

# A Comprehensive Analysis of the Slum Redevelopment Market in Mumbai

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## **1) Introduction**

A highly fascinating market to analyse is the market for slum redevelopment in Mumbai. Mumbai is one of the most bustling cities in Maharashtra, India. About seven million people in Mumbai live in slums, which constitutes more than half of the city's population. The country's government has attempted to clear the slums since the 1950's with little success in order to make way for economic development. This strategy was later recognized to be ineffective and the government's focus turned to slum redevelopment in the 1970's. However, the slums in Mumbai continue to be impoverished and persist. In fact, Dharavi, which was known as Asia's largest slum for a few decades, was surpassed in size by four other Mumbai slums in 2011. This means that slums in Mumbai are expanding while the quality of living in slums has not improved significantly. At the same time, redevelopment projects in slums in the city garner lucrative profits, a single project can fetch over Rupees 7,000 crores (approximately 1.29 billion USD). The most conventional reasons for this sluggishness of the market for slum redevelopment has been attributed to bureaucratic inefficiency and governmental corruption. For this reason, many scholars writing on this discourse argue for less state intervention and more private regulation for a more efficient market. However, these calls for lesser state regulation are inadequate as it is important to understand the unique challenges faced by the government, institutions and inhabitants of Mumbai before being able to decide what level of regulation is the most appropriate for slum redevelopment in Mumbai. I argue that the market for slum redevelopment in Mumbai requires a closer analysis of the stakeholders and regulatory structures present in order to evaluate the quality of state intervention.

It is important here to distinguish the service of slum redevelopment from slum clearance. Slum clearance refers to the removal of informal settlements by the government. It was a policy adopted by the Indian government in the 1950's. Since the social value of slums in India was largely ignored, slum communities were often uprooted in this process. Moreover, there were often few safety nets for the people moving out of the slums, who became further impoverished. Slum redevelopment, in contrast, refers to large-scale improvements to the slum landscape that are targeted at enriching slum communities rather than eradicating them. This is done through installing basic infrastructure such as building proper housing and services such as electricity, clean water and sewage for the communities in question. Moreover, slum redevelopment is not simply imposed by the government; it stems out of the close relationship between the central, state and local governments and slum communities. The current situation in Mumbai is an upshot of over 60 years of policy planning. Slum redevelopment is important in opening up ways to improve living standards in developing countries while not removing agency from slum communities. Since Mumbai is a city with some of the biggest slums in Asia, studying the city's market for slum redevelopment can provide meaningful lessons to other developing countries so that their development can be more equitable – where an increase in economic wealth is translated to the poorest of the country. Moreover, learning points from Mumbai can also inform theory.

## **2) Specific Nature of Service and Its Market**

The market for the service of slum redevelopment is much more complex than a typical market envisioned by economists. In traditional Economics theory, individual rational actors act in order to maximize utility and profits, which can be derived using the tastes and preferences of consumers as well as the price and quantity of the services in that market (Smelser & Swedburg: 1994, 5). However, this theory is not very useful in analyzing the slum redevelopment market where the identity of the consumers, evaluating the maximum utility and the preferences of the actors are less straightforward. In this sense, the slum development market resembles more closely the theories of Max Weber who posits the market is where social actors such as groups and institutions with varying levels of rationality act based on societal, political and cultural contexts (Smelser & Swedburg: 1994, 6). Several aspects of the slum redevelopment market make it unique from other conventional markets, which make it worth studying.

