

The credibility of slums: Informal housing and urban governance in India

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ABSTRACT

A major challenge facing Indian cities is the expansion of informal housing beyond state control or regulation. In Mumbai, the financial capital of India, forty-two percent of the population lives in slums. What explains the proliferation and persistence of slums in Mumbai despite their ill-protected property rights and poor quality of living? Applying the Credibility Thesis to the study of urban informality, the paper argues that slums persist because they fulfill certain functions and, therefore, are credible. It will be ascertained that, slums in Mumbai provide alternative housing and economic opportunities for city residents as well as serving as “vote banks” in electoral politics. Slum redevelopment in Mumbai is slow and fraught with contention, largely because the government neglects the high credibility of slums. As a reflection on the function rather than merely the form of slums, this paper challenges the dichotomy between the formal and the informal, and sheds new light on the role of the state in the production and governance of urban informality.

1. Introduction

India is experiencing rapid growth hand in hand with near explosive urbanization. While only 18% percent of the Indian population lived in cities in 1950, the country's level of urbanization has increased to 32% in 2013 and is expected to reach 55% by 2050 (World Bank, 2013; p. 23). In India as well as many other developing countries, one of the most important and common characteristics of urbanization is the expansion of informal housing settlements that fall outside of government control or regulation. According to UN-Habitat (2009), one third of the world's urban population lives in “slums.” In Mumbai, the capital of the Maharashtra State and the wealthiest city of India, 42% of the urban population lives in slums and the number is still rising (Fig. 1).¹ As of 2012, there are 3296 slum clusters all over the city (Fig. 2).²

The definition of a slum has two dimensions. From a legal perspective, slums are unauthorized and illegal structures, where inhabitants do not have legal title to the land that they occupy. In Mumbai, slums are built on both the encroached land of private landlords, as well as the land of the central government, state government, and municipal corporations. From a quality of life perspective, UN-Habitat (2016, p. 57) defines slums as areas that are short of basic amenities and are characterized by the prevalence of insanitary,

squalid, and overcrowded conditions; hence, they become a source of danger to their inhabitants' health, safety, or convenience. Apparently, urbanization has taken place in India in an informal fashion, indicated by the large numbers of urban households that do not have legal property rights or proper urban services. Characterized by the proliferation and persistence of slums, informal urbanization not only undermines urban residents' quality of life, but also limits their development in other areas, such as education, welfare, and access to jobs in the formal sector.

Yet, a vexing question emerges: despite the ill-protected property rights and poor quality of living, why do slums proliferate in Mumbai? This is the main puzzle this paper seeks to address. The central research question entails a series of more specific sub-questions. First, how are slums in Mumbai formed? Second, how does the Indian state respond to slums and why does it respond in such way? And third, what explains the outcomes of state intervention? In addressing these questions, the paper focuses on contemporary developments since the period after the Second World War.

Applying the Credibility Thesis (Ho, 2014, 2016) to the study of urban informality, this paper argues that the key to understanding the persistence of slums may lie in a refocusing of our analysis from form to function of informal settlements. It ascertains that slums persist because they fulfill certain functions for social, economic, and political actors,

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¹ In the first official survey that Mumbai conducted in 1956, 8 percent of the total population lived in slums. Over years, the population of the city grew at a high speed and so did the number of slum dwellers. According to the 2011 Census, Mumbai has a total population of 12.44 million, and 42% of them — nearly 5.2 million people — lives in slums (MTSU, 2015, p. 11).

² Data on the number of slum clusters in Mumbai are from the website of the Slum Redevelopment Authority. See <http://www.sra.gov.in/Data/List%20of%20slum%20cluster2012.pdf>



Fig. 1. Highway dividing the “formal city” and the “informal city” in Mumbai (photograph by author).

regardless of their levels of informality, illegality, and physical inadequacy. In Mumbai, slums are formed under a series of rent control and restrictive land use policies that have dismantled the rental market and disincentivized the private sector in housing construction. We will see that while slums are the resultant of unintentional development by the government, their proliferation and persistence are deeply rooted in their socio-economic and political functions. In this context, it is critical to see that on the one hand, slums provide low-cost housing and vital economic opportunities for city residents. On the other hand, they play a central role in electoral politics by serving as “vote banks” for both local and national politicians. Over the past 70 years or so, the approach of government intervention in slums has gradually changed from strict government control and demolition to tolerance and upgrading and to market-driven schemes. The current program of slum redevelopment aims to increase local revenue and provide more opportunities for the private sector. However, by neglecting the functionality of slums as evident by their high level of credibility, the process of slum redevelopment has been (and still is) extremely slow and fraught with contention.

By exploring the formation and governance of slums in Mumbai, the paper not only shows the validity of the Credibility Thesis in explaining the persistence of urban informality, but also contributes to the thesis by shedding a new light on the role of the state. It demonstrates that the state is not necessarily a negative factor, but can also play an active role in the production and institutionalization of informal housing. Specifically, due to the social, economic, and political functions served by slums, it is in the best interest of the state to allow slums to grow. As the rest of the paper shows, the state actors took a series of actions to facilitate the growth of slums, including allowing new settlements to arise, legalizing illegal settlements, and providing services and

patronage to slum dwellers. Motivated by a variety of factors including informal welfare provision and vote collection, these actions stabilize the slums and contribute to the persistence of the illegal property rights arrangements. The paper challenges conventional views on informality (as reviewed in the following section) by highlighting the autonomous role and strong impact of the state in the production and institutionalization of informality.

There might be three reasons why the case of Mumbai is important. For one, Mumbai is the economic center and most populous city of India, with a large number of industrial workers and migrants. As a result, the demand for housing and the level of urban informality are significantly magnified in this metropolis. Moreover, in recent years Mumbai has embarked on a “market-driven model” of slum redevelopment, which is by and large unique to the city as compared to other Indian urban regions, and presents an experimental approach of state intervention. Lastly, while the paper focuses on Mumbai, the proliferation and persistence of informal settlements is a prevalent social and spatial issue facing all of India, as well as most developing countries. Hence, findings from the case study of Mumbai can help us better understand urban informality in other places. It is the combination of uniqueness and representativeness that make Mumbai an ideal case for the study of informal housing.

The paper is based on qualitative study and employs multiple research methods, including case studies, comparative historical analysis, and process tracing.³ Data presented in the paper are collected from

³ For case studies, see Yin (2013); for comparative historical analysis, see Mahoney and Rueschemeyer (2003); for process tracing, see Bennett and George (2001).

