

Endnote

* This article retrieved from the research project of “urban landscape of India” and field research trip, which was organized in 2011 by NAZAR research center.

1. Slums Improvement Program : SIP / 2. Services & Sites: SS / 3. Environmental Improvement of Urban Slums : EIUS
4. Urban Basic Services Program : UBSP / 5. National Slum Development Plans : NSDP / 6. Gujarat Slum Clearance Board : GSCB / 7. Urban Community Development : UCD / 8. Slums Network Program : SNP / 9. CBOs

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Table 5. The status of deposits and loans in The Bank of Sewa shows the low number of loans received considering the amount of deposits. Source: <http://www.sewabank.com/financialdata.htm>

| Indicators | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|------------|
| Number of members | 29595 | 34834 | 44938 | 44909 | 55311 | 60720 |
| Joint capital | 14872000 | 17953000 | 20598000 | 25783000 | 32096000 | 364366000 |
| Number of accounts | 202706 | 256617 | 276684 | 291535 | 304933 | 307558 |
| The deposits (Rupees) | 623928000 | 619699000 | 624766000 | 665794000 | 658578000 | 739970000 |
| Capital flows (Rupees) | 849095000 | 872362000 | 891447000 | 941207000 | 946043000 | 1029179000 |
| Number of loans | 50849 | 53472 | 64326 | 76857 | 91096 | 103679 |
| Amount of loans (Rupees) | 133585000 | 166944000 | 184172000 | 243747000 | 302974000 | 324549000 |

Conclusion

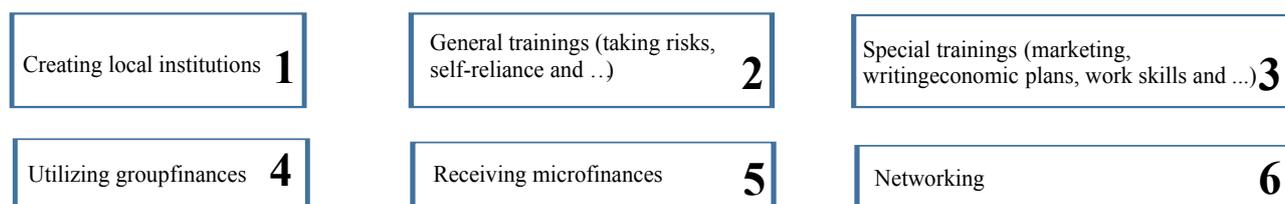
As we have seen, the extensiveness of the issues associated with problematic urban fabrics in India and the lack of government resources for solving them, has forced the local government to use the economic power of the residents in order to solve the problems. This action in addition to assisting with supplying the resources needed for developing broader areas, can lead to public participation in the maintenance of municipal facilities and can consequently increase mutual trust between the local government and residents of these settlements.

The procedure that is followed by Ahmadabad in the form of slums network program, is based on a social process that has provided the community-based organizations with different opportunities, by taking advantage of their ability

and motivation in educating the residents and enhancing their skills. So, by participating in a gradual process, they can improve the status of settlements and the quality of their lives. Low interest in Government subsidies due to the unwillingness of local governments to participate in this program, led to reduced reliance on these sources during the program.

Therefore, the model proposed in this study draws on both poverty reduction and entrepreneurship approaches for empowerment purposes. In the framework of this approach, the use of local groups' financial resources and helping to raise them by increasing skill levels is prior to receiving any foreign credit or financial aid (Table 6).

Table 6. The economic empowerment process of the deteriorated urban fabric residents. Source: Author



reaucracy in the urban management organization in Ahmadabad, the residents of problematic urban fabrics have virtually no trust in the urban management system's performance. In contrast, due to non-payment of subscription charges by the residents in these areas, the urban management system refuses to take any measures to improve the quality of life in these areas. In order to resolve these conflicts and reduce the prevailing mistrust in the management system, and at the same time encourage people to renovate the old fabrics and pay the associated costs, the slum network program uses an intermediate loop- the SEWA bank and the community based organizations.

In order to gain the public trust, "Sewa" and the community-based organizations involved the people and while engaging them in local communities, began to provide them with economic and financial education. After financial education, including money management, the importance of financial planning, saving, spending, borrowing, investment, insurance and economic education (work) such as entrepreneurship, business cycle, costs, basic accounting, sales and marketing as well as design of successful business programs, the public groups begin to cooperate in the field of economic activities.