Firstly, there is a great lack of transparency in the information with regards to the planning and execution of slum redevelopment in Mumbai, resulting in distrust. There is little transparency in the quantity of subsidies and funds for slum development are allocated by the different levels of government (central, state and local) as well as local and international non-governmental organisations (NGOs). Furthermore, the conditions in which these funds will be allocated to both those who redevelop the slums and those who benefit from the redevelopment are unclear. Some of this is due to bureaucratic inefficiencies and some due to corrupt practices by government officials who withhold the money for personal gain (Burra: 2005, 82). A highly metropolitan city functioning as the trade and financial hub of India, there is immense property speculation in Mumbai and real estate prices in the city are extremely high (Mukhija: 2003, 22). Many slums in India are located in the heart of the city, often seen as unsightly as they are usually situated right next to prominent buildings. For example, a slum called Marol Village is right next to Seven Hills Hospital, one of the most well-funded and affluent hospitals in the city. This means that the slums bring down the value of the property around them and show a wide income disparity in Mumbai. More importantly, the slums themselves are of great value if they were cleared to make way for luxury apartments, hotels or other profitable ventures. Due to the lack of transparency and the incentives to clear slums, it is ambiguous to many residents in slums if their slums are being cleared or redeveloped. Due to the distrust, many resist rather than support plans to redevelop their communities.

Moreover, slum redevelopment is a tedious and complicated service, which often takes a long time to be completed. This is because of a wide variety of reasons. Slum dwellers are often reluctant to move out of the slum communities. This inertia can usually be attributed to fears of a substantial rise in living costs and that of an uncertain future. This uncertainty stems from the fact that Mumbai city is vulnerable to several problems such as monsoon floods, which especially affect slums built on low-lying areas (Chatterjee: 2010, 337). Damages to the slums are further exacerbated by haphazard urban development and the lack of basic facilities, which are issues to be addressed by contractors before they can redevelop the slums. Moreover, Mumbai residents have been continuously exposed to terrorist attacks and riots by groups such

as Lashkar-e-Taiba. While major attacks occurred in 1992, 2002, 2006 and 2008, minor attacks and threats continue to threaten civil society today. Over 200 people perished in the 2006 attacks alone, many of whom were slum residents (Rajagopalan: 2009, 412). Both the floods and losses from extremist acts incur great financial costs for the city such as damaged construction equipment and loss of raw materials. Also, the immense social costs of the associated deaths and injury, together with loss of hope, cannot be ignored. When such unanticipated events occur, the process of slum redevelopment is invariably delayed which slows down the whole process of the market transaction. Since the process is so long-drawn, slum redevelopment projects also often switch hands between contractors in the process of upgrading the slum. This makes the slum redevelopment market unique from markets for other products and services.

### **3) The Main Actors and their Interests**

#### Local Governance – The SRA

Since the Indian constitution is federal, there are three levels of governance – central, state and local. Of these the local government is the most crucial actor for slum redevelopment. It often works to coordinate and execute policies derived by the government of Maharashtra (state government), which has great autonomy from the central government. This is because local governments are in a better position to engage civil society and to respond to the market. The Slum Rehabilitation Authority (SRA) is a local governmental organisation that is responsible for the civic infrastructure and administration of the city and some suburbs of Mumbai. It owns a substantial amount of the public land that slum territories are located on; the Maharashtra government and other central agencies, such as the railways, the airports authority and the port own the other parts of the land (Burra: 2005, 73). The SRA has also been buying up slum territories encroaching on private land. These land properties are either rented out or sold to slum inhabitants who are registered to vote. As the major owner of slum pockets, SRA also leases out contracts to construction firms for the redevelopment of slums. In this regard, the BMC is usually the buyer of slum redevelopment in the market, which chooses from a consortium of urban planners, contractors and construction firms to develop land.

The market for slum redevelopment cannot be entirely privately regulated and requires a high level of government intervention. Anthony Ogas argues that government regulation is necessary in cases of market failure, listing some conditions that mandate government intervention. The two that are relevant to the case of Mumbai's slum housing are to prevent monopolies, to provide public goods and to tackle the problem of information deficiency (Ogas: 1994, 30-38). SRA imposes regulations for the slum redevelopment market that contractors have to abide by so that in an ideal situation, contractors do not compromise construction standards in order to maximize profits. It also takes charge of public goods such as sewage treatment and disposal and street lighting. However, SRA is often over-stretched in terms of funding and slum redevelopment is often less prioritized in comparison to other governmental aims such as economic growth and education. Where this occurs, international organizations and non-governmental organisations have stepped in to bridge the gaps.

