

## Worth one's Salt

How Blended finance is empowering lives of  
Salt Pan farmers in India



A Case Study by:



## Rann of Kutch: The salt bowl of the world

With an average annual production of about 26.8 million tones, India is the third-largest salt producing nation in the world, meeting around 8% of the global demand for salt. The Rann of Kutch, a salt marsh located in western India accounts for more than 75% of this production, and is considered among the single largest locations for salt production in the world. The western part of the country where the salt marsh is located, is also the home of the expansive Thar desert, and experiences extremely hot temperatures - with summer temperatures crossing 120°F (~ 50 °C). A community of 45,000 traditional salt farmers known as the 'Agariyas' call a part of this hot and marshy land their home, and produce about one-third of the total salt produced in the Rann of Kutch.

## The life of Agariyas

The Agariyas got their name from 'agar' which means salt in their local language, rightly describing their life as salt farmers who have been traditionally producing salt for many centuries. The salt production is seasonal between November and April every year, which is their primary means of earning. As the area stays flooded for the remainder of the year, the salt farmers are forced to vacate the salt pans and seek alternate means of sustenance.

The conventional method of salt production followed by the Agariyas involves drawing the brine from the ground, allowing the scorching heat to evaporate it, which leaves salt crystals behind. In the past decade, the Agariyas have adopted modern means and have become reliant on diesel powered pumps to draw the brine into salt pans. Though the diesel pumps have reduced the manual labour involved, the expense on diesel forms a major part of the already high operating costs. This, coupled with the extremely low price of salt offered by the middle-men (USD 1, ~INR 60 *per tonne*), vis-à-vis market price (USD 67 - 92, ~INR 4,000 - INR 5,500 *per tonne*) makes salt production by Agariyas a financially unviable activity.

With limited earnings due to low revenues and high operating costs, the Agariyas are denied of any savings that could be used to meet costs for the next season. Hence, every year, to be able to produce salt using diesel pumps, the Agariyas have to rely on unorganized moneylenders who charge exorbitant interest in the absence of mainstream finance. This debt burden and the loss of primary livelihood for half a year further aggravates the situation, making the Agariyas one of the poorest communities in India. Unable to even afford bare necessities, malnutrition is prevalent among the community.

Added to their plight, soaring temperatures, exposure to highly saturated salt, and more recently, the toxic fumes from the use of diesel pumps, together increases health concerns.

## Blended finance - Addressing the multi-fold challenges of the Agariya community

The Agariyas face a vicious cycle of income inadequacy and debt burden every year, which this blended finance intervention aims to address. The intervention also needed to consider concerns related to health, livelihood security along with income adequacy.

Blending financial innovation with socio-environmental sustainability, together with a local co-operative bank, and with the support of an NGO as a local implementing agency on the ground, YES BANK has developed a first-of-its-kind finance facility that has the potential to address the multi-fold challenges. Driven by its ethos of Responsible Banking and its commitment to accelerate action towards global Sustainable Development Goals, YES BANK is facilitating access to mainstream debt finance to over 600 women salt farmers, for transitioning from energy inefficient diesel pumps to eco-friendly solar pumps. This intervention would not only break the vicious cycle of increasing debt and income adequacy through addressing financial exclusion, but also positively impacts the health of the community while addressing climate change.

This blended finance facility combines grants from YES BANK with the financial services provided by the local co-operative bank - making debt available and affordable to the women salt farmers. The facility also has a component that addresses the perceived high default risk to the local lender, posed by the farmers, owing to their current financial conditions and a lack of formal credit history.

## Features of the blended finance facility

- YES BANK provides grants towards **credit enhancement** (*first loss default guarantee to the co-operative bank*) and **credit affordability** (*interest subvention to the co-operative bank*)
- Basis the credit enhancement and credit affordability grants to the local co-operative bank, it provides affordable 5-year tenor loans to the farmers for purchase of solar pumps
- Repayment is scheduled only during earning season
- YES BANK also provides implementation support to the local NGO



Solar pumps installed as part of the pilot blended finance project at little Rann of Kutch, Gujarat, India

## Key attributes of the facility

- Aligned interests of all stakeholders in the value chain: rural co-operative bank, women salt farmers, NGO, and the donor (private bank)
- Distributed risk amongst all stakeholders while substantially reducing risks for primary lender
- Innovative use of YES BANK grant to reduce risks for stakeholders to deliver energy inclusion products and services to women at the Bottom of the Pyramid
- Positive impact on Livelihoods, Gender empowerment, Energy inclusion, Financial inclusion
- Demonstration of social impact of blended finance facility for development banks, multilateral organizations and donor/philanthropists

## Project Outcomes & Impacts

- Multi-fold cost savings for the salt farmers:
  - Higher savings accrued from not using diesel, even after accounting for seasonal repayment of loan for 5 years
  - Increase in annual savings for the rest of the life of solar pump, post completion of repayment (20 years)
- Affordability:
  - Loans made affordable by interest subvention
  - Default risk covered by first loss default guarantee
- Accounting for seasonality:
  - Eliminates payment burden during off season due to the seasonal repayment schedule
  - High collection efficiency during the season, as repayment is matched with cash flow cycle
- Shift from fossil fuel to clean energy
  - Annual savings of 2.7 tCO<sub>2e</sub> (*tonnes of carbon dioxide*) from each solar pump
  - Positive impact on health with reduced strain and zero fumes
- Gender empowerment through facilitating financial inclusion of women farmers, and also contributing to an increase in her income