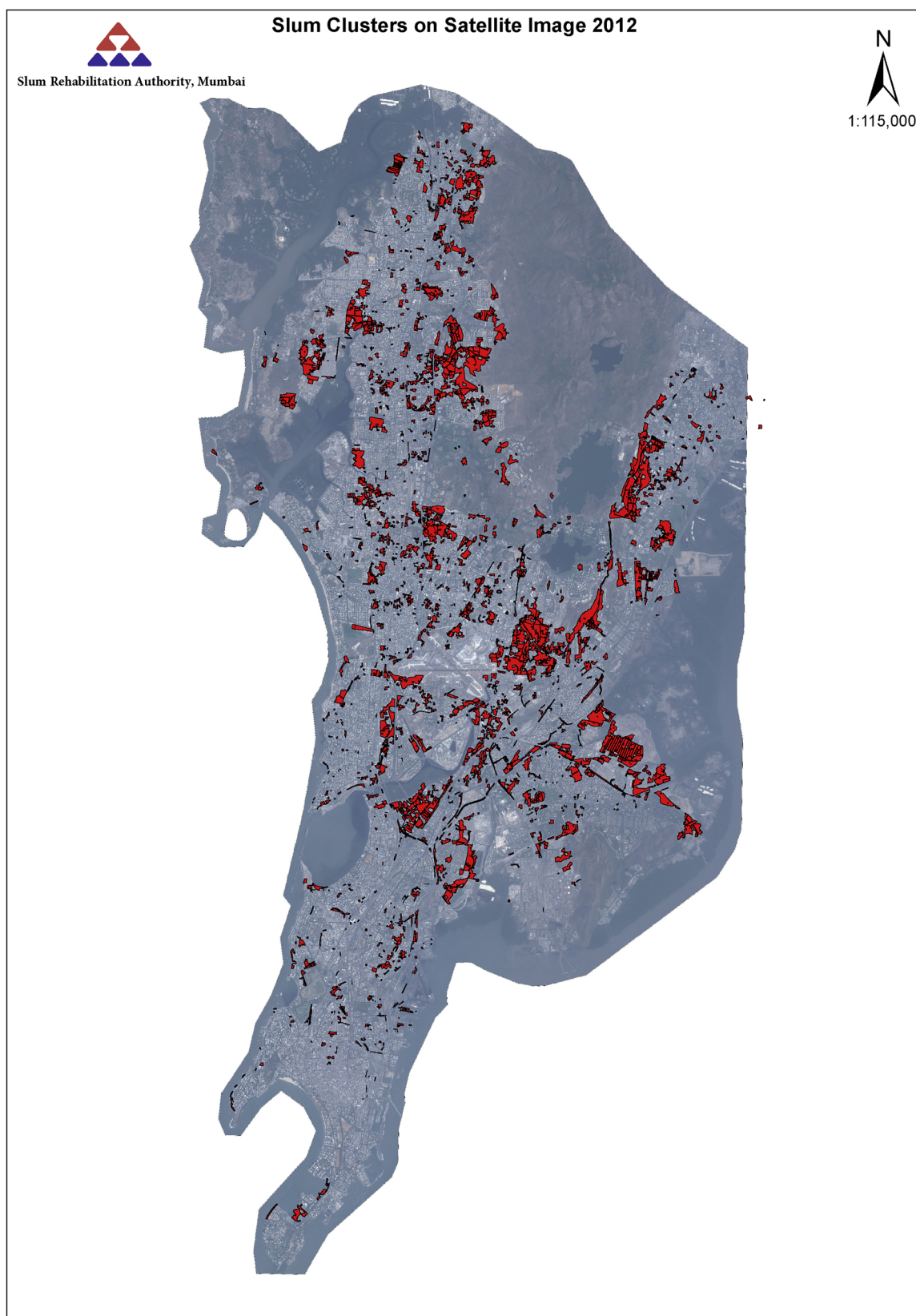


Fig. 2. Mumbai's slum clusters on satellite image.

Source: http://www.sra.gov.in/Data/Slum%20Cluster%20on%20Satellite%20Image_2012.pdf.

fieldwork and archival research in Mumbai in two periods in January 2–16, 2016 and January 2–12, 2017. Fieldwork included interviews and participatory observation. In total, I conducted 40 in-depth, semi-

structured interviews, which lasted a minimum of an hour and up to three hours. The interviewees include public officials, political party leaders, developers, slum leaders, NGOs activists, urban planners and

architects, intellectuals, and local residents. Interviewees were chosen because their professional or personal experiences are intimately related to various aspects of the growth, governance, or redevelopment of slums, and thus collectively may provide a comprehensive picture of the power dynamics in slum governance. In addition to the interviews, eleven sites in the Mumbai Metropolitan Area were visited.⁴ These are either slums that are undergoing redevelopment or former slums that were already redeveloped. During the visits in these communities, I spoke with key informants (included in the 40 interviewees), notably leaders and residents, and attended community meetings. These experiences provided first-hand information about the processes of slum redevelopment. Finally, the fieldwork was supplemented with extensive archival research on government reports, local newspapers, and professional journals. These materials helped in reconstructing the picture of urbanization and urban governance in India, and provided an important backdrop for understanding the prevalence and persistence of slums in Mumbai.

The paper consists of six parts. Following the introduction, the second part reviews the literature on urban informality from the perspective of the Credibility Thesis, highlighting the change in intellectual focus from form to function, and its value for understanding informality. The third part investigates the formation of slums as an unintentional policy outcome. The fourth part explains the persistence of slums by illuminating the major socio-economic and political functions that slums serve. The fifth part discusses the state intervention in slums over decades, with a focus on the current program of slum redevelopment. The paper concludes in part six by reflecting on the model of slum redevelopment and discussing the possibilities for improving the model.

2. Reexamining informality through the lens of the credibility thesis

Informality is not a new phenomenon, nor does it seem to diminish over time. Informal economies have persisted in many rural areas, particularly in the developing world. Reality shows that informality does not disappear as economies mature. Even more, in this moment of rapid urbanization at the global level, we can witness the reemergence and retrenchment of urban informality as a way of life (Davis, 2006; Roy and AlSayyad, 2004; Fischer et al., 2014). The prevalence of informality has also engendered a large body of scholarly literature. The literature provides explanations to the formation and persistence of informality from different perspectives. In the section below, I will briefly review major scholarly work on informality and compare them with the Credibility Thesis.

The concept of the “informal sector” was coined by Keith Hart (1973) in his study on local economies in Ghana and was further elaborated in the International Labor Organization (ILO)’s (1972) work on Kenya. While earlier scholarly work highlights the differences between the formal and the informal sectors, with a focus on their different relations to the state, subsequent studies pay increased attention to the connection between the two sectors. In a seminal, yet, contested study on the informal economy in Peru, Hernando de Soto (1989) conceptualizes informality on a scale of legality, categorizing economic activities and property rights as legal, extra-legal (informal), and illegal. He argues that informality, or extra-legality, is the result of the “inability to produce capital” (De Soto, 1989, p. 5) which is an effect of a legal system that lacks formal property rights. The solution, according to De Soto (2000), is for governments to produce reforms geared towards deregulation and privatization while securing capital and prop-

erty rights.

It is important to note that in contrast to the earlier scholarly work that emphasizes the differentiation between the formal and the informal sectors, there is a robust body of literature that has moved from the dichotomous perspective and highlighted the continuum between the formal and the informal (House, 1987; Harriss, 1978; Kamrava, 2004; Lutzoni, 2016). For instance, Portes, Castells, and Benton (1989, p. 12) argue that the informal economy is an integral part of the formal economy, differentiated only in that informality is unregulated economic activity which occurs within a given set of governing institutions that typically regulate similar economic activities. As a direct challenge to De Soto’s notion on property rights, the work by Geoffrey Payne and his co-author (Payne and Durand-Lasserve, 2012; Payne, 2000) highlights “graduations of legality”, which refers to the fact that there is a wide range of distinct tenure sub-categories within most land and housing markets, and that many tenure categories may be partly legal. As a result, it is simplistic to think of tenure in black and white terms, for the boundary between the legal and illegal, or formal and informal is often blurred.

