

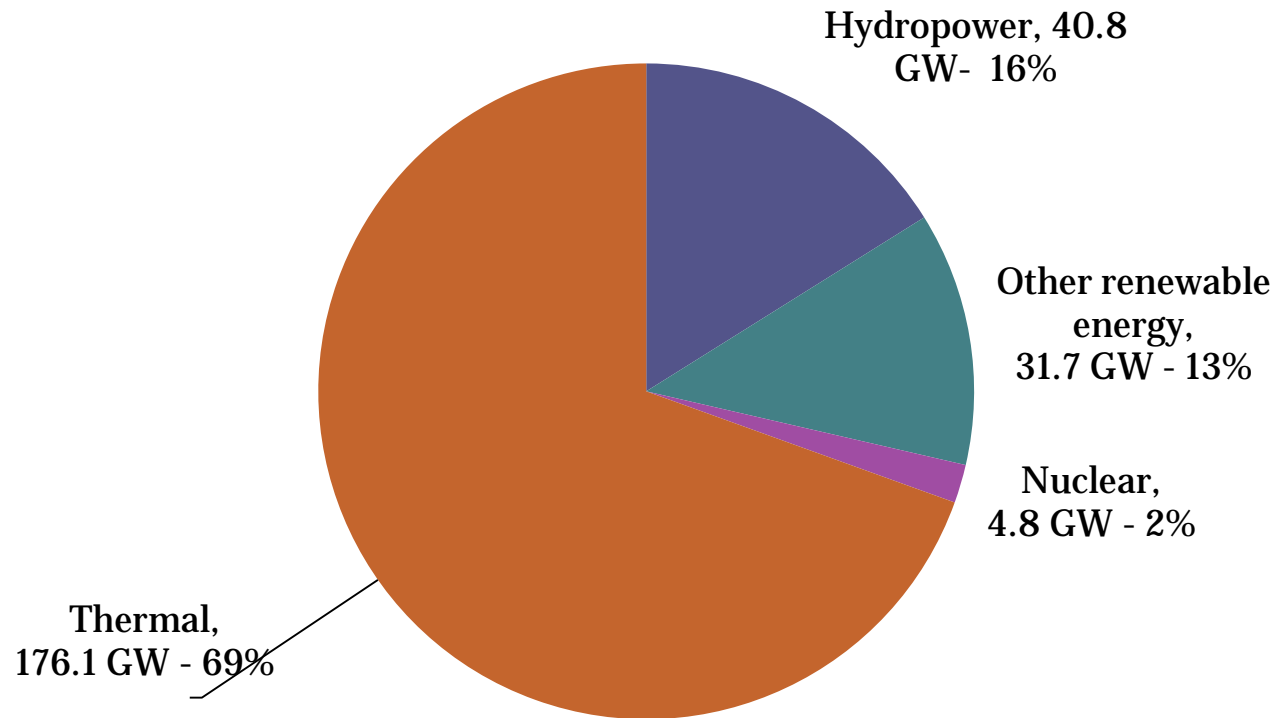
Financing Sustainable Development in India



Three economic sectors face barriers in access to finance

- **Energy**
- **Agricultural and Allied services**
- **The Micro, Small and Medium Enterprise Sector (MSME)**

India's energy mix for electricity generation (installed capacity)