### Contractors and Private Sector Developers

As contracts with the government are highly profitable, many private developers vie for transactions with the government. Since they are highly large-scale, only well-reputed and experienced construction companies are considered to do business with SRA. Some major construction firms involved in slum rehabilitation in Mumbai are Omkar Realtors, HDIL and Ackruti. SRA has a few ways of determining which private developers and construction companies will be chosen to rebuild slums. One major way to get contracts is for these construction firms to obtain approval from at least seventy percent of the slum residents to agree to the redevelopment so that the contractor can get the rights to build free housing for that part of the slum (Heikkila, 2011). In exchange for this, the developer receives rights from BMC and the state government (depending on which jurisdiction that specific land is under) to sell an equivalent amount of residential or commercial space at market rates. This increases the profit rates of the developers by approximately twenty percent. In an overcrowded city with little space for development, this is a big opportunity for both local and international developers.

### International Organisations – World Bank

Where governmental institutions failed to spur the market for slum redevelopment, the World Bank intervened to enact new projects by coordinating with governmental authorities. This was made possible by trade liberalization that has enabled international organisations to have their own set of regulations that buyers and sellers in the market have to comply with (Vogel: 1995, 8). The World Bank has embarked on projects in Mumbai since the 1970's, in partnerships with BMC and the government of Maharashtra. These include the Slum Upgrading Programme, where 30-year renewable land leases were provided to cooperative societies of slum dwellers, along with civic amenities on a cost-recovery basis and loans to support upgrading of houses (Burra: 2005, 70). The World Bank's strategy in Mumbai has evolved as the institution's own goals and directions for the developing world changed. Scholars like March and Olsen argue that actors in a market use the logic of appropriateness, where social interactions, roles and norms in the market characterize how they act (Waarden: 2008, 11). Through its iterated interactions with the SRA and Maharashtra state government, the World Bank's involvement in the slum redevelopment market has become a 'social fact' in the Mumbai. As such, it continues to have a great influence on slum policies and redevelopment in the city.

### Local non-profit sector

The major non-profit sector actors in the slum redevelopment industry in Mumbai are the Society for the Promotion of Area Resource Centre (SPARC), the National Slum Dwellers Federation of India (NSDF) and Mahila Milan, a decentralized network of savings collectives formed by women residing in slums and pavements in Mumbai. In the context of India's economic liberalization since the 1990's, these organisations have called for the withdrawal of the state from slum redevelopment projects so that more large-scale, effective pro-poor slum upgrading can occur in Mumbai (Nijman: 2008, 75). NGOs like these work very closely with slum communities and often represent the interests of slum inhabitants. They encourage the establishment of the housing cooperative, a representative body of a certain slum community which can then petition the government (the Slum Rehabilitation Authority of Mumbai) for approval of a rehabilitation project in which

the city. SPARC is a legal entity that formally networks with the state, local authorities, banks and donors. Beyond raising funds, it maintains the accounts and prepares documentation for housing redevelopment initiatives. As such, it makes bureaucracy and other formal institutions accessible and more comprehensible to the urban poor living in Mumbai's slums.

#### **4) The Risks and Uncertainties on the Market for Main Actors**

Discussing the risks and uncertainties in a market is crucial for a market. Frank Knight argues that in a world of change and uncertainty, we have to understand the meaning and significance of uncertainty in order to understand the workings of the economic system (Knight: 1971, 199). The slum redevelopment is a growing yet complex market. Even though there are lucrative profits to be made there are a variety of risks that both developers and the government face, two of which are explicated below.

##### Loss of Reputation

One major risk faced by developers, the sellers of the service of slum redevelopment, is the loss of reputation due to SRA's dissatisfactions with the long-drawn nature of the redevelopment process. Even though private developers and contractors who manage to sign contracts with the government make sizeable profits through slum redevelopment, these profits could take years to be finally attained. This is because land acquisition for redevelopment after the signing of the contract is a complicated, multi-step process. The developer who had already obtained permission from more than 70% of slum dwellers from a certain slum has to enter individual agreements with each household. After that, the developer appoints professionals such as architects, licensed surveyors and structural engineers. The developer then has to propose the requisite redevelopment plans to SRA. These plans will be scrutinized by a sub-engineer appointed by SRA, who calculates the costs of redevelopment. More documents have to be submitted by the developers to different authorities. Importantly, developers then have to arrange for transit accommodation such as camps and huts for vacating slum dwellers to reside in during the period of redevelopment.