The Local groups that have already started their economic activities work with the help of the consultants who are considered for them by the Bank. At the beginning of their economic activity, these groups open a bank account for themselves (100 rupees per person) that after deducting their expenses, deposit part of the money (as profit) in the account on a monthly basis. In fact, this group and its members' account serve as a collateral for people so that they can receive loan services provided by the slum network program. In India, there is considerable demand for loans as a way to finance housing costs, and these loans are mainly provided by unofficial sources at high interest rates. Considering the collaterals demanded by banks for granting governmental loans, these loans are not much popular in this country. According to "Young" difficulties in obtaining loans for the improvement of urban

settlements, lack of relevant laws in this regard, loan security, and control over the use of loans in construction fields rather than other ones, and capacity building for repayment of loans are among the major challenges of micro credits in India. That is why, despite their relatively high interest rates (14.5% to 17%) the micro credits provided by Sewa bank are the people (Sewa Bank (A), 2012). (Table 5)

Statistics show that about 96 percent of the loans have been repaid by the people (Harvard University, 2000: 20) and this shows the efficiency of this method of collateral provision and loan granting system in Ahmadabad. However, some of the problems raised by Young still remain in Ahmadabad. Only 50% of the loans are used in the mentioned fields and the remaining 50% are dedicated to other activities (Mahila, 2002: 12).

B) Government subsidies

The slum Network program in Ahmadabad was one of the first programs that managed to use the budget of the National slum development program and Jawaharlal Nehru National Urban Renewal Mission that had a economic and market-based perspective towards development of cities in India. They managed to convince the central government and municipalities that the 24.7 million deficit of housing units and the high construction costs for each residential unit (250 thousand rupees) shows that the whole budget allocated to the Jawaharlal Nehru National Urban Renewal Mission can only provide people with 1.5 million housing units. This is far from meeting the housing needs in this country. In contrast, the improvement costs is much lower (20000 rupees per unit) (MHUPA, 2012:54). Thus, it seems logical that the local and central government spend part of the received subsidies in these areas. However a large proportion of the received resources are used to build housing units for low-income groups rather than to improve slums. This suggests that though the slums network program costs are paid by the municipality, the local government does not fully recognize such an approach.

will incur high costs on urban management and this approach is basically unstable. Second, the potential of public presence in the development process is promising and they can be engaged in the development process by providing them with part of service delivery costs. This would lead to better maintenance of municipal equipment in the future and will cause municipalities to transform from being a support institution to being a facilitator.

• The financing system

One of the reasons that has given international reputation to Ahmadabad 's experience as a special city, is the initiative financing technique that is designed and implemented based on economic participation of a set of beneficiaries, the use of micro finances, promotion of the saving culture and the use of government subsidies that are supported by the development of community-based organizations.

In a report published by the municipality in 2002; the cost of improving infrastructures of the deteriorated fabrics, (in line with the slum network program goals) was estimated about 6,000 Rs per piece. Each of the three sectors (key beneficiaries) residents as community-based organiza-

tions⁹, municipalities and the private sector will provide a third of the cost. In addition, residents are required to pay about 100 Rs as the maintenance costs of these infrastructures. This money will remain in the "Sewa bank" as a deposit.

Other costs such as the cost of private W.Cs, the cost of subscribing for the main lines of urban infrastructures such as water and electricity, And even the private sector share of costs (in case they don't participate?) In these projects are among the major costs that are provided by the Ahmadabad municipality (Table 4).

Therefore, instead of paying close to 15900 rupees, people will pay about 2,100 rupees for gaining access to these services, while the residents can hardly afford to pay even this amount of money. In order to solve this problem, the Sewa bank provides the residents with financial and economic education and enhances their skills, while providing the ground for utilization of microcredit. The remaining 13,800 Rs will be supplied by the municipality through different sources such as subsidies and donations of the Central Government.

