.

Consequently, Annapurna started internal product development research. At the time, there were not many options available for constructing a toilet, and open defecation was a common practice in rural India. With limited options, the idea of partnering with a technical agency was the next logical step. Annapurna did research to choose the right partner in this area, and came to know about Water.org, which is a renowned international agency that works extensively in the areas of safe water and sanitation across the globe. The partnership with Water.org started in the year 2013. The gap between the demand from those willing to construct toilets or in need of funds, and the supply from government or other agencies was enormous. This gave a further boost to the determination to launch the SWASTH product in 2014.

The SWASTH loan product includes awareness on safe water and sanitation, and training on building resource-efficient facilities that lead to convenience, time savings, increased privacy, heightened safety, reduced expenditures on healthcare and improvement in overall quality of life. The product has a tenure of 12-to-36-month, a loan size INR 10,000- 25,000 I (\approx USD 120 - 300), and an interest rate around 24%. The repayment schedule is adapted to the cashflow of the clean drinking water and sanitation technology, so the loan instalment can be paid weekly, monthly, or fortnightly. The SWASTH product has longer loan

³ [RBI gears up to deal with climate-related financial risks \(mongabay.com\)](#)

terms and a lower interest (green credits benefit from a 0.05bp interest reduction) when compared to not green specific credits.

Product Type	Product Name	Amount	Interest (reducing EMI)	Tenure	LPF
Water	Water pipe connection	INR 5,000-10,000 (USD 60.30-120.60)	Same as JLG	12-18 months	1.5%+ GST as applicable
Water	Hand bore well	INR 10,000-15,000 (USD 120.60-180.90)			
Sanitation	New Toilet-Single pit	INR 10,000-15,000 (USD 120.60-180.90)			
Sanitation	New Toilet-Double pit	INR 16,000-20,000 (USD 192.96-241.20)			
Sanitation	New Toilet-Septic Tank	INR 21,000-25,000 (USD 253.26-301.50)			

EMI: Equated Monthly Instalment; JLG: Joint Liability Group; GST: Goods & Services Tax; LPF: Loan Processing Fee.

Furthermore, the organization has implemented several initiatives to support the implementation and maintenance of clean drinking water and sanitation technologies. These initiatives include partnerships with technology providers, civil organizations, and specialized grant programs:

- To ensure that staff are well-equipped to propose and disburse green loans, Annapurna provides regular training on green lending principles, environmental impact assessment, and risk management. So far, 1,116 staff members have been trained in these areas, helping to align the organization's lending practices with its sustainability goals. This training also enables field office staff to guide clients through the process of availing green loans and emphasizes the importance of managing the safe water and sanitation loan properly.
- Field office staff are trained on a regular basis in managing green loans, covering topics such as loan disbursement processes, monitoring and recovery, and borrower engagement. This ensures that the organization's staff can effectively manage green loans and support borrowers in achieving their sustainability goals.
- The institution also offers client training programs, both in-person and through video tutorials, to sensitize clients about better water usage and sanitation practices.
- To support the implementation and maintenance of clean drinking water and sanitation technologies, Annapurna Finance has established partnerships with technology vendors such as Jayam, whose Loan Management System (LMS) and staff-facing apps provide effective support to borrowers. The organization has also partnered with providers of technical assistance, including Water.org, to offer training, promotion, and marketing materials through traditional marketing channels.
- To sensitize and train staff and clients on sustainability practices, Annapurna has also established partnerships with civil organizations such as the Peoples Forum, with training including the use of clean drinking water and sanitation technologies. Annapurna provides specialized grant programs through Water.org to promote the implementation and maintenance of clean drinking water and sanitation technologies, further supporting its sustainability goals.

To further enhance the outreach of their initiatives, Annapurna has dedicated marketing materials and channels, including physical documents and video tutorials, to spread awareness about the benefits of their loan programs for safe water and sanitation. Annapurna utilizes various indicators to track and verify the utilization of their loans towards green technologies and practices, as per environmental taxonomies and criteria established by the institution. This includes conducting Loan Utilization Checks (LUC) to validate the usage of the loan amount for the SWASTH loan.

C. Annapurna's journey with Green Essential Practice No.7

There were numerous challenges faced during the **SWASTH** implementation, including:

Lack of knowledge

One of the problems was providing staff with adequate training and capacity building, as none of the staff members had prior experience in the field of sanitation, neither in theory nor in practice. However, this was addressed by organizing practical, in the field, technical training for the staff.

Low level of awareness among the target market

- Another challenge that was difficult to address was dealing with the low level of awareness among people (i.e., changing the mindsets of the MFI's client segment and making them understand the importance of toilet construction in the household). People were not ready to accept the change and found it difficult to accept the idea of spending INR 15,000 in toilet construction. They were used to the ample open space available for defecating, despite the health-related risks. SWASTH was a social cause, and Annapurna's aim was to ensure the good health of clients by providing them with better services. In addition, the staff was reluctant at first to work on something new that they had no expertise in.
- A team of District Coordinators was put together to raise product awareness and provide training and support to clients in different villages, as well as provide the much-needed handholding support to the staff for delivering this product. A detailed training program was designed for trainers, under which eight District Coordinators were made responsible for providing on field handholding support and training to staff. Through Information, Education and Communications (IEC) materials, the staff further informed clients about the risks associated with unhygienic living conditions. The process increased the responsibilities of the field staff, but it was worth the effort in terms of creating impact.