Slum inhabitants who did not approve of the redevelopment in the first place have to be physically evicted from the slum site. There have been various conflicts between developers and slum dwellers for decades due to this, where developers are often accused by slum inhabitants to be conspiring with governmental officials without caring about the rights of the poor (Heikkila, 2011). After the demolition of the slum houses, only the foundation can be built – after which the SRA will review the work done and grant permission to build further. As it can be seen, private developers have to encounter various levels of bureaucracy just from SRA alone. On top of the SRA, developers have to coordinate with slum dwellers, local and international NGOs as well as public organisations that operate the railways and pipelines that many slums are built around. These procedures, along with unforeseeable occurrences such as floods and terrorist attacks, inevitably slow down redevelopment. This has resulted in long-term losses for contractors as their work is seen to be shoddy and inefficient, making slum dwellers subsequently appoint other contract firms. This could result in a further loss in business for constructions outside

of slums for contractors due to word of mouth by government officials.

### Costs Incurred from Coordinating Policy Changes

The current policy regarding Mumbai slum redevelopment has evolved from years of policy and political changes in Mumbai and India in general. In 1956, the central government came up with the Slum Clearance Plan, the main goals of which were to demolish and remove slums in order to foster economic growth and improve the aesthetics of the city. However, this was carried out without substantial efforts at resettlement or rehabilitation of displaced slum dwellers. As a result, most slum inhabitants simply moved to other slums (Nijman: 2008, 77). This policy remained in effect for 15 years and its major ramification was increased hardship for many slum dwellers. The State of Maharashtra approved a new Slum Areas Act in 1971 aimed at slum clearance and redevelopment. It was apparent to officials that mere clearance did not solve any problems; efforts to upgrade or resettle the slum inhabitants had to be made. A new Urban Land Ceiling Act (ULCA) by the central government put limits on transacted lot sizes in order to reduce land speculation and redistribute land to the poor (Nijman: 2008, 77). This was also widely criticised for causing a decline in land supply, increasing prices, and further housing shortages. The Slum Upgrading Program that was initiated by the Maharashtra State Government with support from the World Bank followed this in 1985. Due to high interest rates, this policy again attracted much criticism (Mukhija: 2003, 26). Other policy changes include 1991 Slum Redevelopment Scheme by Maharashtra State, but the most salient one was in 1995 where contractors have to adjust to the new wave of liberalization across the country. The current policy from 1995 is Slum Rehabilitation Scheme by the Maharashtra State Government which created the SRA. In this scheme, all slums built prior to 1995 are supposed to be legalized and protected from demolition. As such, the scheme created a new market for the rehabilitation or resettlement of slums.

All these changes mean that contractors and developers have to adapt to changes and the confusions stemming from these changes. One might argue that these changes are gradual and thus should be easy to adapt to since it has been over 15 years since the last major policy and institutional change. This is not the case in Mumbai. Once a new policy is introduced, it takes many years to be fully implemented. This is because many institutions such as the different levels of government, whether central, state or local and the different government organisations like the railways, airports and ports had to coordinate their policies. This is a long-drawn process that often takes years to accomplish, given bureaucratic inefficiencies. Other actors involved in the process of slum redevelopment lawyers, insurance agencies and banks have to adapt to these new initiatives before they are trickled down to developers and contractors. Since policy adaptation by the contractors is reliant on many other parties, there are significant costs related to attaining information the bureaucratic procedures relating to these changes. For instance, the Shiv Sena political party came into power in 1995 promising to provide 800,000 *free* houses to 4 million Mumbai slum residents. The initiation of the Dharavi Redevelopment Project in 1996 was designed to completely transform Asia's largest slum into a desirable residential and commercial center (Bharucha, 2012). As of 2012, the project is not even close to completion and SRA officials claim that in the Dharavi project, the government plans to make it mandatory for builders to pay for the cost of

maintenance of the buildings for the first 15 years. This is a daunting sum for developers and contractors who could not have foreseen these exact changes in slum redevelopment plans, forcing them to re-evaluate their transaction costs and profit margins.

