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The Possibility of Stimulating Inclusive Growth

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The Possibility of Stimulating Inclusive Growth*

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Abstract

This paper examines the nature of Human, Social and Physical capital formation occurring for the informally employed livingin the slums of Mumbai. It does so by sampling and juxtaposing the non-beneficiaries and beneficiaries of Swaran Jayanti Shahari Rozgar Yojna (SJSRY), a 'Sustainable Livelihood' oriented scheme. The scheme was launched nationally in 1997. Funded by the Centre and State in the ratio of 75:25, it aims to spawn micro enterprises, provide skill/training and create a self-managed hierarchy of local management institutions like self-help groups and societies. This survey occurred over 2009–12; it found that the beneficiaries experience an accelerated frequency of human and social capital formation. More mature SHGs were investing to undertake productive activity. This is occurring despite the fact that beneficiaries were at lower income level when the scheme was launched, most having been tagged as poor by the Municipal Corporation of Greater Mumbai. The beneficiaries were overwhelmingly in favour of the policy and the community development officers implementing it. The paper examines the nature of the activities of the SHGs, various forms of capital formation, causes and suggests policies to strengthen and replicate the model in other urban centers (where the informally employed poor are amassing) for inclusive growth.

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Introduction

This study is based on a field work based survey in Mumbai between 2009–12. It began as a reading of upward social and economic mobility in **urban informal employment (so as to study the possibility of inclusive** growth) by trying to measure human, social, financial and physical capital formation using questionnaires that required the interviewee to state the present situation and recall the past growth of education, skills, training, savings and assets. Besides this it sought information on associational and community capital accretion. Putman's popular definition of social capital is 'trust, norms and networks that can improve the efficiency of society by facilitating and coordinating actions' (*Putman 1993*). Some advocates deem it to be 'the missing link' in development and promote massive NGO involvement. Harris (*2001*) sees this as an attempt to depoliticize 'development' so as to marginalize the debate on power, class, politics and distribution. Social capital is generated when people are organized. The scale and tactics of their organisation and access to resources will nonetheless be determined by power structures and in turn will impact power structures.

After six months of observing evidence in the slums of Mumbai it became apparent that very little was changing and so slowly that at best it was marginal and intergenerational. It certainly did not make for interesting recall-based analysis. This went on till I encountered, quite by accident, women's self-help groups (SHGs) in the slums of Dharavi. Their presence in rural India has been recognized.That changed the course of investigation. It was now possible to redirect the study towards comparing members of SHGs and non-members most informally employed or unemployed, all in the same slums. The members of SHGs were all women so they have been compared with women non-members in the same slums (have also juxtaposed them to some men in informal employment since the data was available).

This investigation consequently intersects five areas of concern in contemporary development policy in India, and in the developing world at large:

Firstly, the informal sector is now the fastest growing sector for employment as well as for survival. Report of the National Commission for Enterprises in the Unorganised Sector highlights the situation within this sector in India (*G.O.I, National Commission for Enterprises in the Unorganised Sector 2006*).

Secondly, pace of rural to urban migration has resulted in urban expansion (*Mohan and Das Gupta 2005, Sridhar 2007*). Estimates say that it is faster than rates of urbanization in the developed countries at similar points in their economic history. Although the rates of in migration is slowing down inescapably the city slums of India as in the developing world are becoming points of concentration for the casually, informally employed and the poor (*Bhaumik 2003*, *Davis 2006, Kundu 2007, Unni 2007, Dutt 2010*).[1] Hence it becomes a key sector in the estimation of 'inclusive growth' *(Dani 2008).*

Thirdly, the micro finance, certified as a tool for poverty-alleviation and self-employment, has been expanding at an impressive pace and yet does not have credible evidence to back its claim, particularly in urban regions (*Prasad 1995, GOI, National Commission for Enterprises in the Unorganised Sector 2006, Morduch 1999, Ledger 2000, Srinavasan 2009, Sinha 2005, Goldberg 2005, Karlan and Goldberg 2011*).

Micro Finance (MF) is an acknowledged tool of the Millennium Development Goals, a strategy of reducing, by 2015, extreme poverty by one half, enrolling children in primary school (both genders), reducing maternal mortality ratios by three fourths, increasing health services**,** reversing loss of environmental resources, reducing infant and child mortality rates by two thirds (*Dunfors 2007*).

There is no unambiguous research evidence of MFs efficacy in poverty reduction despite two decades of policy stance to promote it. The most often quoted, to show the net positive impact of MF, is

[1] Other contributors are (Mitra 1994, 1998, Kundu and Lalitha 1998, Mukherjee D 2004, Sundram and Tendulkar 2004, Sundram 2007, Unni and Lalitha 2003, 2007).

Khandker's massive survey of participating households over a time period of 1991–92 to 1998–99. It covered participants in the Grameen Banks, BRAC and RD-12 in Bangladesh (*Khandker 2005*, *Roodman and Murdoch 2009*).

In India, impact evaluation studies of MF abound but are restricted mainly to rural areas and groups (*Karmakar 1999, Chavan and Ramkumar 2002, Rajagopalan and Parikh 2007*).[2] NABARD is the official nodal agency of the programme and related research. Metropolitan centers, which are fast becoming the largest sink pits of informal employment for rural immigrants have received less attention.

Fourthly, the efficacy and sustainability of the bank Self-Help Group (SHG) link up is widely recognized as a preferred mechanism for delivery of micro finance and financial inclusion in India *(Joshi 2006* Krishna 2006, NABARD 2002, Kumaran 2002, Manimekalai & Rajeshwari 2000). Here too urban evidence is scarce.