This paper situates in the scholarly tradition that highlights the interdependence and continuum between the formal and the informal. Applying the Credibility Thesis to the study of urban informality, the paper carries the formal/informal debate to the next level by showing that it is the function, rather than the form, of the informal settlements that matters for their prevalence and persistence. Slums are a particular type of housing institution whose “form” is considered informal due to insecure tenure and physical inadequacy. However, as the Credibility Thesis claims, “What ultimately determines the performance of institutions is not their form in terms of formality, privatization, or security, but their spatially and temporally defined function. In different wording, institutional function presides over form; the former can be expressed by its credibility” (Ho, 2014; Ho, 2014; pp. 13–14). The informal housing sector fulfills certain functions, and as such, is institutionally credible; otherwise it would have fallen into disuse or shifted into other types.

An alternative hypothesis for explaining the persistence of informal settlements is that the state is incapable of eliminating the informal settlements due to resource constraints and inefficient bureaucracy. The perspective of state capacity has been challenged in a number of studies. For instance, in her research to explain why laws to regulate the informal sector go unenforced in developing countries, Holland (2016, p. 232) argues that, politicians often withhold sanctions to mobilize voters and signal their distributive commitments in contexts of inadequate social policy. Similarly, studies on the informal sector in various countries demonstrates that it is the lack of state intentionality, rather than the weak state capacity, that leads to the nonenforcement of laws and in turn increases the level of informality (Jaramillo, 2014; Keyder, 1999; Resnick, 2013). The paper adopts the above perspective by showing that it is the credibility of slums that motivates the state to tolerate and facilitate their existence.

The Credibility Thesis and its postulates provide a novel and insightful lens in explaining three major aspects of informal housing practices in Mumbai, namely, the formation of slums, the persistence of slums, and the impacts of state intervention in slums. First, according to the Credibility Thesis, institutions are the resultant of endogenous, unintentional development. They “emerge as an unanticipated outcome of actors’ multitudinous interactions, and in effect are the result of an endogenous, Unintended Intentionality” (pp. 4–5). While the formation of slums in Mumbai is relevant to a variety of factors, it is directly related to a series of restrictive rent control and land use policies that effectively disincentivized the private sector in creating rental and affordable housing units (Gandhi et al., 2013; Wadhwa, 2002; Bertaud, 2011). Being deprived of options on the formal housing market, migrants and middle- and low-income city residents in Mumbai were and are forced into the informal housing sector. Whereas the intentions of

⁴ The sites include Dharavi, Mahila Milan Nagar, Mankhurd, Karma Sankalp, Shivnagar Pranay Bhoomi, Pranay Landmark, Golibar, Adarsha Nagar, Omkar 1973 Worli, Santosh Nagar, and Antop Hill.

the rent control and land use policies were to protect the interests of renters and control population growth in the city, slums emerged as the product of this “unintended intentionality.”

Second, the Credibility Thesis highlights that institutional form is subordinate to function. It is the use and misuse of institutions over time and space that matters for understanding their persistence, not their appearance. As the rest of the paper shows, despite their ill-protected property rights and poor quality of living, slums in Mumbai persist because they fulfill various functions. On the one hand, slums are complex economic and social systems that provide low-cost housing options and livelihood for slum dwellers as well as contribute to the urban economy in general. On the other hand, slums have become “vote banks” for politicians, who provide basic services and favors to slum dwellers in exchange of votes, thereby institutionalizing the existence of slums. It is the economic, social, and political centrality of slums that explains their persistence in Mumbai over a long period of time.

Third, a major implication of the Credibility Thesis is that the effect of intervention is influenced by the level of credibility. Hence, when designing approaches of intervention, policy makers need to take into account the credibility of informal housing; otherwise intervention is likely to cause tension and inefficiency. As Ho (2016, p. 20) explains in the relations between different credibility scales and the types of intervention, if the level of credibility is high, the preferred intervention would be non-intervention, i.e., condoning or accepting daily praxis with a “hands-off approach” (Ho, 2016; Ho 2016, p. 20). However, he acknowledges that “in the face of societal pressure, private gains and political ambition, governments often chose ordaining and prohibition in a symbolic demonstration of resolve or to strike deals with other power holders. In so doing, the outcome is a contested institution lacking credibility, or an empty institution decoupled from actors’ daily praxis” (ibid, p. 21). This is clearly the outcome of the current slum redevelopment in Mumbai.

The three propositions outlined above demonstrate how the Credibility Thesis can be applied to the study of urban informality and provide a more nuanced understanding of the formation, persistence, and governance of informal housing and property rights. In the following sections, I elaborate these points by using empirical evidence from Mumbai.

3. The formation of slums: unintentional policy outcome

Large-scale slum proliferation is a complicated issue relevant to a variety of factors. The scarcity of land, Mumbai’s peculiar geography bounded by the ocean, and the long lack of a systematic social housing policy are among the factors that have made formal housing unaffordable for most Mumbaikars. Some of these factors are shared in other developing countries and have substantially contributed to the proliferation of slums. Aside from these factors, Mumbai has implemented a series of restrictive rent control and land use policies that are not commonly seen in other countries. These policies have served as exacerbating factor for the expansion of slums by taking away effective incentives for the private sector in creating rental and affordable housing units. This section discusses Mumbai’s rent control and land use policies in detail. By revealing the state’s original intentions as contrasted with the eventual outcomes of the policies, it will be ascertained that slums result from an endogenous, unintended development.

3.1. Rent control policy: dismantling the rental sector

One of the most important policies that has restricted the supply of affordable housing in Mumbai is the rent control policy. Rent control was first introduced in India in the post-World War I era as an effort to protect tenants from inflation and eviction (Dev and Dey, 2006). In 1947, the Maharashtra State passed the Bombay Rents, Hotel and Lodging House Rates Control Act (Bombay Rent Act of 1947).

According to the act, tenants’ regular payments to landlords in rent-controlled properties were to remain at or below standard rents. The standard rents were primarily determined by the Court or the Controller, while in some cases they were the rents at which properties were let on September 1, 1940 (Gandhi et al., 2013; Gandhi et al., 2013; p. 10).