A) Microcredit

Due to the administrative corruption and the bu-

Table 4. The project cost and each stakeholder's contribution to the slum networks program. Source: Ahmedabad Slum Networking Program, (2005), submitted to the Human Settlement Management Institute for the Dubai International Award for Best Practices to Improve the Living Environment.

| Components | Participators | | | | Total |
|--|-------------------|----------------|------|--------------|-------|
| | Local communities | Private sector | NGOs | Municipality | |
| Physical development | 2000 | 2000 | - | 2000 | 6000 |
| Social development | - | - | 300 | 700 | 1000 |
| Connection to urban infrastructure network | - | - | - | 3000 | 3000 |
| Private toilets | - | - | - | 5800 | 5800 |
| Charge fees | 100 | - | - | - | 100 |
| Total | 2100 | 2000 | 300 | 11500 | 15900 |

plexes with municipal water supply and sewage collection networks and the other objective was associated with improving the economic and social status of slum residents. (Bhatt, 2004: 12)

This program seeks to improve the living standards and the urban environment by improving the urban problematic fabrics. In fact, the aim of empowerment in this program is to promote settlements and increase their access to services. This program was developed based on the viewpoint that eliminating the extensive slum areas and deteriorated fabrics through population displacement or renovation cannot be accomplished within a short period of time; But a gradual and step by step solution should be sought for this problem so the possibility of financing will be provided for the municipalities and also public participation is evoked in this process.

The slum network program was defined and implemented based on the cooperation of Ahmadabad municipal with MHT (Mahila Housing Trust) & Saath and Self Employed Women Association (SEWA) in 1995 (Table 3). In this process, while the Ahmadabad Municipality is responsible for the management and coordination of all these components, as a trustee they are committed to providing the city with physical development and environmental improvements and also delivering the basic services like water and electricity lines, street lighting, pavement floorings and etc. (Dutta, 2000: 12).

In addition to the local government, the private sector as a partner in this process is required to pay some of the development costs in these areas in return for having the development rights in other parts of the city or receiving legal taxes that are payable to municipalities. However, due to the lack of relevant and suitable laws in this regard, the private sector never achieved a considerable position in this plan and quickly withdrew from the program.

In contrast, the main burden of social development and encouragement of public participation in the program is placed on the shoulder of community-based organizations. On one hand, this group is required to provide the necessary conditions for the participation of people and gain their trust in urban management and on the other hand train and empower people for financial participation in the projects and maintenance of facilities.

According to the experiences obtained in this field, this program deems public participation necessary in all stages of the program, while people can't afford to pay for participation in projects. Thus, the presence of an economic and financial institution that provides the required funds and empowers people to repay them is necessary.

In general, this program has provided many lessons for urban management. First, it is accepted that renovation and population displacement

Table 3. Components of slum networks program and the duties of each section in the improvement process. Source: Author.

| | |
|------------------------|--|
| Ahmedabad municipality | Physical improvement (water, power, and sewage branch, street lighting and flooring and ...), managing the process and creating coordination between participators |
| NGOs | Social improvement (help to create CBOs, increase in education levels, health condition improvement, and ...) educating and capacity building |
| Private sector | Paying part of the physical development costs and providing required infrastructure |
| Bank | Providing microfinance via loans or people's deposits |
| Citizens | Participating in the improvement process |

Table 2. Unofficial jobs in Ahmedabad. Source: National Sample Survey Organization, Employment and Unemployment Situation in Cities and Towns in India, 2004 – 05, NSS 61st Round (July 2004 – June 2005), NSSO, Ministry of Statistics and Program Implementation

| Unofficial jobs in Ahmedabad | |
|------------------------------|--------------------------|
| Street vendors | Daily-paid workers |
| Laborers | Construction workers |
| Sewing | Garbage collectors |
| Factory workers | Cigar rollers |
| Laundry workers | Aromatic stick producers |

unable to finance them. Second, these measures led to displacement of the poor and resettlement of them in other urban areas around the cities. Hence, at the end of 1970s, the approaches to the troubled urban fabrics in India changed and were directed towards raising the standards and improving the status of them. The slum improvement program¹, urban services and sites², environmental Improvement of Urban Slums³, Urban Basic Services Program⁴ and the National Slum Development Plans⁵, are some examples of these programs that are designed and employed to better understand the nature of problematic urban fabrics.