Finally, is the issue of the role of women in development; poor women in urban centers like their rural counterparts need assets of their own. The availability of this will directly impact capabilities, their own and those of their children. Available evidence suggests that women's SHGs do in fact encourage capital formation and capabilities among women (Pitt and Khandker 1998).

Swaran Jayanti Shahari Rozgar Yojna (SJSRY) was launched on 1 December 1997 after subsuming the earlier three schemes for poverty alleviation namely Nehru Rozgar Yojana, Urban Basic Services for the poor, and Prime Minister's Integrated Urban Poverty Eradication Programme. SJSRY has three objectives: 1) encourage self-employment ventures and support their sustainability; it encourages the formation of self-help groups saving, and micro credit for productive purposes, 2) support skill development and training programs, and 3) create suitable self-managed community hierarchical-structures like neighborhood groups, committees and society.

[2] Other contributors: Chavan 2002, Jain 2003, Harper 2005, Gaonkar 2010.

An important component of the policy (for urban poverty alleviation) is to sponsor and support SHGs. The funds are routed through the State Government and the actual implementation is undertaken by Municipal Corporations. In Mumbai the program is implemented by the Urban Poverty Eradication Cell, established at the Municipal Corporation of Greater Mumbai. Nationalized banks are now linked to SHGs (*Harper 2002, RBI 2012*). SJSRY is the vehicle of facilitation and delivery of micro credit. Under its policy BPL members will be subsidized to set up micro enterprises as individuals or in groups, will be given employment to improve infrastructure, will enjoy reservation in certain work sectors, and all members will be given vocational and technical training.

The short-term effect is to reduce dependence of this section of the population on usurious interest rates of pawn brokers and moneylenders, encourage a regular small saving habit and enable consumption smoothing (a group can lend its fund to its members). The medium-term goal (3–5 yrs) is to facilitate self-employment, group income generation and participation in development. The sampled SHGs are linked mostly to nationalized Banks. SHGs are precipitated and supported by either NGOs or officers of the corporation referred to as Community Development Officers (CDOs).

The process works like this: a group of women usually living close by in slums or chawls and known to each other, form a group through self-selection, of between 10–20 members (now reduced to five), elect a president and secretary, and open a bank account in the group's name after completing the required paper work and identification formalities. They meet regularly, at least once a month, and save an agreed amount per member, per month, and deposit it in the group's bank account. A group pass book is maintained and monitored by the bank official in charge of this programme. After a year of satisfactory performance the group is entitled to a loan of up to Rs. 2.5 lakh. The clearance depends on the project proposal and discretion of bank officials. Of the sanctioned amount not more than 1.25 lakh is released to begin with. Interest is charged only on the amount released. The government subsidizes their loan. The interest is usually less than or equal to 12% per annum. The loan is disbursed to the group, who is responsible for interest and principal amount repayment. The repayment is worked out within the group in the form of equal monthly installments (EMI). The group takes a collective decision on how the amount is to be used and by which member/ members of the group.

The Aim

The aim of the study was to understand the nature of human, social and physical capital formation occurring in informal employment midst the slum population of Mumbai; it eventually did so by making some comparisons between beneficiaries of the SJSRY scheme where in SHGs are created and linked to banks for access to micro finance and non-beneficiaries from the same slum population in Mumbai.

It uses a random sample survey method using questionnaires; it has a cross section approach instead of a time series approach.

The Survey Methodology

This survey, over the period of two years, in Mumbai city and suburbs covered 562 people in slums and chawls; the entire population surveyed was in informal employment. The purpose was to examine their experience in three dimensions; acquisition and accumulation of human, social and physical capital. While human capital is measured by indicators like the training they have acquired or received; their educational achievement (both pre-and post-employment) and educational achievement of their children. Social capital is measured by indicators like their membership in associations, saving and loan groups, SHGs, community-based or professional associations, membership of political parties, public posts held or movements and public causes they have participated in etc. Finally physical capital is indicated by business assets, house, land, durable gadgets, gold, vehicles that they have acquired. Two groups among the informally employed were surveyed: a) non-members called the control group and b) members of an SHG.

Since the aim was to examine the informally employed the method used was broadly one of cluster sampling, sample frame was the corporation-wards with high percentage of slum population where one may expect to locate the informally employed, and within them some were chosen randomly. Thereby slums of Dharavi, Govandi, parts of Worli, Parel, Bandra, Chembur, Andheri, and Kandhivilli etc. were covered. Questionnaires in English, and Marathi were administered to randomly chosen SHG members and non-members in slums and chawls of these wards. The list of SHGs is available with the CDOs; however in the course of fieldwork SHGs sponsored by other agencies like NGOs etc. were found. They were sampled randomly. Care was taken to ensure that the respondents were informally employed as wage workers or self-employed, distributed over a different wards and slum colonies. Local contacts accompanied the interviewer to enable access and cooperation of respondents. When respondents did not want to be interviewed the next household/SHG in the locality was chosen. The survey went on from 2009–2011.

Survey Results

Although the surveyed population is large at 355 respondents among SHGs and 207 among non-SHGs, it has very poor levels of education and hence the percentages stated are of those who responded to the relevant questions. Questions where response was below 30% of the sampled population were omitted for detailed analysis. These questions are however important indicators of information that respondents do not have, or flaws in the questionnaire.

1.1 Demographic Description of the Surveyed SHG Population: Sample Statistics

All 355 members of these SHGs were women. The modal age was 35 years. 66.6% of all women were in the age group of 19–40 years, the largest number were in the age group of 31–40 (Table 1). Women, with children in schools and colleges, and rising family expenses experience high pressures on family budgets.