Costs associated with geographic expansion

Along with geographic expansion, another challenge was to standardize the cost of construction, as the cost varied based on the availability of masons in that area. However, it was addressed by providing different masons training to construct sustainable toilets. Through this, Annapurna not only ensured the sustainability of the toilets constructed, but also supported the livelihoods of the masons who underwent the training.

Customer Intentions

Another issue was to determine the customers' intentions, as loans taken for constructing a toilet were often utilized for some other purpose. It was a challenge that Annapurna came across after the implementation of the product. To address it, the MFI made it mandatory for the customers to first get the pits ready for the toilets by themselves, and then apply for the SWASTH loans.

The institution encountered several other operational issues along the way. For example, in many of the operational villages, water scarcity delayed the construction of toilets. Other challenges included seasonal issues, which led to unavailability of masons during the peak seasons when they either migrated to the neighboring states as wage labor or were engaged in agriculture labor. Construction during the rainy season was always a problem and led to unnecessary delays.

Annapurna's motivation was to provide its customers with healthy solutions and create better customer relations. Therefore, they kept the loan size for SWASTH quite economical, so that clients could afford the monthly instalments along with their existing loans. Another feature - loan customization, was added to their product specifications. Loan size and tenure remained flexible, based on the requirements of customers. For instance, a single pit costs INR 12,000 (USD 145) and a septic tank is available for INR

25,000 (USD 300). The loan tenure is dependent on the size of the loan - the higher the loan size, the longer the tenure.

Through SWASTH, Annapurna ensures better quality of water at the clients' doorsteps as well. Previously, the clients used to spend a lot of time in gathering water from outside, which was less efficient and time-consuming. Therefore, another product offered was finance for constructing hand bore wells in areas with adequate ground water level, and water pipe connection for areas with government water supply. The next step was to improve the quality of the available drinking water. So eventually, Annapurna introduced a loan for purchasing water purifiers. Based on the water quality, the institution also suggests to the clients the right category of purifier (i.e., gravity based, Reverse Osmosis/Ultraviolet - RO/ UV).

Important lesson to share with other FSPs

While considering the impact of any financial service which intends to improve access to clean drinking water and sanitation such as the SWASTH programme developed by Annapurna, it has to be noted that besides the improvement in the quality of life and eradication of risks borne by the traditional practices, the clients also experience a sense of security and pride. The pride was associated with a boost in their social status, as they did not have to go for open defecation, and in being treated as privileged by a company that offered them special loans based on their requirements and addressed their most important needs. Having toilets in their home proved to be very convenient, and less dangerous as there were multiple cases of snake bites reported during the time customers used to go for open defecation. Apart from this, having a water supply at their home was also very helpful and time-saving. Clients now have more time per day to dedicate to productive activities and their daily tasks.

D. What's next?

Annapurna currently has USD 10 million of assets and is looking to boost the SWASTH product implementation. It aims to reach cumulative USD 50 million in loans disbursement by 2022. Internal research has confirmed that there is a huge opportunity in India to be seized (about USD billion demand for a product such as SWASTH).

Realizing the success of this product among microfinance customer segments, the next step will be making this product available in more states and growing the customer base. This action will require an increase in the number of employees to serve the expanded customer base and will reflect also in an increase of the product's contribution to the overall portfolio as well. In terms of product design, the next addition could be providing a loan for a complete water and sanitation solution for a household. As for awareness generation, the focus will also pivot to providing toilets for people with specific needs, which is important for older and disabled household members. This will ensure more efficient usage of the facilities funded by Annapurna.

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Learn more

For more information about Annapurna's environmental journey, we invite you to check the following resources:

- Annapurna's website: [Annapurna](#)
- Contact information: Kumar Vaibhav, Head of Institutional Finance, vaibhav@ampl.net.in

For more information about the Essential Practices, we invite you to check the [Green Index 3.0](#).

Contribute

We encourage you to take an active part in building the pool of resources available on good environmental practices.

If you are interested to **contribute to the Green Essential Practices Case Studies Series or the Green Map**, we invite you to contact Joana Afonso at European Microfinance Platform (e-MFP) at jafonso@e-mfp.eu.

The e-MFP Green Inclusive and Climate Smart Finance Action Group (GICSF-AG)

The e-MFP Green Inclusive and Climate Smart Finance Action Group (GICSF-AG) is a unique multi-stakeholder think tank that brings together inclusive finance practitioners and researchers to enhance cooperation, exchange experiences and find a common path to deal with environmental issues, improve knowledge and disseminate findings, seize green opportunities and co-create common standards for the inclusive finance sector and new practical tools to advance green inclusive and climate smart finance. Created in 2013, today it counts today more than 150 members affiliated to more than 75 institutions worldwide and represents the majority of sector stakeholders.

The European Microfinance Platform (e-MFP)

The European Microfinance Platform (e-MFP) is the leading network of organisations and individuals active in the financial inclusion sector in developing countries. It numbers over 130 members from all geographic regions and specialisations of the microfinance community, including consultants & support service providers, investors, FSPs, multilateral & national development agencies, NGOs and researchers. Up to two billion people remain financially excluded. To address this, the Platform seeks to promote co-operation, dialogue and innovation among these diverse stakeholders working in developing countries. e-MFP fosters activities which increase global access to affordable, quality sustainable and inclusive financial services for the un(der)banked by driving knowledge-sharing, partnership development and innovation. The Platform achieves this through its numerous year-round expert Action Groups, the annual European Microfinance Week which attracts over 400 top stakeholders representing dozens of countries from the sector, the prestigious annual European Microfinance Award, and its many and regular publications.

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