In 1999, the Maharashtra Rent Control Act was passed by the state government. It basically continued the terms of the 1947 Rent Control Act and applied them to the entire state. Based on the act, standard rent “was defined as rent determined by the Court or controller under the previous rent acts plus an annual increase of 5 percent; or rent as on 1st October 1987 for properties that were let on or before that date; and rent at which properties were first let for those that were let after this date...The act provides an annual increase of not more than 4 percent from the date of fixation of standard rent. In case the landlords make special additions or alterations to the property, rents can be increased by 15 percent of the expenses incurred” (Gandhi et al., 2013; Gandhi et al., 2013; p. 11). As of 2010, 19 percent of all properties in Mumbai were protected under rent control, and buildings for residential purposes accounted for 75 percent of total rent-controlled units (Gandhi et al., 2013; Gandhi et al., 2013; p. 13). Since the policy environment is unfavorable for renters, many property owners, including state officials who are well aware of the problem of housing shortage, simply leave their extra apartments empty instead of renting them out.⁵

Rent control policy has had severely damaging effects on the affordable housing market in Mumbai. For one, it largely neglected inflation rates and undermined the interest of landlords by restricting the growth rate of rents even if landlords invest funds to repair and improve the units. As a result, there has been little interest among landowners in building new rental units or maintaining existing ones (Wadhwa, 2002). Furthermore, rent control policy also made it extremely difficult to remove existing renters and circulate the rental units on the formal market (Bertaud, 2011). Under such circumstances, landowners were inclined to build expensive housing for the upper and upper middle class, since this was the best option to secure economic returns. The unintended and undesired consequence of this has been a process that pushed a large section of the newly accrued, lower-income urban population towards the informal housing market without other options than to live in slums.⁶

Another unintended outcome of rent control is that it led to the deterioration of existing rental housing stock. The deterioration is particularly salient in so-called “cessed” buildings. These buildings are private rental housing constructed before 1969, with some of them constructed before 1940 (Gandhi et al., 2013; MTSU, 2015). Since rent in these buildings has been frozen since 1947, landlords have little incentive to maintain their properties, and living conditions in these buildings deteriorate over years. In 1971, the state government set up the Mumbai Building Repairs and Reconstruction Board to solve the problem. The main duty of the board is to collect a ‘cess’ (tax) from rents and use it to repair these buildings. However, the progress of renovation has been very slow. Of the total of 19,642 cessed buildings recorded in 1969, only 4784 buildings have undergone reconstruction or redevelopment (MTSU, 2015, p. 1). To date, most rent-controlled buildings continue to deteriorate.

3.2. Floor space index: the effort to control density

In order to control population growth within the municipal corporation, the Mumbai Development Plan began to control the density of built-up areas in the city in 1964. In 1967, the concept of Floor Space

⁵ Oral communication, Chief, Planning Division of MMRDA, interview record, January 5, 2016.

⁶ Oral communication, Professor and Chair in Urban Economics and Regional Development, Mumbai University, interview record, January 4, 2016.

Index (FSI) was formally introduced in Mumbai. A ratio of a building's total floor area to the size of the land upon which the building is built, FSI is a planning and development control tool used to control population density and building design from the perspectives of health and safety (Bertaud, 2011). However, urban planners and policy makers largely ignored the fact that population density in cities is not dictated by building control regulations, but a function of economic opportunities.

Following the creation of the FSI, the 1976 Urban Land Ceiling and Regulation Act put several tracts of land under litigation and restricted the supply of large tracts of land for the purpose of housing construction. The 1991 Development Plan for Mumbai further decreased the FSI (MTSU, 2015). Under these density control rules, developers are only interested in building large-sized tenements as these tenements allow them to make full use of permissible FSI and maximize profit. Studies show that these restrictive development policies have pushed the city's property value to constantly go higher and higher (Dowall, 1992; Dowall, 1992; p. 18; Mukhija, 2016). Markedly, however, the original intention of the state – i.e. the control of population growth – never materialized. From 1960 to 2011, Mumbai's population increased from 4.06 million to 12.44 million, driven by natural population growth and more significantly migration (MTSU, 2015, p. 11). Due to the rapid urban growth coupled with an insufficient provision of affordable housing, slums began to proliferate in Mumbai.

The above discussion reveals that the housing shortage and large-scale slum proliferation in Mumbai are closely related to the restrictive rent control and land development policies. These policies are a reflection of the Indian state's neglect of urban areas and urbanization. For a long time, urbanization was not a priority for the Indian government.⁷ These policies overlooked the general interests of cities and lacked a long-term vision for urban growth. Paradoxically, while 5.2 million people live in slums in Mumbai, 0.318 million (16%) of the total 1.935 million housing units in the city are empty (MTSU, 2015, p. 2). A large number of city residents are deprived of housing options on the formal market and forced to enter the informal housing sector. As the director of the Mumbai Transformation Support Unit⁸ puts it, "The endless expansion of slums in Mumbai indicates a policy failure."⁹

4. The persistence of slums: three functions of informal settlements

Whereas the previous section ascertained how the Mumbai slums emerged as an unplanned and unintended consequence of rent control and land development policies, the current section will explain their persistence as a consequence of the role or function they fulfill in Indian society. It will be shown that, despite their ill-protected property rights and poor quality of living, slums in Mumbai actually fulfill three major types of functions. The functions underscore the significant economic, social, and political relevance of slums in urban India. In effect, it is their function, rather than their form, that contributes to the persistence of slums.

4.1. Slums as affordable housing

Despite its ambiguity in property rights and substandard housing

⁷ Oral communication, Chief, Planning Division of MMRDA, interview record, January 5, 2016. Oral communication, director of the Mumbai Transformation Support Unit, interview record, January 8, 2016. In addition, while India has recently made urbanization a priority on its policy agenda, there is still support to limit urbanization. See, for example, Mishra (2013).

⁸ Mumbai Transformation Support Unit (MTSU) is a think tank for the State Government of Maharashtra, created in 2005. Most staff members of the MTSU are former government officials or urban planners.

⁹ Oral communication, director of the Mumbai Transformation Support Unit, interview record, January 8, 2016.

conditions, the informal sector plays an important role in informal welfare provision, as also demonstrated in the contribution on the Chinese informal sector by Sun and Ho (2017) elsewhere in this special issue. In her research on why laws go unenforced in developing countries, Holland (2016, p. 232) argues that, in the context of inadequate social policy, politicians often withhold sanctions to the informal sector in order to mobilize voters and signal their distributive commitments. In other words, urban informality is an alternative form of welfare provision. Similarly, from the regressive consumption taxes in Peru (Jaramillo, 2014) to the government's tolerance of squatter settlements in Turkey (Keyder, 1999) and Zambia (Resnick, 2013), various studies demonstrate that the informal sector provides redistributive goods to the socially disadvantaged, with minimal public- or private-sector expenditure, so that the informal practices have been tolerated by the state.

India is no exception. As the economic center of India, Mumbai started to experience rapid industrialization and urbanization in the 19th century, and the demand for housing skyrocketed. While both the public and private sectors launched projects to construct housing for the growing working class, none of the efforts succeeded due to a lack of political support and insufficient financial resources (Patel, 2005). For instance, Mumbai Metropolitan Region Development Authority (MMRDA) has built approximately 110,000 low-income rental housing units as of 2016; however, it is far from the housing demand.¹⁰ Meanwhile, all these low-income rental-housing units are located outside Mumbai. To avoid long commuting time, many people rather stay in slums in the city.

The demographics of slum dwellers are highly diverse and it is difficult to obtain a comprehensive and precise dataset on their education level, occupation, and income. However, it is revealed by government officials and developers that many slums dwellers are not the official poor below the poverty line; instead, they are middle-class or lower-middle class people with a college degree and a formal job, but have been deprived of housing options on the formal market.¹¹ Slums play a critical role in the social reproduction of Mumbai's working- and middle-class population through low-cost housing provision. Weinstein (2014, p. 27) argues that the Indian state demonstrates an attitude of willful ignorance toward the slums because slums provide a low-cost solution to the critical problem of housing shortage in the city, a strategy called "supportive neglect." Moreover, a robust informal real estate market has emerged in slums in Mumbai (Chattaraj 2016). It is the social function of the slums that induces the state to tolerate their existence, and therefore leads to the continued proliferation and persistence of slums.