At the state level, laws such as “the Gujarat slum sites” that was approved in 1973 and enforced in 1988, allowed the local government to provide the necessary infrastructure for the slum areas and receive the costs from people. As for executive measures “the Gujarat slum clearance board”⁶ was established to provide the low-income groups with housing units. However, the board did not succeed and could only build 16 700 houses, 10 percent of which were never used. The failure of this board was mainly due to building houses that were far from the city, and residents were not willing to use them. It was then that the Gujarat slum clearance company transferred its responsibilities to the Gujarat private housing corporation due to the approval of privatization laws and the requirements laid in them for prohibiting the government’s intervention in the housing market and business ac-

tivities.

Another program that was implemented in the state of Gujarat, was the -urban community development program⁷ that sought to improve the living standards, health and education conditions for poor residents of the city. In the same year, the State Council approved a law that would require municipalities to allocate a minimum percentage of their income to the quality improvement of basic services in the problematic urban fabrics.

Up to 1990, the approach adopted by municipalities was to tolerate the problematic urban fabrics. The municipality gave them permission to purchase and sell in the public areas; but in the course of the 1990 s, the municipality allocated a third of its annual funding to the improvement of basic services and infrastructures in the slums located in East Ahmadabad. Another special program that was introduced on a national scale was the “Jawaharlal Nehru” renewal mission that took advantage of every possible measure that took place in major cities to assist the residents of problematic urban fabrics. The program would suggest that 20 to 25 percent of all large housing construction projects that were implemented by the public sector or the private sector should be used for individuals with less economic power.

The various complications in the provision of high-quality and affordable housing units that allowed the state and local governments overcome their historic inability in the provision of housing and basic services; overshadowed all efforts in India. At the same time, the Ahmadabad Municipality sought to eliminate the restrictions on the way of improving the problematic urban fabrics with the aim of improving the environmental conditions and residents’ quality of life.

Slum Network program, improving the status of problematic fabrics

• **Slum Network program**⁸

The slum Network program consists of special structures and financial innovations that pursue two major objectives; one of these objectives was the improvement of the physical infrastructure that was obtained by connecting these com-

poor men, women and children. They define empowerment as enhancement of household welfare and organization of groups for engagement in local development (Azkia & Imani, 1382: 3-4).

3. The entrepreneurial approach

In this approach enables low-income groups with entrepreneurial capabilities to gain access to credit. Creation of job for oneself and job opportunities for others, as well as capital raising are among the objectives of this approach. Those who gain access to credit in this way, join the economic actors in the private sector. However, these people are not necessarily poor; therefore, entrepreneurs' access to credit could only contribute to development of empowerment if credit distribution considered part of the comprehensive program for supporting the micro-entrepreneurial sector in the economy (Dihim & Wahabi 1382)

4. The supportive approach

In this approach that is raised by the United Nations, access to credit (empowerment) is not necessarily productive labor and access to credit with the aim of alleviating poverty and providing minimum living standards is realized in a way that the poor can afford to repay them (Ibid: 68). Depending on the size of the target population, and the prominent economic and political structures in the societies, any of these approaches can be used as efficient tools of empowerment. In order to figure out the approach adopted by India in this regard, according to the above-mentioned criteria; the experience of the Indian cities in the face of this problem should be investigated.

Ahmedabad as a hotbed for expansion of problematic fabrics

India has a three-level structure for administration of the affairs associated with this great democracy. This structure contains three categories: the central government, the state government and the local government and has been adopted since 1990 in the wake of political developments in India.

At the beginning of these developments, due to the lack of clear-cut financial relations, each of these three components as well as local governments encountered failures in administration of cities, and especially in the provision of urban services and infrastructures. This vague atmosphere caused different problems in the great developing cities in India such as Ahmadabad in the early 90s and led to an increase in the extent of problematic fabrics in this city.

On the other hand, the city of Ahmadabad which is the largest city in the state of Gujarat and the seventh most populous city in India¹ has an important economic place in the field of textile production and industries associated with that. In the mid-1980s, these industries faced with massive unemployment due to the crisis in the textile industry. Due to Lack of governmental planning for dealing with this crisis, a large part of the workforce in these industries joined the informal labor market (Table 2). The figures provided by the Gujarat Institute of Development Research show that 77 percent of the workforce and 46 percent of revenues in Ahmadabad are provided by the informal labor market. (National Sample Survey Organization, 2002: 70).

