

Urban Microfinance in India



MicroFinance India, November 11th, 2008, New Delhi.



Agenda

- Success of Urban Microfinance in India
- Breaking the myths
- Comparison of rural and urban microfinance
- Key Challenges
- Opportunities



Ujjivan: Success of Urban Microfinance in India

Mission: **Provide financial services to the economically poor**

Started Operations in November 2005 :

- Currently 1,65,000 customers in 8 States through 99 branches with 1200+ employees.
- Loans disbursed Rs.1618 Million (\$33.37 MM)
- Repayment Rate-99.59%
- 1,49,000 provided Life & 5000+ covered by Health Insurance

Goals:

- 2,000,000 by March 2012, through 500 branches nationwide.
- Free customers of poverty in 5 years



Urban Microfinance: Breaking the Myths

- Social Cohesion: How many neighbours we know & trust?
- Migratory Population: Bulk of Urban Poor are not gypsies!
- Urban Poor: Undisciplined/Poor Work Ethic
- Urban Poor: Illiterate/Not Savvy
- Urban Slums: Unsafe Environment
- Operations Expenses High: Premises, Salaries etc.

Comparison Rural and Urban

- Higher proportion of employed poor in urban
- Need for family loans: Housing / Education / Healthcare / Emergency Loans
- Multiple Borrowing Opportunities
- Customer's Transacting Cost Higher-Less Free Time
- Common Space Constraint: Centre Sizes Smaller
- Customer Meeting Timings: Afternoons
- Lower death rates in urban
- Customers multi-ethnic & lingual

Key Challenges

- Government, RBI, IRDA, Microfinance Institutions focused on rural poor.
- Rolling out the Rural McDonald of Microfinance in urban environment not recommended: Re-engineer field processes & staffing.
- How do you reach mobile segment: Construction Workers, Seasonal Workers etc.?
- Developing Program for Poorest of the Urban Poor
- Frauds: Is there higher incidence of staff & customer frauds in urban environment?
- Infiltration of 'money lenders' & 'social workers'.
- Higher risk of 'multiple lending' by MFIs.

Opportunities

- Urban poor 100 million strong & fastest growing social segment.
- Urban Slums : Casino of enterprise & opportunity
- Among the poor most upwardly mobile
- Urban Microfinance branches more viable
- Easier to access to more Microfinance + Programs
- Improve lives of 100 million members of our society living in most appalling conditions.



**Thank You
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