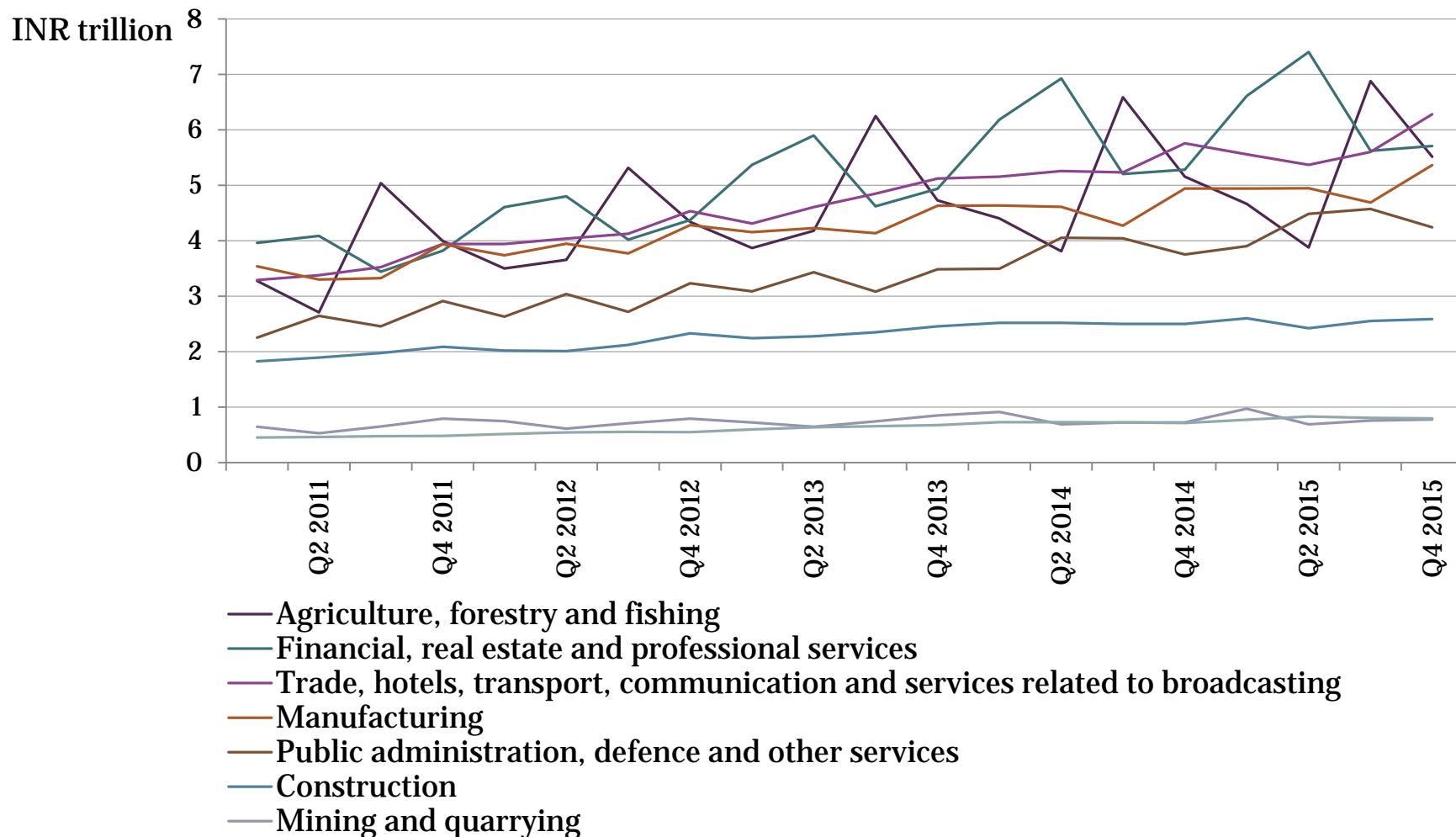


- Source: Background Papers, Volume 1, Background For India Energy Congress 2015, Deloitte