About 40% of the women were very poorly educated indeed with fourth grade or less education, and one fifth were illiterate. Only 3.4% had any education above high school (Table 2).

This must be placed against the fact that 47.2% of SHG-respondents reported that their children were receiving post high school education (Table 10). This indicates the possibility of accelerated human capital formation occurring as a result of access to micro finance for women within the format of SHGs (*Reddy 2002*). Another form of human capital formation can be reported since 44% of them said that they have received some form of training over the past years (Table 8).

These women described themselves as mainly self-employed (58.3%) mostly in manufacturing something; another 35.5% were wage-employed mostly with private employers (domestic or service sector) (Tables 3, 4). The rest are probably unemployed or in some form of home-based employment which they overlook or do not mention. Typically these were first or second generation migrants into the city.

Typically, 77% had no land holdings in their village of origin. Of those who did have land 82% had less than or equal to 2 acres. This corresponds essentially to the hypothesis of the nature of poverty-driven migration into urban slums and informal employment thereafter. Their education and skill status marks them for the informal sector employment.

Only 8% are widows and 1.1% had separated from their spouse but surprisingly 57% say that there is only one earning member and only 29% claim that the household has two earning members. Very often women engaged in home based production activity, with small and uncertain income flows do not report their status as earning / employed.

Many of the SHGs themselves are not highly productive yet; those that are do not have a reasonable or dependable flow of regular income.

Forty-two per cent households had two children, followed by 23% who had three; a surprising 15% reported only one child indicating perhaps the declining household fertility rate in this urban area (average number of children per respondent is 2.13). Of these 86.8% had school going children and 47.2% had children in higher education. This could be a special 'human capital' effect of access to micro finance through SHGs.

Monthly family income was Rs 5,000 or less for 88%, and for 66% less than or equal to Rs 3,000 per month. Surprisingly, although the policy is aimed at the BPL-families 64% of the respondents did not have a BPL card. Obviously either SJSRY policy or more likely the BPL card distribution system is skewed. Without a BPL card they cannot buy at the subsidized PDS shops, subjecting them to inflationary pressures that deplete their efforts to augment income and savings through micro finance.

1.2 Analysis of the SHG Activities

While 95% of the sample were members of one SHG, the remaining were members of more than one SHG. Only 1.4% had been members of some failed SHG in the past, indicating perhaps that despite their fairly rapid growth in the 2000s failure of SHGs was not yet common. Thirty-two per cent of the women surveyed were presidents of their group, 22% were secretaries and the remaining were members of some group. Hence this sample of 355 women members is fairly representative.

Most of the SHGs (80%) were linked to public sector banks, 16% were linked to cooperative banks and the rest to private banks. This reflects the yeoman role played by the SHG–Bank link programme. The municipal corporation had sponsored the most number of SHGs in the sample (50%); NGOs a far second at 15% and private parties 9%. This also corresponds to the fact that SJSRY policy is being implemented in the city by the local government.

The groups (which contain a targeted population of poor) receive a government subsidy and a priority sector lending rate from banks to boost their borrowing ability. The banks review the pass books and accounts of the SHGs registered with them, hence 82% of the respondents were aware that their accounts are officially reviewed regularly. Many groups had begun with a monthly saving of Rs 50 per group member and had raised it to Rs 100 over time.

A few groups claim they started in 1994; the expansion rate picked up slowly, accelerated in 2000s and peeked in 2005. Highest number of women (21.8%) report starting their SHG in 2005. In all 72% had started after 2003. This reflects the manner in which a new product or idea spreads slowly and also the time for the local government to identify the targeted population and put the processes in place.

Same caste and same religion groups seems to be more common (56% same religion, 49% same caste) perhaps because within these slums members of a caste and religion or a region (kinship factor) tend to live in closer proximity and homogeneity and this helps easier formation and durability. Caste barriers seem to be more easily overcome in the city. Given that, the urban SHGs are an interesting social mixture to behold in terms of both caste and religion.

The scale of activity of these SHGs can be gauged from their loan amounts. Majority (50%) had not taken a loan yet, of those who reported taking a loan the most common amount was Rs 2,50,000 lakh followed by Rs125,000 and Rs 100,000. Only 2 women in the sample reported loan amounts more than Rs 250,000. The enterprises started with such amounts will classify as very tiny. The SHG gets the loan at 12% but is lends it out within the group at higher rates up to 24%. Table 7 outlines the loans taken and the use of these loans. The notes to the table highlight the comparisons.

The most common kind of productive activities are catering, preparing and selling eatables, followed by garments and tailoring, sari and selling related garments, running grocery shops, cloth and jute bag making, incense sticks and candle making, phenol and cleaning agents, imitation jewelry, paper bags, folders, leather work, soft toys, dry fish and garlic, powdered spices and so on.

Most revealingly, 73.4% of the respondents did not answer the question on the profitability of their business, due to a poor costing and accounting sense. The respondents do not have a worthwhile estimation of their profit. They most often report a rough profit of Rs 2,000 to Rs 1,000 pm. A significant majority (88%) report that group members themselves maintain their accounts. Given the poor levels of their education especially financial training some manner of external professional accounting and costing support is vital for their health and long-run survival. This can occur alongside with their own training in accounting methods.

In another question directed at SHG profitability 22% reported losses or negligible profits, while 17.4% reported profits of about Rs 500 per month. The most common kind of problem faced by SHGs was losses in business and therefore finding loans hard to repay, these are dangerous early trends and can lead to long-run problems for SHGs in repaying debts of banks let alone a failure to augmenting capital formation for the members. With their SHG income majority 61% did not buy any new asset at all.