The apt hotbed led to the growth of slum dweller populations in Ahmadabad, to the extent that in 2002, more than 41 percent of the Ahmadabad population that makes up approximately 3.5 million people of this city lived in the problematic urban fabrics. (Ibid, 2002: 75)

Development of approaches in Ahmadabad

The major efforts made in India against the problematic urban fabrics date back to years after the Indian independence. Since the early years after the Indian independence, India's central government policies mainly derived from the theory of "Cities without Slums". This period was characterized by extensive demolitions, resettlements and a revival of the damaged fabrics. The next approaches introduced in 1970s, represented some major weaknesses of this approach: First, considering the extent of these urban fabrics, the cost of these measures was very high to the extent that the government and municipality were

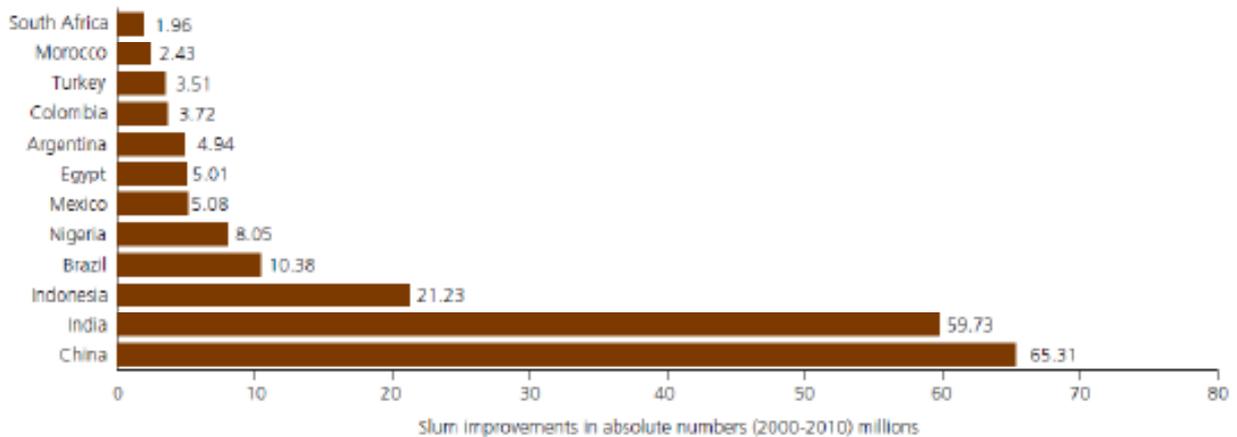


Diagram 1. Position of India in the problematic urban fabrics improvement program. Source: UN-HABITAT - GUO, 2009. Note: 2010 data are predictions

approaches, Ahmadabad's experience as a relatively successful experience in providing the development resources will be evaluated in order to figure out the reasons of this success and the extent of its impact on the achievement of sustainable development.

Different approaches to economic empowerment

Empowerment is the process of enhancing the resources and capacities of individuals or groups to make choices and transform those choices into desired actions and outcomes (Alsop & Heinsohn, 2005: 5). As a result of this process, the weak individuals in the society gain more access and control over resources, knowledge and material goods and challenge the ideologies of discrimination and subordination (that are enhanced by unequal assets and uneven control over resources). Empowerment is in fact an effort to redistribute power and resources to help the poor that is associated with the full participation of people in decisions and processes that shape their lives (UNDP, 1995: 82).

In general, the evolution in the approaches to empowerment can be summed up in two categories. The first category defines empowerment as an increase in revenues while the second category mainly deals with increasing opportunities for making choices. Depending on the target groups

and empowerment goals, both approaches can be used in different ways that are classified in four formats:

1. Financial independence approach

In this approach, it is believed that downsizing and contribution to small economic businesses and agricultural production can contribute to the economic empowerment of people resulting in increased revenue, and consequently leading to enhanced health, nutrition and education levels among the poor, women and children. This economic empowerment will in turn lead to political, economic and social empowerment of these people. This approach mainly deals with increasing women's access to micro-credit and their financial independence. In this approach, target groups are the smaller businesses and those who are able to establish these businesses are regarded as credit receivers.