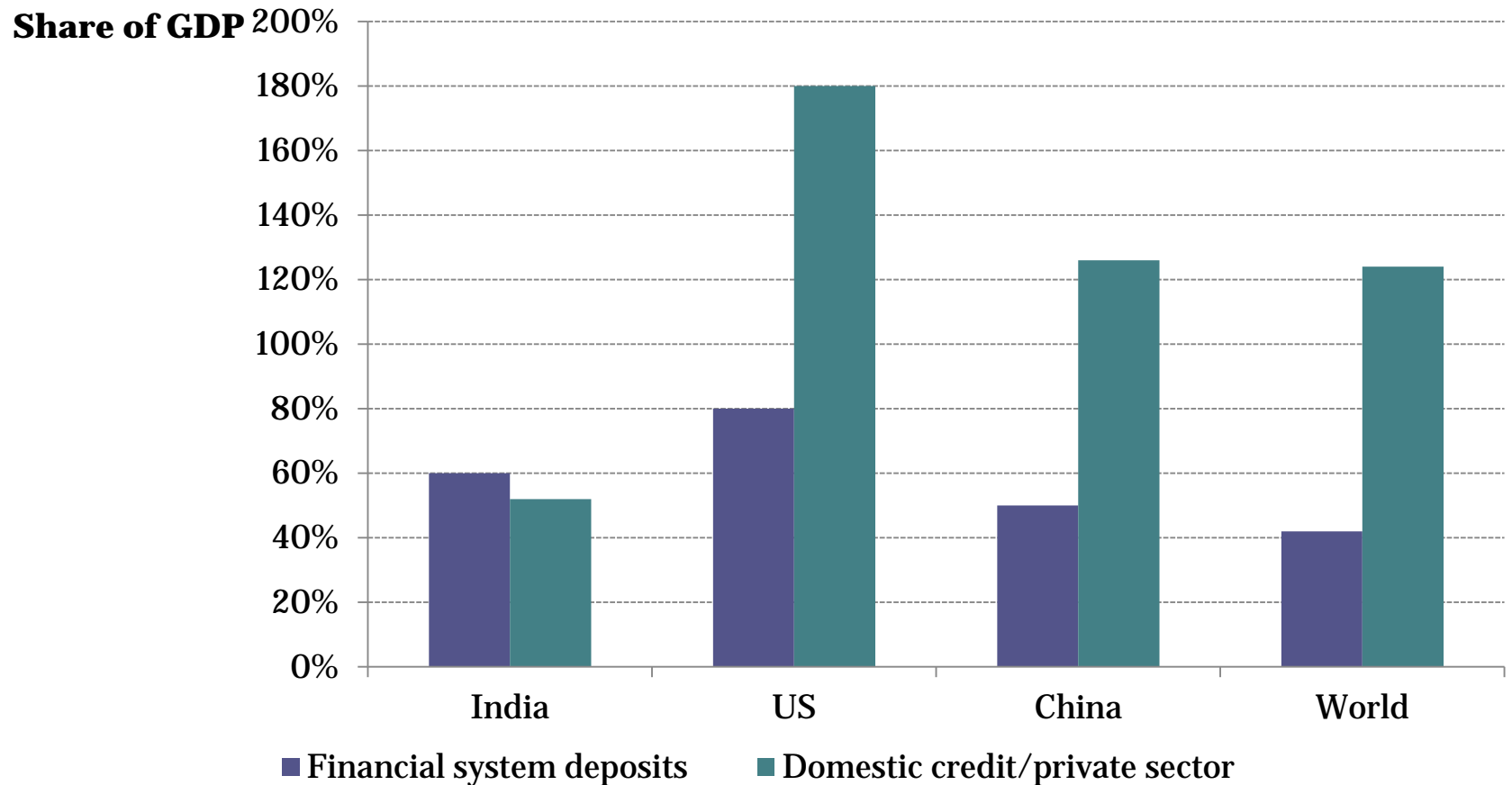
Availability of Credit



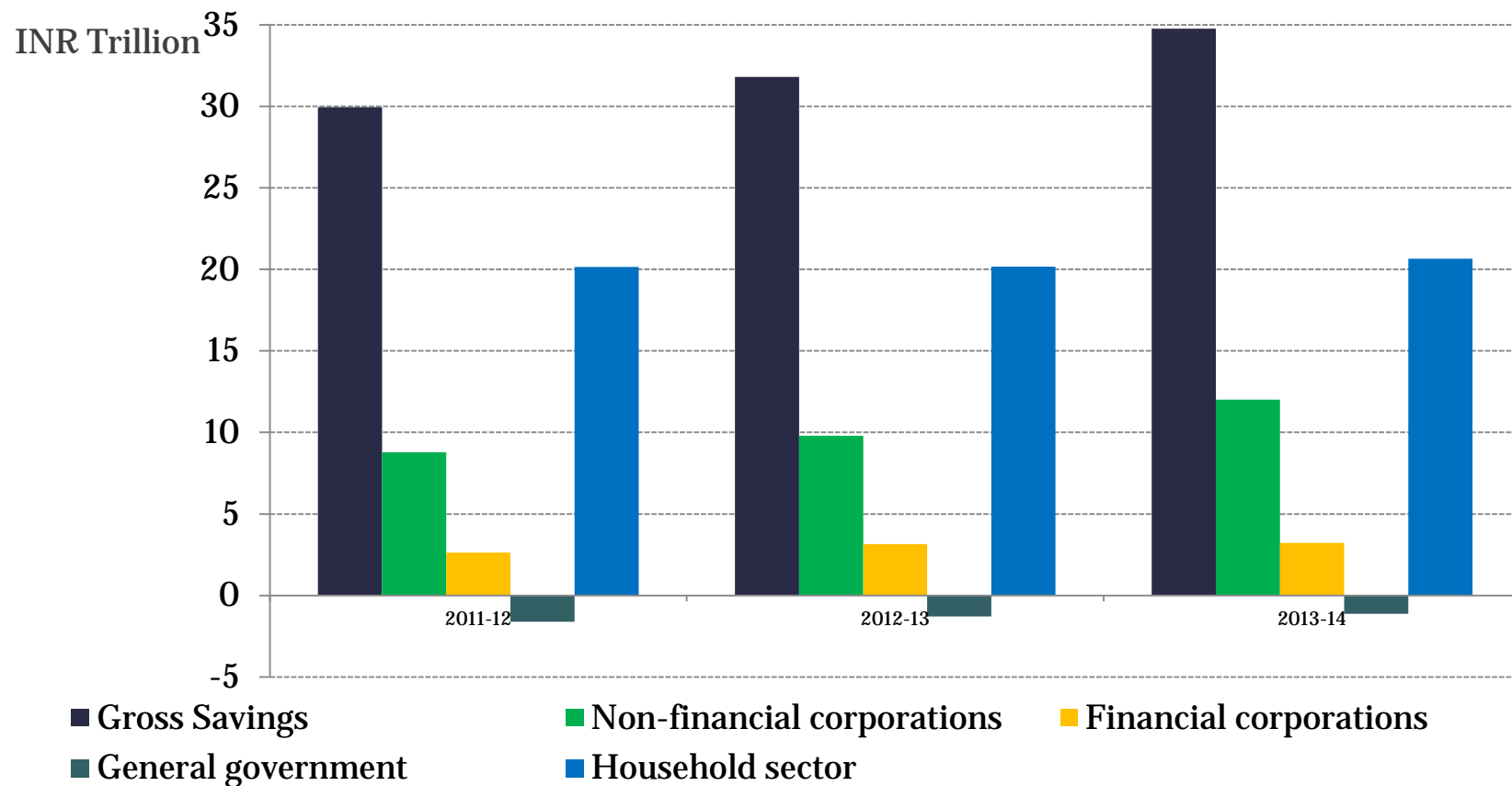
Gross Value Added by Sector



Relative Size of the Indian Financial Sector



Gross Savings by Sector



Challenges to mobilizing sustainable finance in India

- Not much access to multilateral finance or grant funding in development expenditure.
 - The NITI Aayog estimates a total requirement of USD 1 trillion every five years on basic infrastructure.
- Low private sector participation due to limited bank credit availability and lack of institutional capacities to manage political risk.
- Institutioning political frameworks that focus on bilateral and multilateral cooperation

Responsible Banking in India

- **Directed Lending**
- **The sectors identified for PSL i.e. Priority Sector Lending are agriculture, infrastructure, education and MSMEs. Social infrastructure and renewable energy are recent inclusions**
- **Voluntary financial sector measures**

Voluntary Measures in the Financial Sector

- The Small Industries Development Bank of India (SIDBI) and GIZ have co-developed the National Voluntary Guidelines on Responsible Finance for India's financial institutions.
- These guidelines aim to integrate the ESG principles into both lending and investment decisions .
- In light of increasing NPAs in infrastructure projects, these guidelines may serve as a useful tool to improve lending practices and due diligence.