4.2. Slums as marketplace

Besides providing housing options to the majority of urban dwellers who are deprived of adequate housing on the formal market, slums also play a vibrant role in the urban economy. A number of studies on slums in India demonstrate the economic centrality of slums in India's post-colonial urban landscape (Desai and Pillai, 1972; Lynch, 1974; Wiebe, 1975; Rao and Rao, 1991; Arputham and Patel, 2010; Weinstein 2014). A good case in point is Dharavi, the largest slum in Mumbai, as well as in India, where over one million people live (Fig. 3). Located in South Mumbai between two of Mumbai's major suburban railway lines, Dharavi was founded in the late 19th century during the British colonial era, and expanded with Mumbai's industrialization and the massive inflow of rural migrants to the city. The current size of Dharavi is over 2.1 square kilometers.

¹⁰ Oral communication, chief of the Rental Housing Division, Mumbai Metropolitan Region Development Authority, interview record, January 5, 2016.

¹¹ Oral communication, developer A, interview record, January 7, 2016. Oral communication, former vice president of Maharashtra Housing and Area Development Authority, interview record, January 6, 2017.

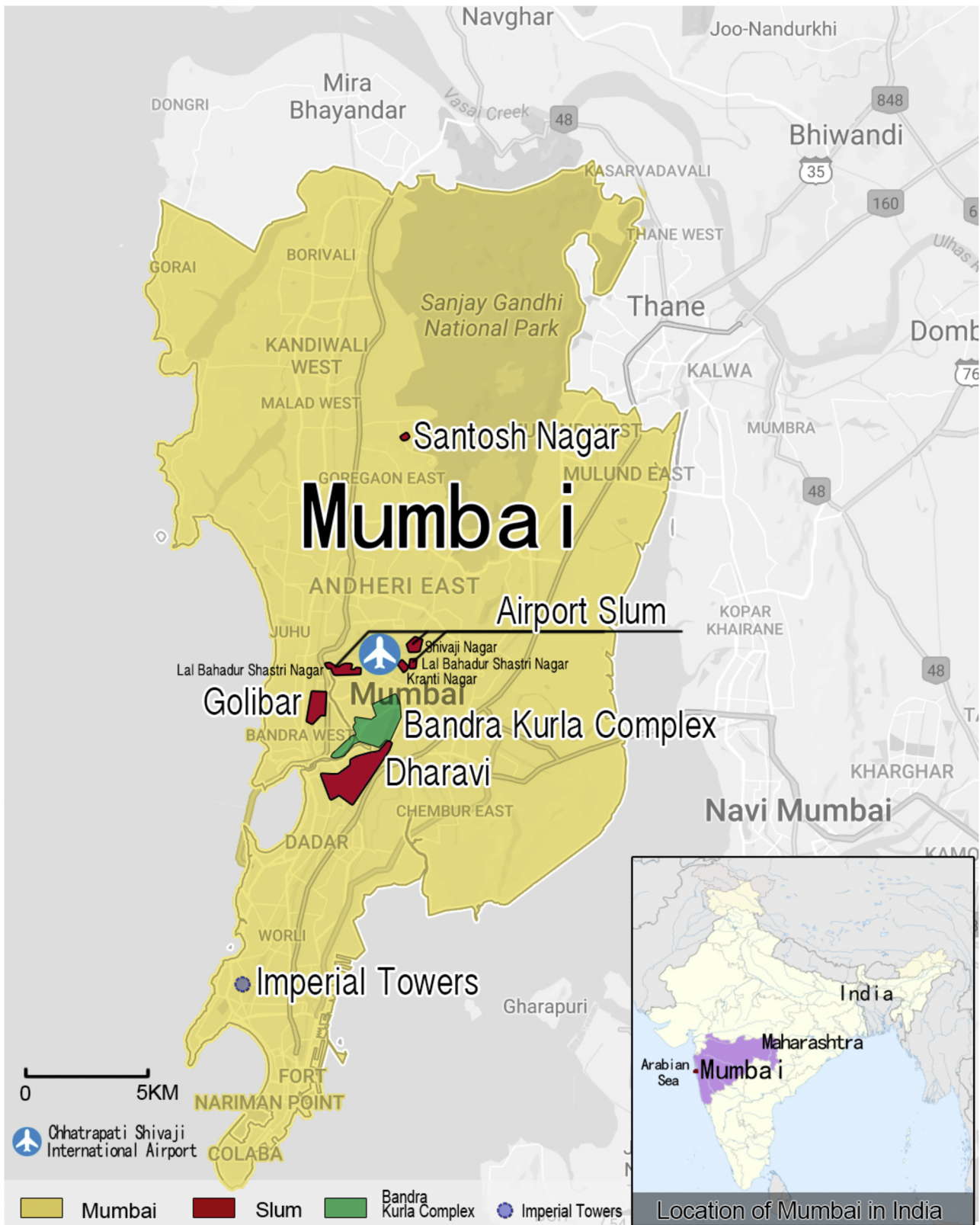


Fig. 3. Map of Mumbai.
Source: created by Pan Lv

A tour around the area underlines the widespread and diverse economic activities that take place there. Dharavi is home to a large number of micro-industries, including tanning and leatherworking, plastic recycling, and pottery (Arputham and Patel, 2010) (see also Figs. 4 and 5). The annual turnover of business here is estimated to be

more than 650 million US dollars.¹² According to an official of the

¹² See http://news.bbc.co.uk/2/shared/spl/hi/world/06/dharavi_slum/html/dharavi_slum_intro.stm



Fig. 4. Plastic recycling industry in Dharavi (photograph by author).



Fig. 5. Pottery shops in Dharavi (photograph by author).

Dharavi Redevelopment Project, over 5000 families living in Dharavi work in the pottery industry and 250,000 people are employed in the recycling industry.¹³

The headquarters of India's All Plastic Recyclers Association is in Dharavi and the general secretary of the association is a long-time Dharavi resident. The general secretary reveals that the association was founded in 2013 and includes members from all over India.¹⁴ Micro-industries like these turned Dharavi into a complex social and economic system, or “a city within a city.”

Micro-industries and commercial activities also widely exist in other slums in Mumbai and the rest of India. For example, the street market in Santosh Nagar (Fig. 3), a large slum in northern Mumbai, is where the locals shop for vegetable, fruits, and daily supplies. Many of the shoppers are nearby residents who do not live in the slum. Similarly, studies on favelas in Brazil demonstrate a dense social network and active economic exchanges in the informal settlement areas (Perlman, 1976; Freire-Medeiros, 2013). These activities show that slums are economically integrated and institutionally embedded in the city. The connectivity and integration between the city and the slums are evidences of the credibility of slums. Meanwhile, the economic activities and associational life in slums help build the informal leadership and strengthen the social network among slum dwellers, which further contribute to the stability of the communities.

It is important to note, however, that while the paper highlights the functions of slums, it does not deny the dangerous and inadequate conditions or the conflicts in slums. This echoes Ho's (2016) point that despite the fact that the Credibility Thesis proposes an intellectual re-focusing from form to function, it by no means entails that credibility or functionality are equal to harmony and peace. Indeed, slums are places of uncertainty, as slum dwellers need to rely on the informal exchange with politicians in order to avoid being displaced and improve their living conditions (Roy, 2004; Roy, 2004, p. 150). As the following section shows, the dependence on a rent-seeking political system increases the vulnerability of slum dwellers.

