Urban Microfinance - Impacting the Livelihoods of the Urban Poor

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Abstract

The micro-finance sector has grown rapidly over the past few decades, thanks to the foundation laid by Nobel Laureate Muhammad Yunus with the Grameen Bank in Bangladesh in 1976. In India, in a highly urbanized location such as Mumbai, despite a far greater coverage of banks, few slum dwellers have access to formal financial services. Urban micro-finance institutions usually practice group lending, where the lender gives loans to individual members of the group, but the group jointly takes responsibility for repayments. The present study was carried out on the behest of an urban micro-finance institution, which wanted to understand the extent to which the small loans help in the growth of small businesses in building their income and assets. The study conducted through a survey method over 6 areas covered 271 borrowers in Mumbai city. The results suggest that micro-finance has helped in improvement in the social and economic status of the urban poor.

Key Words: Urban microfinance, Mumbai, small business, economic and social impact, financial services