Market Instruments: Green Bonds

The main challenge for green bonds to work is

- to get investors to view sustainable development-linked infrastructure projects (and therefore their funding) as investments and not costs**
- to provide a steady stream of investable projects.**

Size of Local Currency Corporate Bond Market

% of GDP	Q2 2014	Q3 2015
China	17.8	18.8
Hong Kong, China	29.3	29.0
Indonesia	2.2	2.2
Korea, Republic of	74.0	76.4
Malaysia	41.3	41.5
Philippines	5.6	5.8
Singapore	30.6	32.4
Thailand	16.7	17.4
Japan	16.9	16.2

Source: Asia Bond Monitor, September 2015

Responsible Investing in Equity Markets

- **The S&P ESG India Index comprises of 50 Indian companies that meet certain ESG criteria and have been drawn from the largest 500 companies listed on the NSE.**
- **The MSCI India ESG Index is a capitalisation-weighted index that lists companies with good ESG performance relative to sector peers.**
- **The S&P BSE CARBONEX analyses companies from the S&P BSE 100**

Factors Considered by Indian Asset Managers in Investment Decisions

Indicators	Per cent of responses	
	Mutual Fund Managers	Private Equity Managers
Risk profile of the company	26.9	20.0
Capital gains generated	16.4	26.7
Companies taking measures to reduce carbon footprint	10.4	6.7
Energy-efficient companies	9.0	6.7
Companies with high retention rate of employees	14.9	13.3
Companies with least legal disputes	19.4	13.3
Other	3.0	13.3
Total	100.0	100.0



Thank You