4.3. Slums as “vote banks”

In studies on developing democracies across the globe, scholars have documented that political parties seek to mobilize the urban poor by providing them with patronage and social services (Calvo and Murillo, 2004; Gonzalez-Ocantos et al., 2012; Nichter, 2008; Stokes, 2005). In the Indian context, Chatterjee (2004) coined the term “political society” to describe the political relationship between most of the Indian inhabitants and governmental agencies pursuing multiple policies of security and welfare. Roy (2004) demonstrates how the cadres of the dominant local Communist Party of India Marxist in Calcutta provide infrastructural improvements to squatter settlements before major elections. She describes the exchange between politicians and slum dwellers as “a regime created through the coupling of party and state, the combining of informal party tactics of mobilization with the formal state apparatus of infrastructure provision.” (p. 149).

In a city like Mumbai where the percentage of slum dwellers is so high in its population, the votes of slum dwellers largely determine the outcomes of the elections.¹⁵ To capture the votes of slum dwellers Mumbai, politicians allow new settlements to arise and legalize illegal settlements wherever there has been a protest against eviction. A former slum dweller who used to be in a pavement slum but has been relocated to a rehabilitation building recently describes her experience as follows: “After we took over a piece of land in the city and settled

down, some politicians came to us and the first thing they did was to help us register as voters.”¹⁶ After giving slum dwellers the status of voters, both local and national politicians periodically provide patronage to slum dwellers during election seasons. In addition, the government provides special funds and programs for slum development and poverty alleviation.¹⁷ The allocation of these funds is closely related to how slum dwellers cast their votes.¹⁸

The political gravity of slums is verified by politicians at both the local and the national levels. For instance, one of the largest slum areas in Mumbai is the one immediately adjacent to the city's international airport (Fig. 3). The airport slums occupy 1.2 square kilometers of the Chhatrapati Shivaji International Airport's land and house approximately 85,000 slum dwellers. While the municipal government made the decision in late 2001 to clear the slums, the decision failed to be implemented because the municipal election was taking place in early 2002. Politicians had concerns that the demolition of slum housing would have negative impacts on their votes (Sharma, 2001). At the national level, the Member of Parliament (MP) also considers the airport slum an important pocket of constituents. The electoral district of the MP includes Bandra Kurla Complex (Fig. 3), a planned commercial complex, and hence is one of the most economically prosperous districts citywide and nationwide. However, the MP emphasizes that it is critical for her to take care of slum dwellers because 50–60 percent of the total 2.5 million voters in her district live in slums, and that the airport slum is the largest concentration of slum dwellers in her jurisdiction.¹⁹

As this section demonstrates, slums are central to India's electoral politics. The political exchange between political parties and urban residents largely institutionalizes existing slums and provides incentives for the creation of new ones. Roy (2004, p. 149) calls the political exchange in slums “a regime reproduced through uncertainty”, and she emphasizes that “the territorialized uncertainty of informality guarantees political obedience” (ibid, p. 150). While the lack of legal land title makes slum dwellers depend on politicians and political parties, the formalization of property rights through slum redevelopment does not end the clientelistic connection. I will further elaborate this point in the next section on slum redevelopment.

5. The redevelopment of slums: state intervention and levels of credibility

The previous two sections explained the formation and persistence of slums. The following section will investigate the processes and impacts of state intervention in slums. As the previous section shows, slums in Mumbai have a high level of credibility because they persist despite severe constraints in basic services and living conditions. It is important for policy makers to take the high credibility of slums into account when designing approaches of intervention; otherwise the intervention is doomed to fail. In Mumbai, the government's responses to slums have gone through several changes. The different stages of institutional intervention are demonstrated in Table 1 and will be discussed in greater details in the rest of the section, with a focus on the ongoing effort of slum redevelopment.

According to the Credibility Scales and Intervention (CSI) Checklist (Ho, 2016, p. 20), there are six major types of institutional intervention associated with various credibility levels.²⁰ In general, the higher the

¹³ Oral communication, engineer of Dharavi Redevelopment Project, interview record, January 7, 2016.

¹⁴ Oral communication, general secretary of All Plastic Recyclers Association, interview record, January 7, 2016.

¹⁵ Oral communication, former vice president of Maharashtra Housing and Area Development Authority, interview record, January 6, 2017.

¹⁶ Oral communication, former slum dweller, Mahila Milan Nagar, interview record, January 9, 2016. It is important to note that slums in Mumbai are numbered and have address. They receive the numbers and addresses during the election census.

¹⁷ The programs for slum development and poverty alleviation include Basic Services for the Urban Poor, Jawaharlal Nehru National Urban Renewal Mission, and Rajiv Awas Yojana, to name a few.

¹⁸ Oral communication, social worker at Society for the Promotion of Area Resource Centers, interview record, January 9, 2016.

¹⁹ Oral communication, Member of Parliament, interview record, January 11, 2017.

²⁰ The six types are condoning, co-opting, facilitating, prohibiting, and ordaining (Ho, 2016, p. 20).

Table 1
Institutional Intervention in Mumbai's Slums.

Time period	Institutional intervention ^a	Procedures	Outcomes
1950–60s	Prohibiting and ordaining	Clearing slums and rehousing slum dwellers in subsidized rental housing	Unsustainable due to limited resources; Resisted by slum dwellers; failing to prevent the proliferation of slums
1970–90s	Coopting and facilitating	Upgrading the conditions of slums and transferring leasehold tenure of land to cooperative housing societies	Small in scale due to limited resources; failing to prevent the proliferation of slums
1995–present	Ordaining	Demolishing slums and providing free housing to slum dwellers while constructing market-rate housing to finance the program	Slow and contentious; rehabilitation buildings becoming “vertical slums”; bifurcation of the housing market; failing to prevent the proliferation of slums

^a The categories of institutional intervention are from the CSI Checklist (Ho, 2016, p. 20); table created by author.

credibility level, the more minimal the institutional intervention should be. However, the Indian state's institutional intervention does not consistently take the credibility level of slums into account. In the 1950s and 1960s, the initial government reaction was prohibiting and ordaining. It cleared slums and rehoused slum dwellers in subsidized rental housing. For instance, in 1956, the central government approved the Slum Clearance Plan, and Mumbai was one of the six pilot cities where the scheme was implemented (MTSU, 2015). This institutional intervention largely neglected the high level of credibility of slums. It failed due to the shortage of resources to build and maintain housing stocks and the lack of political will to do so. Meanwhile, policy makers increasingly realized that slum dwellers contribute significantly to the local economy, so that the government adopted a more tolerant attitude toward slums (Mukhija, 2003).

From the 1970s to the early 1990s, the government changed its approach of intervention from prohibiting and ordaining to coopting and facilitating. Compared to the institutional intervention in previous decades, this change is a better reflection of and accommodation to the credibility level of slums. For instance, the Slum Improvement Programmes were implemented in 1976 under the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act. During 1985–1994, the World Bank assisted project, Mumbai Urban Development Project (MUDP), was implemented (MTSU, 2015). Through various acts and programs, the government started to improve and upgrade the living conditions in slum. It provided basic services such as water, toilets, electricity, pathways, streetlights, and primary health care and education to slum dwellers. At the same time, it transferred leasehold tenure of land to cooperative housing societies of slum dwellers (Mukhija, 2016, 2003). However, due to institutional unwillingness and limited resources, the scale of the programs remained limited and did not prevent slum proliferation.