Most however have been working at least one hour per day for the SHG (18% were working more than 4 hours per day).

The most obvious reason for their low profits seem to be the lack of marketing support; the most frequent marketing agent was the tiny SHG itself marketing locally, followed by some private agency. The government agency and cooperatives come far behind; the very small size of the enterprise itself is an impediment to extensive division of labour. One or two productive SHGs had earmarked members for marketing work.

Their access to markets outside their locality was also very limited. Sixty four per cent of those involved in retail trade were not even selling branded FMCGs, branded food or branded garments. Most of their sale was local, perhaps aimed entirely at community markets. Periodical, but infrequent, exhibitions organized by some benefactors or sponsors are their only link to larger markets. The MCGM has made a few centers to exhibit and sell their products. Urban SHGs have no umbrella organization like NABARD helping them in marketing on a large scale and they find themselves strangely isolated while living in the midst of the largest commercial city and its markets in the country. For example, the annual SARAS fair, sponsored by NABARD in the Bandra reclamation area, for selling SHG-products, the Mumbai SHGs had only one stall last year (2011) out of over 500 stalls, while the now popular Kala Goda festival in south Bombay has only two small outlets for the Mumbai-based SHGs. The rest are allotted to NGOs and other societies. The MCGM has to be more aggressive to promote its own SHGs inside Mumbai to begin with.

Only 6.2% of the women were involved in making anganwadi food and 3.6% in mid-day meals in government schools. Only 3 women said that they had started ration (PDS) shops. This is despite the policy decision to involve SHGs in preparing anganwadi food and mid-day meal schemes in municipal schools indicating perhaps the grip of large contractors on the local government officials. These are supposed to be reserved work sectors for the SHGs.

Most of the respondents however found the banks and the local government authorities reasonable and helpful. Most of them (75%) felt that they received all the necessary information.

In sum, therefore for most of the participants (75%) the SHG is primarily a vehicle to promote a regular saving habit, and thereby create a corpus fund, which is also valued for its usefulness in increasing availability of cheap and timely loans (vs. moneylenders at least). As a consequence the borrowing from moneylenders stopped for 65% of the respondents and decreased for 14% of the members of SHGs. Table 6 describes what the groups need in terms of financial services and business assistance.

In yet another response to a more direct question on the usefulness of SHGs, 61% of respondents say it helped them save more, 19% say that it helped their confidence and self-respect and changed the way others treated them. One woman coyly remarked she had become famous among her relatives. But despite this positive spin off only 13% say that it has increased their income. The most common difficulty outside of the inner functioning issues for the women members was selecting better work (33%) and getting work orders (9.5%).

Overall the SJSRY got a thumping approval from the participants: 69% said it was a very good scheme, 13% said it was good and 10% that it was better than no scheme at all.

Of the respondents, 46% used other government schemes, the most frequently being the PDS, followed by the Municipal Hospitals. Municipal schools were a very poor third.

The SHG activities have helped 39% of respondents to increase consumption (31.4% food; 5.3% medicines; 2.2% branded FMCGs). Investment in education seems to be the most common form of investment coming out of SHG related credit flow.

As far as personal loans within the group loans are concerned they were most commonly taken for personal business, house repair, health, education purposes and weddings in that order. Here again the first two heads of expenditure are capital/asset forming activities while health, education are human capital forming (Tables 8, 9, 10).

1.3 Social Capital Formation in SHG

There is negligible direct participation in the political process of elections even to local bodies, which is still financially and socially out of reach for the members but a significant 40% had participated in community activity of some sort, 43% in some *morcha*, 33% in some association other than SHG, (Table 11). An overwhelming majority of 87% say that they were not part of any of the above before they became members of SHGs.

The most widespread problem within the SHG was perceived to be lack of trust (38%), followed by problems like lack of leadership, infighting and inadequate skills, building networks of trust and reciprocity. These are new learning experiences. Social capital is one of the forms of capital SHGs that will certainly stimulate in the medium-term.

1.4 Description of the Non-Beneficiary Control Group (CG) and Some Comparisons

The control group had 207 respondents (living in these same slums); engaged in informal-wage or self-employment, but not part of any SHG.

We noted above that SHGs are popular mainly among women and the policy also targets women. However the control group consists of many men (60% men). These men were mostly married (84%). It is a more youthful sample, 68.5% of them are between the age of 19 and 40 years and 85% of them are less than 46 years of age (Table 1).

Here 62% (vs. 38.6% in the case of SHGs) had four to five member households; 23% of CG (vs. 48% of SHG) was in smaller household units (< 4 members). Smaller size of family may have released women from household chores to participate in the SJSRY and conversely participation in the scheme would have encouraged some to keep their families small.

Thirty six per cent of CG (vs. 42% of SHG) participants had two children only, and 27% CG (vs. 23% SHG) had three children per household. So there seems to be an indication of preference for smaller families among SHG members.

A larger number of CG members (49% vs. 29% SHG) have two member earning households, and a fewer number 21% of them (vs. 36% SHG) are BPL card holders.

CG members were better educated than the SHG; 33% CGs vs. 26% SHGs reported tenth grade and 30% CG vs. 20% SHG had passed 8th standard. Only 32% CG vs. 40% SHG had less than 4th grade. Both groups are more equal at the upper end of the education scale; 38% CG vs. 40% SHG reported education levels of tenth grade and above (Table 2).

