Public Finance as a Means to Promote Indigenous Manufacturing (SEI-1)

Scientific Achievement:
We developed a comprehensive financial model showing that if lower-interest-rate loans with longer tenures are available to developers using Indian modules, then comparable equity internal rates of return (IRRs) can be achieved (compared to developers using imported modules).

Significance and Impact:
This innovative scheme can reduce the cost of debt for developers using Indian modules, thereby promoting Indian manufacturing in the near future with a feasible business case for developers.

Research Details:
• Equity IRRs of developers using imported modules were found to be 1.5%–2% higher than IRRs for developers using Indian modules.
• The debt of developers using Indian modules was divided into two parts: (1) 25%–50% from commercial banks at 13% interest rate for 10 years; and (2) 75%–50% from public finance.
• Sensitivity analyses showed that the green bonds can be made available to the public at 8% with 18 years maturity period and Solar Energy Corporation of India (SECI) can take a 1.5% commission while making that corpus available to developers at 9.5%.


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