### Possibilities of cheating

The most salient risk that the government faces is that of the lack of transparency in information. According to Frans van Waarden, “a specific category of transaction costs is that which emanates from information asymmetries. Usually the seller has more knowledge of the quality than the buyer, and can exploit that, by cheating the buyer. The fiercer the competition, the greater is the temptation to do so. Thus, while competition may provide positive incentives, it can also become an incentive for fraud and deception, and increase distrust.” This is especially relevant in this market of analysis. Since slum redevelopment is not a priority to most private developers and contractors, many find ways to construct housing units at the cheapest prices possible. This is often done through cost-cutting measures such as using substandard materials or cheaper, inexperienced labour. Rehabilitated slum dwellers have often not been able to maintain their buildings, especially the lifts and water pumps. By deliberately providing substandard services to the slum dwellers and by being able to put the blame on the slum inhabitants, developers and contractors can strive to create a perpetual market for their services. As a consequence of this, slums that can afford to repair have to rehire the contractors, providing them with more business.

## **5) Strategies followed by the Main Actors to reduce the problems of Risk and Uncertainty**

### Gaining Trust

One way for developers to increase the speed of slum projects and maintain their business reputation is through gaining trust. A platform for this is the Society for the Promotion of Area Resource Centre (SPARC), which formally networks with the state, local authorities, banks and donors. SPARC raises funds and maintains the accounts and prepares documentation for housing redevelopment initiatives. As such, it represents the interests of the slums while maintain strong formal relations with influential stakeholders in the slum redevelopment market. More private developers are entering into agreements with the state government and SPARC to resettle these families and pay for apartments, where SPARC would work with the community and resettle them. To date, 1,850 families have been resettled, with no coercion (Nijman: 2008, 77). Beyond making bureaucracy more accessible and comprehensible to the slum dwellers, increasing coordination between the private developers and SPARC also reduces significant transaction costs by saving time. Through such institutional cooperation, there is greater transparency in the progress of slum redevelopment. This allows slum inhabitants to feel part of the slum redevelopment process, garnering greater cooperation from them.

### Partnerships with other firms

In recent times, slum developers and contractors found a new way to reduce transaction costs, which is through working together with other firms without a hierarchy. Douwma and Schreuder argue that this is an organizational form known as a peer group where both parties coordinate with each other through mutual adjustments instead of supervising each other (Douwma and Schreuder: 1998, 133). The loss of reputation from delayed slum redevelopment projects could result in financial losses for contractors and developers. An interesting way to avert this situation is through partnering with bigger, more reputed firms for joint ventures. Omkar, one of the major construction firms, recently had talks with a big engineering and construction firm called Larsen and Toubro. Larsen and Toubro is planning to invest Rupees 500 crores (92 million USD) on a slum rehabilitation project at Parel, central Mumbai, through a joint venture with city-based Omkar Realtors & Developers (Tandon, 2012). Larsen and Toubro Realty, its real estate arm, will handle the construction, design and marketing of the project with Omkar, sources said. As part of the joint venture deal, L&T will have a revenue-sharing arrangement with Omkar. By doing this, both forms obtain economies of scale by sharing employees such as construction workers and designers as well as through reducing transaction costs from information gathering. For instance, one firm can handle developing warm relations with the slum communities while the other can specialize in preparing official documentation to handle bureaucratic challenges. Focusing on specific tasks allows these firms to specialize on their respective tasks and could potentially save time as well. This is crucial in an industry like slum redevelopment as saving time enables projects to get started before government agencies change official procedures and documents needed for redevelopment.