To match this trend, more of the CG members (33% compared to 23% in the SHG group) had agricultural land in the villages of origin but even they mostly had two acres or less.

1.5 Nature of the Economic Activity of Non-beneficiaries CG

Self-employment, tiny enterprises along with some form of wage employment was the norm; 75% reported as being self-employed and within these 41% manufactured or repaired something and 56% provided some service; 54% worked in establishments employing 2–5 workers, these could be family members along with hired help, while 27% worked in larger ones employing 6–9 workers; and only 11% worked in establishments with more than 10 workers. (Tables 3, 4, 5 describe some aspects of their employment).

Simultaneous wage employment and self-employment is not uncommon since 70% of respondents also claim that they are wage employed. Of these 74% claimed that they enjoyed a permanent wage-status in their establishment. There could also be some confusion of status-categories, e.g. in family based informal employment and informal-wage employment as to the real meaning of permanent status employment for the respondents. This is a defect in the questionnaire (Tables 3 and 4).

The range of products and services in this group were larger, stretching from beauty parlors run from home, drawing aluminum wires, making buckles, mending shoes, selling mobile phones, running garages, tailoring, making garments, selling sarees, paper vending, paper cutting, decorations, imitation jewelry, leather works, supplying vehicles on rent, driving taxis, auto-rickshaws, running a pan shop, tiffin services, vending snacks, onions and potatoes, vegetables, milk, fruits, juice, lotteries, operating grocery shops to making chocolate from dates. Only 10% of them report buying or selling branded products of any kind in their business. This is a larger percentage than the SHG members.

The largest invested amount in the business was Rs 500,000. The rest had invested smaller amounts, the least being Rs 1,000. An overwhelming majority of 78.7% did not take loans. Probably because they cannot do so nor are they entitled to any concessional interest rates or subsidy. Loan amounts taken by the CG members were typically small, only 2% had taken loans more than Rs 230,000. Monthly profits reported are also typical. Majority of them (71%) reported profits of less than Rs 5,000 per month and within these 49% got profits of less than Rs 3,000 per month.

However 76% of the CGs reported that in the past five years they have felt the need for a small saving facility, 35% for a small loan facility. Indicating, the vast untapped market for micro finance services at reasonable rates. Of this group 28% stopped or decreased their borrowing from private moneylenders, but for 40% the borrowing remained the same or increased (increased for 16.4%). This is in sharp contrast to the SHG members where 79% reported that they stopped or decreased borrowing from moneylenders.

The most common form of marketing was through some private party or directly by the person manufacturing/repairing etc. Interestingly, unlike the SHG members, larger number of the CG (35%) report that their products are marketed outside the locality. Majority (68%) maintain their own accounts like the SHGs.

The survey was conducted over 2009–11. It was a period of slowdown in economic growth rates and high inflation particularly food inflation. Fifty one per cent reported an increase in monthly earnings/wages over the previous five years; for 36% it remained the same and declined for only 4%. These are in nominal terms.

While responding to the question on intake of food, and medicines there could be some confusion here between intake (frequency or quantity) and expenditure. However the reported increase on both counts supports the idea of at least an increase in wages; 4% even report an increase in consumption of branded FMCGs. Spending on education of children has increased for 60% and this could reflect the shift away from municipal schools like in the SHGs, to private schools where the cost of education has been rising. Many more (78%) report increased spending on weddings, religious festivals and social events.

With their income, a majority bought nothing in terms of long term assets (64%) thus reflecting rising cost of living and increasing spending on social, religious and such occasions. The remaining (36%) have bought most common items such as TVs, refrigerators, jewelry, cupboards, vehicles, CD players, mixers, mobiles, sofas and in one case a laptop and repaired houses and shops. Most of these are not income-generating assets except perhaps houses, shop repairs and gold jewelry. In no case did the cost of the asset exceed Rs 5 lakh.

Family monthly income was less than equal to Rs 3,000 for 28%, less than equal to Rs 5,000 for 54%. However 20% had an income of between 5,001–8,000 and a good 16% greater than that. Hence 36% had an income of more than Rs 5,000 per month. The incomes in this set are on an average higher than the SHG lot. This fact affirms that more of the SHGs are and were in the BPL category.

Among the government schemes for this set, the municipal hospital is the most used followed by the PDS, with Municipal schools a remote third. This reflects not just the sorry state of municipal schools but the premium that families are now willing to pay for a better education for their children's future.

Personal loans were most commonly used for business, house repair followed by educational loans and health in that order of frequency.

1.6 Social Capital in Control Group

Like their counter parts in the SHGs there is negligible participation in political process, election campaign or any attempt to occupy any public office. Though, the SHG members reported a much higher participation in any struggle or morcha, 40% in SHGs vs. 13% CG. Also only 19% CG vs. 39% of SHG were part of any associational set up. But interestingly, 15% of CG were in some Union. The differences in social capital formation are significant here with SHGs generating more of it in different forms. (Table11)

1.7 Human Capital Formation in Control Group

Similar percentage of children from CG and SHG households were at school (87.0 vs. 86.8). Most notable differences are in human capital formation. Surprisingly more (47.2%) of the SHG members reported having one or two children in higher education compared to CG (19.3%). This could be indicative of the fact that despite the more economically vulnerable condition of the SHG members to begin, there was a higher preference and access to higher education when some credit was possible. The control of credit by women may also be helping direct it towards education of children.