After the previous two phases of slum clearance and slum upgrading, the government reverted its policy back to prohibiting and ordaining again by launching a new scheme of slum redevelopment in 1995. The most important feature of the scheme is to demolish slums and provide free housing to slum dwellers while constructing market-rate housing to finance the program. According to the CSI Checklist (Ho, 2016, p. 20), institutional intervention should accommodate the credibility level of property. The current approach of ordaining, i.e., commanding what must be done, largely neglects the enhanced credibility level of slums over decades, and hence, faces many challenges.

The Government of Maharashtra created the Slum Redevelopment Authority (SRA) in 1997. It is the agency responsible for evaluating and approving slum redevelopment proposals submitted by developers. The chief minister of Maharashtra is the chairperson of SRA. Under this scheme, private developers can purchase slum land from the government at a relatively low price — 25 percent of the fair market value of the land — and redevelop the land through the incentive, higher-than-normal FSI. In order to obtain the redevelopment permit from the SRA, the developer must get the consent of 70 percent of the slum dwellers in the community. After purchasing the slum land and obtaining the consent of slum dwellers, the developer will clear the land and rehouse

the eligible slum dwellers in free housing. The standard size of rehabilitation housing is 269 square feet per household, upgraded from 225 square feet. Only slum dwellers who have documents to prove that they have settled in the slum before the cut-off date of January 1, 2000 are eligible for the free housing. The rehabilitation buildings are on the same land occupied by the slum, so called in-situ allocation. Besides providing free housing to slum dwellers, the developer needs to provide a maintenance deposit of 20,000 rupees per tenement to the co-operative housing society of the community in order to subsidize the maintenance of the rehabilitation building.²¹

The model of slum redevelopment is a political decision made by political parties, whose purpose is to continue securing votes from slum dwellers. Shiv Sena, the long-time dominant party of Mumbai, announced a campaign promise in 1990 during the election of the state assembly that it would provide free housing to slum dwellers if they won the election. Although Shiv Sena lost the election in that year, it won the state assembly election in 1995 and started to put its campaign promise into reality. Despite the changes of results in following elections, no party can beat the offer of free housing, so that the model is maintained. Furthermore, under the pressure of slum dwellers, the cut-off date was extended from January 1, 1995 to January 1, 2000.²² Finally, the in-situ arrangement highlights politicians' concern about votes. A state official explains the arrangement in this way: “Slums are vote banks. Politicians don't want their vote banks to be moved to another area, so the current model of slum redevelopment is in-situ. It means the resettlement of slum dwellers has to be in the same area. You see, this is the situation — slum dwellers are ready, but politicians are not.”²³

Since the model of slum redevelopment places all financial responsibility on the shoulders of developers, in return the developers can construct market-rate housing on the rest of the slum land and sell them. Some developers reveal that while the general profit margin of slum redevelopment is 35–45%, sometimes it can be as high as 200 percent.²⁴ Although the process of slum redevelopment is very slow and it is time-consuming to get the 70 percent consensus from slum dwellers, developers are still interested in the project due to the high profit margin. A developer puts it this way: “There is good profit in slum redevelopment. You just need to be patient.”²⁵ In addition, it is revealed by both government officials and planners that, some landowners even invited people to squat on their land so that they can claim the right to redevelop the land as slums.²⁶

²¹ For specific rules of the scheme of slum redevelopment, see the website of the SRA: <http://www.sra.gov.in/pageDescriptionStage.aspx>

²² Oral communication, former vice president of Maharashtra Housing and Area Development Authority, interview record, January 6, 2017.

²³ Oral communication, chief of the Rental Housing Division, Mumbai Metropolitan Region Development Authority, interview record, January 5, 2016.

²⁴ Oral communication, developer A, interview record, January 7, 2016. Oral communication, developer B, interview record, January 7, 2017.

²⁵ Oral communication, developer B, interview record, January 7, 2017.

²⁶ Oral communication, director of the Mumbai Transformation Support Unit, interview record, January 8, 2016. Oral communication, KPMG consultant working for



Fig. 6. Real estate boom in South Mumbai under the scheme of slum redevelopment (photograph by author).

Through this model, some of Mumbai's most prominent real estate development projects have been built on former slum land (Fig. 6).

One of the most high-profile examples are Imperial Towers, a twin-tower luxury residential skyscraper complex in Tardeo, South Mumbai (Fig. 3). Designed by Mumbai-based architect Hafeez Contractor as his most recognizable project, the Imperial Towers are among the tallest buildings in Mumbai and one of the most expensive real estate projects in India. Inaugurated in 2010, the towers were built on former slum land where the current model of slum redevelopment was first put into large-scale practice. While the twin towers are built on the same lot as the rehabilitation building, there are completely separate entrances to get even close to the two different properties (Fig. 7).

On the wall of the hallway right outside the management office, one can see the printed words of Angelo Bonati, CEO of luxury Swiss watch brand Panerai, "Luxury is attention to detail, originality, exclusivity, and above all quality." Whereas the size of a rehabilitation unit is 269 square feet, the average size of a unit in the Imperial Towers is 4000 square feet at a price of 3–5 million US dollars (Figs. 8 and 9). According to the property manager, 70 percent of the units were sold out.²⁷

Even after slum redevelopment, clientelism still plays a critical role for residents to have their needs met in terms of infrastructural development and service provision. This is largely due to the fact that the rehabilitation of slum dwellers is in-situ, so that their clientelistic relations with the local politicians maintain. According to the model of slum redevelopment, developers are responsible for the quality of the rehabilitation buildings in the first ten years after the construction.

After that, neither the developers nor the SRA is responsible for the quality of the buildings; it is the responsibility of the local housing society to maintain the buildings. However, in most cases, residents still have to come to SRA for help due to their lack of resources. If that happens, as an engineer of the SRA reveals, what matters is whether residents' requests are endorsed by politicians. According to him, a phone call from the politician is necessary for the SRA to respond to former slum dwellers' requests in a timely manner.²⁸ Reality shows that although slum redevelopment leads to the formalization of property rights and service provision, it does not reduce the political dependency of former slum dwellers on political parties. It is also important to note that although the residents are not allowed to sell the free housing for ten years, many of them still sell it and move to another slum.²⁹

There are serious concerns among government officials and urban planners regarding the sustainability of the model of slum redevelopment. First, the direct negotiation between slum dwellers and developers often leads to corruption and places slum dwellers' interest in a vulnerable position, and hence, causes disputes and resistance from the local communities. For instance, the largest SRA permitted slum redevelopment project at Golibar (Fig. 3), a slum area of 26,000 households in South Mumbai, has faced strong resistance from local residents. They sued the development company because it did not provide enough resettlement housing to residents as promised. Many segments of the project have been in stagnation for years.³⁰ Second, the model does not

²⁸ Oral communication, engineer of SRA, interview record, January 13, 2016.

²⁹ Oral communication, secretary to the chief executive officer of SRA, interview record, January 11, 2016.

