India Microfinance Equity Fund (IMEF)

Why in the News?

Sa-dhan, the self-regulatory organisation for microfinance institutions (MFIs), has recently sought the setting up of a new refinancing body and greater flexibility in the India Microfinance Equity Fund (IMEF).

- **Created by** – Ministry of Finance, Department of Financial Services with an initial corpus of Rs.100 crore in 2012, focused on smaller microfinance institutions (MFIs).
- **Objective** – To alleviate poverty and achieve long term sustainability of operations in un-served and under-served parts of the country.
- **Aids borrowers** – The fund is utilized for extending equity, quasi equity or subordinated debt to Tier II (between 50,000 to 2,50,000 borrowers) and Tier III (less than 50,000 borrowers) MFIs.
- **Issues with IMEF:**
  - Limited utilization (only Rs 19 crore sanctioned to 10 MFIs).
  - Restrictive cap of Rs 5 crore per MFI.
  - Need for increased corpus beyond current Rs 300 crore.
- **Proposals by** – Sa-dhan (self-regulatory organisation for MFIs).
- **Micro Units Development and Refinance Agency Bank (MUDRA Bank)** – To be converted into an *exclusive provider of refinance for dedicated microfinance institutions (MFIs)*.

  ***MUDRA** is a refinancing Institution and does not lend directly to the micro entrepreneurs / individuals.*

  ***MUDRA Bank** lends at low interest rates to MFIs and non-banking financial institutions (NBFCs), which, in turn, finance small businesses.*

- **Funding Architecture Challenges** – Strengthening and expanding the existing financial resource system for MFIs to reduce dependence on banks for funding.

Sa-Dhan

• **Objective** – To develop, promote and support ecosystems of Impact Financing institutions which enable Inclusive Growth, equity, gender equality and sustainable development in the society.
• **MFIs** – It includes both, for Profit and Not for Profit MFIs, SHG promoting institutions, banks, rating agencies, capacity-building institutions etc.
• **Presence** – Sa-Dhan has about 220 members working in 33 states/UTs and over 600 districts.
• **National Support Organization (NSO**) – Sa-Dhan is also recognized as a NSO by National Rural Livelihood Mission (NRLM).

References

1. The Business Standard| Sa-dhan's India Microfinance Equity Fund (IMEF)
2. PIB| India Micro finance Equity Fund (IMEF)
3. Sa-Dhan| Sa-Dhan & its Objectives