### Flooding Mitigation

An innovative way in which the uncertainties of flooding in the slum areas are reduced by the government is through educating slum inhabitants to flood-proof their accommodations. The slums are mostly situated in areas close to marshes and other marginal places which the floods more significantly affect than other areas in Mumbai (O'Hare et al. 1998). The SRA prescribes that slum households adopt structural changes to flood-proof slums. Structural adjustments to the infrastructure in the slums are the most common type of strategy adopted to mitigate floods. Strategies of structural adjustment include the widening and covering of drains in some neighborhoods where local groups collectively cleaned, widened and covered drains in the settlement before monsoons (Chatterjee: 2010, 346). Not every household is able to invest the money to make structural adjustments before the redevelopment process begins. This posed the problem that within the same neighbourhood, some slum households were better flood-proofed than others – those that were affected slowed down the redevelopment process considerably. As a result, SRA and private developers educate slum house owners as well as donate funds and resources to improve how the floods are managed in slums before beginning the redevelopment process. While this means that the transactions of slum redevelopment themselves can be slowed down by flood-proofing measures, transaction costs from delayed projects and damaged building materials can be reduced greatly.

## **6) Institutions as aids in Uncertainty Reduction**

In the market of slum redevelopment, non-state institutions can have great importance in the regulatory process as state institutions like the SRA and the

Brihanmumbai Municipal Corporation (BMC). Tetty Havinga supports this notion by arguing that this is increasingly so. According to her, “novel conceptualizations of regulation not only encompass state institutions, but also involve second- and third-party actors, such as firms, associations, and NGOs, acting as rulemakers as well as monitoring or enforcement agencies. (Havinga: 2006, 516). Two such institutions that merit discussions in this market are the Builder’s Association of India and the National Slum Dwellers Federation.

#### Mumbai Centre of Builders’ Association of India (BAI)

This institution was founded in 1976 in order to tackle issues confronting the construction industry, particularly in the State of Maharashtra. One notable role of the Mumbai Centre is to organise seminars, conferences, lectures and symposia so as to educate members on wide ranging issues like arbitration, taxation, balance of trade and the latest technological advancements in construction. The institution also provides financial assistance to its members and aids members struggling to keep their firms afloat. In doing so, the Mumbai absorbs some transactional costs from unforeseeable circumstances such as the floods and terrorist attacks in Maharashtra and Mumbai in general. For members more financially affected, Mumbai Centre founded a new cooperative credit society covering the entire city of Mumbai and the Ratnagiri District, which provides loans to big construction firms (Builders’ Association of India, 2012). The institution also works closely with the government of Maharashtra’s slum rehabilitation programme. The Mumbai Centre signed a ‘Joint Declaration of Intention’ in support of a government programme to redevelop houses (Builders’ Association of India, 2012). In this sense, the Mumbai Centre’s expertise in the bureaucracy and policy framework regarding slum redevelopment eases the transaction process for construction firms by dealing with the transaction documents, settings and other important information. This reduces the information asymmetry in the market and lowers potential transaction costs.

#### National Slum Dwellers Federation

One of the greatest stumbling blocks in the slum redevelopment process is that of house owners in the slums refusing to move out due to the distrust of both the government officials and developers. As a result, many of these slum inhabitants who resist moving are forcibly removed from the slums. This creates major roadblocks to the project while deepening the distrust of developers as they are seen to exploit the poor. While these do not affect current transactions and contracts between the private developers and the government, it affects future contracts – if less than 70% of a slum cooperates, new projects cannot be undertaken. Thus, the National Slum Dwellers Federation (NSDF) consists of slum dwellers from different cities in India, mainly Mumbai. The NSDF helps slum dwellers to obtain secure tenure, access adequate housing and develop basic infrastructure, including water and sanitation. The idea behind the formation of federations based on who owned the land they occupied was that it is most effective for people to negotiate collectively for their entitlements (Burra: 2005, 75). This is because one or two slums alone rarely form associations and if they did, government authorities would not take them seriously. Federating slum communities is a more effective way for slums to have a platform to voice out their needs and engage in negotiations with both the SRA and private developers. Slum dwellers’ fears of the trauma of relocation and lack of employment opportunities are recognized and better dealt with through the NSDF. This provides more information to all the stakeholders involved by clarifying important details of

the project such as the estimated time of project completion. Through this, risk and uncertainty can be again alleviated and transaction costs significantly lowered.