Also in another indicator of human capital formation, only 14% of the CG vs. 44% SHG had participated in any form of training or education over the past five years. (Tables 8, 9, 10)

***1.8** Comparison of Some Data of Urban Self Help Groups, Control Group and Only Women among the Control Group*

Comparative Profile of Sample

Table 1: Distribution by Age Group of Respondents

Age Years	*SHG Female % of 355*	*CG Female % of 83*	*CG Mixed % of 207*
19–30	26.0	24.1	28.0
31–40	40.6	48.2	40.5
41–50	28.0	26.5	28.5
More	5.4	1.2	3.0
Total	100.0	100.0	100.0

- SHG: Self Help Group was entirely female & 355 respondents.
- CG: Control group was mixed gender & had 83 women and 207 total of both genders.
- In the SHG group 66.6% of the women are below the age of 40 and in the CG 72% in this youthful sample.

Table 2: Distribution by Educational Level of Respondents

Own Education	*SHG Female % of 355*	*CG Female % of 83*	*CG Mixed % of 207*
Nil	22.5	18.0	11.6
Primary	17.2	20.5	20.3
VIII	20.3	36.1	30.4
X	26.2	14.5	22.7
XII	10.4	9.7	10.7
More	3.4	1.2	4.3

- As far as women are concerned the percentage with Nil or primary education only are quite similar at 40% and 38.5% respectively in SHG and CG.
- The SHG women have the largest percentage of X graders and the highest percentage of people with tenth grade and above at 40% against 25.4% for CG females.
- Indicating a higher receptiveness of the more educated women to the scheme.

Table 3 : Distribution by Type of Economic Activity

Economic Activity	*SHG Females % of 355*	*CG Female % of 83*	*CG ALL % of 207*
Manufacture something	58.3	31.4	33.2
Repair something	4.6	7.7	5.3
Provide Service	29.2	48.3	54.3
Nil activity	7.9	12.6	7.2

- Majority of the SHG women are in manufacturing, in the CG women are mostly in the service sector like the rest of the CG group.

Table 4: Distribution of Wage Employed by Wage Status

Wage Employed status	*SHG Females % of 355*	*CG Female % of 83*	*CG ALL % of 207*
Wage employed	35.5	57.8	70.0
Temporary	24.8	16.9	16.9
Contract	4.8	6.0	7.7
Badli	2.0	2.4	2.4
Permanent	3.9	32.5	43.0

- Fewer SHG women were wage earners.
- May report mixed status both wage and self-employment especially among non-beneficiary CG groups.

- The status of permanently employed is not confirmed by any legal status, it is their own belief.

Table 5: Distribution by Use of Hired Labour

Use Hired labour	*SHG Females % of 355*	*CG Female % of 83*	*CG ALL % of 207*
1 worker	19.7	24.5	29.0
2–3 workers	5.6	12.0	14.5
More workers	1.4	2.4	3.0

- Note the SHG members have smaller number of hired employees indicating the smaller size of enterprise.

Table 6: Distribution by Most Needed Financial Services/Assistance

Financial Service / Assistance	*SHG Females % of 355*	*CG Female % of 83*	*CG ALL % of 207*
Saving Scheme	47.3	83.1	76.3
Cheaper Loans	69.4	29.0	35.1
Advice about Higher Value Added Avenues of profit	46.7	33.7	29.7

- Note the percentage of women in the non-beneficiary group who want/ need a saving scheme is 83%.
- The SHG women would like their loans to be cheaper still and more of them want advice on how to augment their economic activity for greater profit. These percentages are lower for non-beneficiary group women, indicating the anxieties arising from their new mission.

Table 7: Distribution by Loan Takers, Amounts Taken and Loan Use

Figures in brackets are total frequencies

Loan Takers	*SHG Females % of 355*	*CG Female % of 83*	*CG ALL % of 207*
Per cent & (Frequency)	41.1 % (146)	8.4 % (17)	21.3 % (45)
Loan Amount	*% of 146*	*% of 17*	*% of 45*
Up to Rs. 50,000	34.9	87.2	92.8
Up to Rs. 100,000	11.7	11.5	2.9
More than Rs.10,000	53.4	1.3	4.3
Loan Use			
Business	79.6	76.4	60.0
Capital Assets	3.2	11.8	17.8
Education	11.8	2.4	1.9
Others	5.4	9.4	20.3

- Percentage of SHGs member loan takers almost double of CG members.
- Percentage of SHG members who take small loans of less than Rs 50,000 are half of CG members.
- Percentage of SHGs members who take larger loans of more than Rs 1 lakh are 44 times that of CG-female and over ten times more than CG-mixed, this is due to access to cheaper credit and group solidarity.
- Percentage of SHGs members who take loans for business are marginally greater than CG members and their education loans are five times more than CG members.

Comparative Human Capital Formation

Table 8 : Distribution by Respondents Receiving Further Education or Training

Own Training or further education	*SHG Female % of 355*	*CG Female % of 83*	*CG Mixed % of 207*
Yes	44.3	14.5	14.0
No	55.7	85.5	86.0

- Note: three times more SHG members got further training or education

Table 9 : Distribution by Children of Respondents in School

SHG Females % of 355		*CG Female % of 83*		*CG Mixed % of 207*	
Who Have Kids	*in School*	*Who Have Kids*	*in School*	*Who Have Kids*	*in School*
91.3	86.8	94.0	83.7	88.4	87.0

- Note: Women in the SHGs compared to women outside SHGs are more likely to keep their children in school.

Table 10: Distribution by Children Undergoing Higher Education or Training

Children in Higher Education/Training	*SHG Female % of 355*	*CG Female % of 83*	*CG Mixed % of 207*
Yes	47.2	19.3	19.3

- SHG women are far likely to have children in higher education; compared to CG nearly 2.5 times children of SHG are in higher education or training.