³⁰ Oral communication, senior manager of architecture of Shivalik Ventures, interview record, January 12, 2016. For more information about the dispute between slum dwellers and the developer, see <https://www.opendemocracy.net/opensecurity/matt-birkinshaw/battle-for-golibar-urban-splintering-in-mumbai>.

(footnote continued)

MMRDA, interview record, January 6, 2016.

²⁷ Oral communication, manager of Sales and Marketing at Shapoorji Pallonji Group, interview record, January 13, 2016.



Fig. 7. Imperial Towers and rehabilitation buildings (photograph by author).

provide specific standards on the quality of rehabilitation housing, so that much discretion is left to developers. Some rehabilitation buildings are designed and constructed in a way that compromises the living standards of inhabitants and are becoming “vertical slums.” This problem reinforces former slum dwellers’ dependence on politicians. Third,

the model provides free housing to slum dwellers, and developers have to load the cost of rehabilitation on the market-rate component. Such an approach does not encourage the construction of housing at various price levels and ultimately leads to the increase of housing prices on the formal market. Taking the area of South Mumbai as an example, the



Fig. 8. A rehabilitation unit for former slum dwellers (photograph by author).



Fig. 9. A condominium in Imperial Towers (photograph by author).

housing price has increased from 90,000 rupees per square foot in 2007–200,000 rupees per square foot in 2016, more than double in less than ten years.³¹

The process of slum redevelopment is slow and highly contentious. This is largely because the approach of prohibiting and ordaining is driven by the need to increase local revenue and provide opportunities for the real estate industry, but neglects the high level of credibility of slum. In the past two decades, 0.15 million tenements have been rehabilitated in this model, against the target of 1 million in the first decade. Another 0.12 million tenements have been approved for rehabilitation, but construction has not started yet (MTSU, 2015, p. 2). In an interview with the chief executive officer of SRA, he reveals that SRA plans to expedite the process by giving slum dwellers an ultimatum to select a developer to work with. If they fail to do so before the required date, SRA would designate a developer for the community in order to speed up redevelopment.³² A major mechanism to protect the interest of slum dwellers in the process of slum redevelopment is the requirement of their consent in order to start the project. By depriving them of the opportunity to approve redevelopment proposals, the new plan may undermine the interest of slum dwellers and cause more contention in the process of redevelopment.

6. Conclusion

This paper provides a case study of the growth, persistence, and governance of slums in Mumbai. Driven by the restrictive rent control and land development policies, the formation of slums in Mumbai is an unintentional policy consequence. Slums have persisted over decades because they are credible and serve various functions including low-cost housing provisions, economic opportunity generation, and vote collection. The Indian state's institutional intervention in slums has changed over time, and the current program of slum redevelopment is largely motivated by the need to increase revenue and fulfill political

ambitions. The intervention does not take into account the credibility level of slums, and therefore faces many challenges and generates a form of symbolic formalization. It is symbolic in the sense that formalized tenure only leads to limited improvement of living conditions and that informal, clientelistic political exchanges still play a dominant role in local communities.

This paper provides evidence to the Credibility Thesis by showing that the persistence of slums in Mumbai is largely due to their function. Other studies support the empirical findings in the paper that slums or other forms of informal housing can be credible, and thus, functional. For instance, in their study of extra-legal housing in China, [Sun and Ho \(2017\)](#) found that extra-legal housing is credible in that it performs a vital function in providing social security, i.e. affordable housing for low(er) income groups. Similarly, [Silva and Mautner \(2016\)](#) claim that favelas in Brazil filled the gap between the demand and supply of affordable housing in the formal market. Their investigation of the tenure regulation programs in São Paulo shows that, without sufficient consideration of the credibility of favelas, the non-credible state intervention has led to the eviction of tenants and faced resistance in implementation.

The paper contributes to the study of urban informality in two major ways. First, as a reflection on the function rather than merely the form of informal housing, the paper reveals the limits in the dichotomy between the formal and the informal. It suggests that informality has become the “new normal” in emerging cities, and that urban policy should reflect this notion in order to create more livable and inclusive cities. Second, the paper presents a new vision of the role of the state by demonstrating that functional informalities in real estate and property rights must be understood not as the object of state regulation but rather as produced and institutionalized by the state itself. It challenges the traditional view that informality is the consequence of state inefficiency and highlights that it is often the rational choice of the state to reserve the informal settlements as they fulfill certain political and economic functions.

A major issue for policy makers is how to deal with the informal settlements. As the CSI Checklist (Ho, 2016, p. 20) demonstrates, there is a close interrelation between property's credibility level and institutional intervention. The higher the credibility level, the minimal

³¹ Oral communication, urban planner at the Municipal Corporation of Greater Mumbai, interview record, January 11, 2017.

³² Oral communication, chief executive officer of SRA, interview record, January 11, 2016.

institutional intervention is expected. It is critical for policy makers to take into account the settlement's level of credibility in order to implement more credible institutional intervention; otherwise, the intervention is doomed to fail. In Mumbai, while the policies of slum upgrading in the 1970s and 80s is a better reflection of the credibility level of slums, many other institutional interventions did not take into account the credibility of slums and therefore failed or faced challenges. Specifically, the current program of slum redevelopment is a form of ordaining and prohibiting. It is driven by the desire of the state and market actors to capture private gains and pursue political ambition without much consideration of the credibility of slums. The outcome of such intervention is "a contested institution lacking credibility, or an empty institution decoupled from actors' daily praxis" (Ho, 2016, p. 21). This explains why the formalization of property rights through Mumbai's slum redevelopment is largely symbolic.

The Government of Maharashtra has set a goal to make Mumbai slum-free by 2022. This is an ambitious goal given the current pace of slum redevelopment. But perhaps what is more important than the pace of intervention is the approach of intervention — namely, whether the approach can efficiently provide quality housing to slum dwellers, increase the provision of affordable housing in the city at large, and ultimately contribute to the creation of more livable and inclusive cities. It is critical for the government to reevaluate the approach of slum redevelopment based on the functionality and credibility of slums. In order to achieve this goal, the following policy recommendations can be made to improve the process and outcomes of slum redevelopment in Mumbai.

First, to streamline the process of slum redevelopment and guarantee the quality of rehabilitation units, the SRA should act as a planner, facilitator, and anchor, not merely as an approving authority that completely takes backseat in the process. Second, the current model of slum redevelopment has led to a bifurcation of the housing market that produces either low-quality, free housing for slum dwellers or expensive, luxury housing for the rich. The government should use policy tools to change this pattern and encourage the construction of housing for the majority of people in the middle or lower-middle stratum of the income distribution. Third, the current regressive rent control policy has prohibited private landowners from creating more rental housing or investing in repairing and maintaining existing rental units. The government must create an enabling environment to revitalize the public and private rental sectors.

The proliferation and persistence of slums is a symptom of the distorted redistributive policy regime. To reduce the gap between the supply and the demand of affordable housing is a long-term effort and requires systematic changes in the current framework of housing policy. However, it is important for policy makers and planners to note that housing policy is not the solution to the bigger problems facing developing country cities, including job creation, income equality, and access to education and welfare. It is crucial that we situate policies of housing and slum upgrading in the larger urban policy agenda in order to make our cities more inclusive and livable.

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