2. The poverty reduction approach

Unlike other approaches that reapplied as a strategy by the large development agencies (e.g. World Bank), this strategy is mostly applied by the community-based organizations. In this approach, empowerment is regarded as an integrated development program that mainly contribute to poverty reduction and sustainable local development. The target groups in this approach are

Introduction

Spiraling population growth and also migration to cities, especially large cities, has caused many problems in developing countries. According to estimations, today about 650 million citizens live in threatening conditions, including poverty and poor environmental quality and this figure is expected to double by 2025 (Allen, 2002 : 12). The rapid expansion of cities around the world has been followed by the prompt growth of problematic urban textures that manifested in various forms such as urban slums and deteriorated urban fabric. These areas are characterized by informal settlements, dirty neighborhoods without stable housing and high-quality services. In addition to their adverse consequences for the residents, these fabrics decrease the quality of urban life in these cities.

The reasons for the development and growth of these fabrics often include shortage of land and housing for low-income strata, lack of timely urban planning and management, and irregular migration to cities (UN-HABITAT, 2007). However, the main point is that these fabrics are mainly developed due to economic weakness and loss of social capital; including low income residents and less economic opportunities, that has pushed residents of these areas towards reluctance to change the status quo (Table 1). In this context, the empowerment solution was raised as an effective approach to dealing with problematic urban fabrics. This approach that is nowadays interpreted as the sustainable development ap-

proach due to its focus on internal resources of local communities has been used all around the world and even by international organizations such as the International Monetary Fund and the UN-HABITAT office as an official approach.

India, among other active countries in this field, has a special place. The experience of this country according to statistics in terms of their approach to economic empowerment and financing techniques are deemed as very successful (Diagram 1). The present study describes the reason of this success and the empowerment approaches followed in the solution to the problem. Other small questions are also raised in this regard. These questions include: according to the Indian scheme, what society is regarded as empowered? What financing sources are introduced by this scheme? How large are these financing sources and what management techniques are used that has caused this level of productivity?

In response to these questions and by relying on experiences gained in the improvement of problematic fabrics in Ahmadabad, the present study attempts to prove some points. It proves that the development of skills and utilization of the money obtained in this way, as well as the involvement of residents and beneficiaries in the development process, have had a more sustained effect on the development of local communities in problematic urban fabrics. In this light, first different approaches to empowerment will be discussed and by classification of these

Table 1. The main reasons for ignoring the renovation of problematic fabrics. Source: Author

| The inhabitants of problematic fabrics are mostly migrants with rural origins | |
|---|---|
| Economic weakness and inability of providing basic needs | Reduction of social resources and sense of belonging |
| Accepting the current situation and providing economic sources within the conditions of the neighborhood (selling drugs, renting properties to workers and warehousemen and ...) | Transformation of the district into a convenient place for crime and social anomalies |
| Unwillingness of altering the current situation or lack of affordability | |

India's Solution to Empowerment: Hot Money or cold money

The Financing Model for Economic Empowerment of People Living in Problematic Urban Fabrics in India

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Abstract

The growing urban population in India following the economic progress made in recent decades has drawn attention towards slum dwellings and the expansion of the problematic urban fabrics as an important urban management issue in India. Although all developing countries are suffering from this terrible problem, but in this respect Indians rank second in the world.

On the other hand, high population of people living in these textures makes it difficult to benefit from financial interventions of China and Turkey because of fund supplying problems in the process of improving conditions in urban areas. However, the complexity and extensiveness of the problem had not made Indians adopt a passive approach towards these fabrics. On the contrary, using their own model, they have managed to improve and upgrade the residential areas including a population of about 60 million people (equal to the population of Iran in 1375) within 10 years. The current study attempts to shed light on how the urban management system in India empowers the slum settlers instead of using expatriate financial resources, and thereby renovates the urban fabrics through partnership. The research hypothesis is that the experience of India in general and urban management in particular, pursue the improvement of these textures by increasing the abilities of residents (training of skills) or increasing production capacity and the capability of hot money management. This model is less reliant on cold monies such as low-interest loans or government grants. To prove this hypothesis, the descriptive-analytical method is used to express the experience of Ahmadabad city and the community-based organizations of it, through collecting documents and doing field studies.

Keywords

Problematic urban fabrics, Economic empowerment, Hot Money, Cold money.