## **7) Trends, Recent Changes and New/Amended strategies or Institutions of the Actors**

### Informal Ways of Gaining Trust

According to Frans van Waarden, “trust may be also nurtured by practical norms. Communities may have unwritten rules that prescribe how transactions are to take place, how one should negotiate or how conflicts ought to be settled. They structure mutual expectations between transaction partners” (Waarden: 2011, 477). In Mumbai and India in general, this is often established through inviting someone to one’s house for a drink of coffee or tea. This is a social custom usually reserved to welcome guests to the household. In the case of the market for slum redevelopment, major construction giants such as Akruti and Omkar are inviting slum inhabitants to their own residences in order to have informal chat sessions. They are also invited to the houses in the slums in return, enabling both parties to develop a level of camaraderie that cannot be established through having a middleman such as SPARC. Many slum inhabitants have strong attachments to the slum that they were born in and spent all their lives in. They also often feel like they are ‘talked down to by the authorities’ (Tandon, 2012). Through this personal touch, slum inhabitants are more comfortable with the developers and at the same time are more prepared for the realities of moving to new houses and other changes in their life.

## **8) Conclusion**

Overall, it is clear that the market for slum redevelopment is complex with many actors outside of the transactional partners - the local government which largely pays for the rehabilitation of slum housing in Mumbai and the contractors and construction firms who provide those services. The multiple actors are all interlinked and interdependent due to historical ties and policy frameworks, making it hard for actors to withdraw from the market. Many writers in the discourse on slum redevelopment continue to argue that less state intervention and more private and community action is necessary for smoother transactions. They opine that this will increase the speed in which slums are redeveloped and thereby improve the quality of urban slum living significantly. Over the past fifty years, the government has already relaxed many of its slum rehabilitation laws and has relinquished some levels of authority to international organisations like the World Bank, slum community organisations and private developers. However, the problems of bureaucracy and lack of trust remain and these continue to slow down slum redevelopment. This shows that the level of government intervention and regulation needed is hardly straightforward – an arbitrary value of low or high regulation cannot be assigned to state regulation in the slum redevelopment market.

This goes into the problem of delineating and evaluating just how much state intervention is appropriate. Through history, the general strategy by the government and its partnering organisations has been policy experimentation. Slum clearing was stopped to make way for new experimentation such as leasing out land to slum household owners and non-governmental organisations. These experiments have been normally small-scale and not highly successful; this makes it more difficult to discern

which policy strategy is most efficient and equitable at the same time. This has resulted in rapid policy changes that have worsened the time lags due to bureaucratic red tape in Mumbai. By the time contractors, lawyers and slum organisations are accustomed to a certain law or policy, new governments draw up new laws that have to be perused and made sense of before old projects can continue. The current policy stance has resulted in a market that is equally hard to sustain. A good policy vision followed by policy stability in Mumbai is important so that there is a clear direction in which the country is headed. This is difficult in India, given that politicians make promises every electoral term to slum dwellers who are politically active in a bid to receive more votes. These promises, like that of Shiv Sena's, are not always in line with the existing policy plan. As such, new laws and informal norms have to be developed to enable electoral candidates and political parties to be more practical in their campaigning even though they have few incentives to do so. Also notable is the lack of involvement by the central government in the market. Perhaps greater policy coordination between the SRA, the Maharashtra state government and central government could create some a more active slum redevelopment market with more transactions.

Slum redevelopment is a service that the SRA has great incentive to buy, in order to achieve socioeconomic goals of equity and social progress. Similarly, the sellers of the service such as the developers and contractors have great economic and social incentives to rehabilitate slums from the high estimated profits and social good of providing poor people better housing conditions. However, there are few transactions in this market since there are evidently much greater risks posed to the sellers of this service than the buyer, the government institutions. The risks of extreme financial loss and loss in reputation discourage developers from entering the market in the first place and frustrate those who have to handle major transaction costs after entering the market. Thus, both the state government and SRA have to simultaneously earn the genuine trust of the slum inhabitants while significantly reducing the transaction costs for construction firms and developers so as to boost the city's slum development market.

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