Social Capital Formation
Table 11: Distribution by Generation of Social Capital

Social Activity	*SHG Female % of 355*	*CG Female % of 83*	*CG Mixed % of 207*
Stood for Election	2.0	0.0	0.5
Won Election	0.6	0.0	0.5
Held Public Office	0.6	0.0	1.0
Community Activity	40.3	14.5	11.1
Took part in Morcha	42.5	3.6	13.5
Member of Union	6.2	3.6	15.0
Member of Political party	0.6	2.4	2.9
Member of an Association	33.0	3.6	5.8

- Women in SHGs demonstrate much higher participation in community activity, associations and agitations.

1.9 Review of the Salient Findings of the Study

Among the urban informally employed those in the SHG groupings had one most outstanding outcome, while 40% of them were less than fourth grade of schooling and only 3.6 % of them had education beyond high school, 47.2% of them said that their children were receiving higher education. In sharp contrast, only 19.3% of the respondents in the control group reported that their children were receiving higher education, a phenomenal outcome because SHG-members on an average had lower incomes than the CG-members. What has led to the diversion of funds for the continued education of children? All previous studies including this one suggest that this is primarily because of the fulcrum of women; their capacity to decide and prioritize their associational potency, and the cultural capital (value system) they have acquired. The access to credit, command over accumulated savings has facilitated this change.

- There are therefore some good reasons to believe that, for the present generation and for the next one also human capital formation is occurring at a faster pace in the SHG subset.

- The SHG members also had a much higher exposure to social movements, collective action and associational forms. That is the ground on which this study shows that social capital is also accumulating more rapidly under the auspices of the scheme. The manner in which social capital will become a medium to spread useful ideas, attitudes to create a modern culture of rational thought and collective enterprise and political participation will be of consequence in the future.

This is to be understood in the context of the fact that many members of the better off CG report increased income but also increased spending on religious festivals, and weddings etc. This was not a conspicuous trend in the SHGs. Will more prosperous SHG members in future take to conspicuous consumption or investments? That would depend on the manner in which their associational capital transforms their culture. Here the character of the mentoring agency becomes decisive.

- SHG-members perceive substantial benefits of the policy in terms of accumulating savings, access to credit and gains in self-confidence and self-esteem. A large majority (82%) of the respondents scaled the scheme as good to very good.

- Majority (75%) of them said that they received all the information that they need from the authorities; they also found the attitude of the banks and local officials helpful. This is a rare policy implementation achievement. The policy implementers at the grassroots are the CDOs of the Mumbai Municipal Corporation. They along with the public sector bank managers deserve all the credit and in turn need all the support that they can get to make this scheme into a greater, self-sustaining success.

- One persistent shortcoming highlighted by the CDOs was the shortage of manpower among them. There were too few CDOs and none of them had any well paid and permanent support staff, only seven CDOs was serving the poor in a city the size of Mumbai. This severely hampers their ability to prop up the SHGs they have spawned, convert them into productive ones; even in terms of organizing training and marketing facilities the shortage of manpower was a limiting factor for them. Hence plans to upscale productive SHGs, to generate clusters of symbiotic, dynamic SHGs is a not even a remote possibility here. As I was studying the issue, some of the CDOs were transferred to other projects, some were multi-tasking to begin with. We will suffer policy failure repeatedly for lack of concern and insight into the processes / systems / resources that make for successful implementation of programs.

- In the short-term, it is quite possible that the weaker SHGs will fail to become productive for lack of institutional support, adequate training, and marketing skills or support. Even the relatively stronger ones will not survive without the above in the long term. This could create severe problems for bank loan recovery. Sooner or later the policy aim of poverty reduction, income, and employment generation via access to micro finance may well degenerate its basic function into mainly a consumption smoothing device or a debt trap at its worst.

- In Mumbai at least the local government had outstripped the NGOs and other SHG promoting institutions in creating SHGs and converting them into productive groups, indicating the possibilities of replicating this model through local government bodies in other urban centers.
- The dependence of the respondents on the PDS, municipal hospitals is obvious. Their ability to direct credit to human capital formation is critically linked to the cost of living, i.e. food, housing, transportation and health care. The SJSRY cannot stand alone without another manner of supporting social sector policies. Because the income-generating effects of the SJSRY as yet are minimal to moderate.

- An area of concern is the poor returns on investments earned by business activities of the SHGs. This has root causes: poor accounting, marketing skills and inability to have a steady access to markets and low profit margins. This threatens the viability of the scheme in the long run. Considering the tremendous investments made by banks (some of which is partly covered by the savings made by the groups), this is a matter of concern for the policy makers as well. Once again the policy cannot stand without extension services for these new, very tiny enterprises. There are many reasons why the micro finance revolution can fail and does because poor return on investment is very significant among them (*Bateman 2010).*

- Core areas of concern are marketing, training to produce new goods and services and improving accounting skills. New business ideas and business clusters that support themselves need to be generated. Here again extension services by banks and local governments are critical.

- Finally, same caste and same religion was the dominant feature of social association in SHG formation, in metropolitan and cosmopolitan urban slums. This may need some affirmative action by the sponsoring agency if these new forms of social capital are to be used a means of spreading a new secular culture of trust, cooperation and sympathy.

- Integration of the policy in terms of short, medium and long-term goals into a comprehensive Sustainable Urban Livelihood Approach is necessary. While the local governments become implementers, the State and Centre should coordinate these goals and integrate them into a coherent macro-economic policy.

One of the most important kinds of capital formation occurring thus far through the SHG scheme is social capital formation. There is a potential there for far-reaching social change.

Nevertheless some interesting facet of the social capital is developing out of these SHGs. Those who work in the informal sector cope with high levels of income and employment insecurity and consumption deficits. They grapple with it as individuals in isolation supported to some extent by their kinship bonds. Since they or their spouses often do not belong to any specific workplaces, groups and organizations, over time this kind of isolated existence reinforces further seclusion, timidity, loss of skills, confidence and self-esteem. Their kinfolk and friends in the slum exist in a similar condition of insecurity and there are obvious limits to the resources, ideas and income-generating activities that can be generated within old networks. The SHGs when they are created and sustained fill a social capital gap in these marginalized, alienated people by shifting the networks of trust steadily to the general neighborhood and out of narrow kinship groups. Slums are heterogeneous, only partly fluid, and not entirely unstable since upward mobility is difficult and a substantial core slum population remains. Despite this a deficit of trust persists and thwarts social capital formation, without the guidance and mentoring of CDOs.

This particular public-funded policy to sponsor and support SHGs in urban slums is implemented by the officers of the local government; the role of NGOs is minimal. The implementing officers are trained and qualified social workers. They have managed to inject a catalyst force in the neighborhoods where they have focused on forming new kinds of social capital. Organizing this kind of workforce further does remain the famous last, arduous, frontier of social development and of any working class movement.

CDOs implementing this scheme become the 'link capital' between the SHGs and the institutions of the formal economy like the local government, banks from which they had been excluded thus far. The members of the SHGs have some of the characteristics of Mancur Olson's effective groups (*Olson 1971*). They are small, cohesive and homogeneous by self-selection; they share a common goal of increasing their individual and collective security. The formal rules and code of conduct for self-governance made for SHGs create new kinds of networks suited to their current and future needs. The revised policy guidelines of the government now allow SHGs with only five members, thus recognizing the need to make groups even more cohesive for productive activity. Finally these groups become the building blocks of neighborhoods and communities-federations creating a much needed new structure for enhanced resource mobilization, information and communication, capital formation and public policy implementation. They can and will create pressure on the state to deliver services and include them in development.

There are misgivings that such a powerful tool of social mobilization may be harnessed by right wing forces of the variety that spew regional, religious narrow-mindedness and divisive tactics for political gains. But on the other hand members of the SHGs, as they mature and define their self-interest, needs for survival, growth, acquire information that is needed for rational decision making. They also acquire confidence to make coherent decisions about their political involvements as individuals and groups. The experience of these SHGs demonstrates that they have so far avoided right wing forces from highjacking their organizations. However, if political parties are the sponsoring agents of these SHGs one cannot be so certain of the outcome. In the present sample there are no SHGs overtly sponsored by a political party. There have been media reports of political parties supporting and using these women's groups, particularly the locally successful regional party.

Conclusion and Policy Recommendations

The discourse on poverty alleviation and employment generation has now come to converge upon one position, The Sustainable Livelihood Approach (*GOI, Planning Commission, October 2011*). It, at last, recognizes a backlog of skills and the need to preserve old livelihoods whereever possible while spawning new ones at an adequate rate to absorb the substantial backlog of unemployment. It acknowledges the intimate link between loss of livelihood and poverty, the rather tenuous link between economic growth and employment besides the need to increase support for the tiny-sector enterprise. It is in this setting that the Livelihood Approach must integrate and fashion a short, medium and long-term vision for socio-economic inclusion that goes beyond inclusive growth to inclusive production.

This study suggests that there is potential at the bottom of the pyramid not just for consumption but for production and the ownership of the means as well as skill-production. The very short-term agenda of a Livelihood based policy must be to support self-employment as individuals or as groups by providing credit and extension services. This will help accelerate the pace of human, social and physical capital formation at the bottom of the pyramid (as this study based in Mumbai slums suggests). The medium-term agenda would be to identify the successful enterprises for up-skilling and up-scaling, for supporting cluster formations and increasing the credit, extension services provided to them in a time-bound fashion.

The long-term goal would be to create federations of small producers, cooperatives or other inclusive forms of organizations for advantages that may accrue to members in terms of economies of scale/scope and access to markets and credit. The area-wise federations can envision an area plan, and also limit the inter-group competition in the commodity and service market.

> It needs to be repeated that these urban productive SHGs offer a new mode of production and can penetrate markets at the bottom of the pyramid more easily due to their cultural and spatial proximity to it. They have been used by corporate firms to market their products but they may also learn to market their own products with a higher profit margin. This will occur as they learn to harness the advantages of an urban market. They can also benefit from legislation that requires corporate firms to spend two percent of their profits on corporate social responsibility (CSR) activities. Procurement of goods and services from SHGs can also be counted as a CSR activity. Legislations that permit hawking zones will also increase the links of small producers to markets. There are numerous simple items of daily use like fresh vegetables, fruits, grains, semi-processed food, garments, foot wear, jewelry, accessories, cleaning agents, services like catering, housekeeping, maintenance, driving, other personal services where capital intensity is low and skills required are not high. All these can be produced and supplied by SHGs provided there is public will cum vision to create a viable sustainable alternative organization of production and distribution. Their potential when integrated

with local, decentralized planning is by now well-known from Kerala's Kudumbushree model. (*Thomas and Franke 2000*)

As they ride the learning curve, a fraction of SHGs can grow into tiny scale and small establishments over time. So there is a gamut of possibility here, economic possibilities being the least imminent of them compared to the possibility of building capabilities and social capital among poor urban women.

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