Assessing The Extent and Mechanism of Informal Credit Amongst Urban Poor: Lessons for Governance

Taha Ibrahim Siddiqui*

Jamia Millia Islamia

Abstract

This paper examines the relationship between the deep rooted socio-economic deprivations and consequent credit behaviour of the urban poor. The author studies various factors like stable and sufficient income, agricultural land holding, financial inclusion and rate of interest. Drawing from detailed information collected through a primary survey in Delhi, the author found that high interest borrowing from informal sources by urban poor primarily because of lack of documentation, absence of safety net and information gap between formal lenders and urban poor. The policy suggestions predicated upon the the study includes empowering and availing already established grass-root governance networks in order to improve the accessibility of formal credit to the urban poor, ensuring income and employment safety nets in order to minimize short term exploitative borrowings for consumption, we also proposed some grounded policy suggestions which can be replicated from their rural governance counterparts for facilitating access to formal credit in socially and economically deprived urban populations.
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*Corresponding author's email address: Taha.i.siddiq@gmail.com

1 Introduction

In recent years, post liberalisation of the Indian Economy in the fourth phase of globalisation, the increasing trend of migration from rural to urban centres in South Asia has led to the phenomenon of "urbanisation of poverty". The Rangarajan Committee estimates nearly 102.5 million individuals living below the poverty line in urban India. Urban poverty is multidimensional but for the most part, it can be assessed as a monetary phenomenon where the poor lack any safety net and stand exposed to shocks of the economy (Wratten 1995). Lack of accessibility to formal credit is one of the major reasons behind this grim picture. As De Soto (2000) argues that urban poor are deprived of formal banking institutions due to a lack of collateral, like land, which forces them to borrow from informal credit sources.

Available literature establishes that access to credit is one of the most effective tools for poverty alleviation with economists like Muhammad Yunus (2003) arguing that 42% of the borrowers from Grameen Bank were able to cross the poverty line, as well as evidence from Burgess and Pande (2005) also suggests that government-led financial inclusion programs in rural India have significantly contributed in poverty reduction.

It has been observed that the urban poor face a greater hurdle than their rural counterparts in terms of accessibility to credit (Bhattacharjee et al. 2009) where the inclusion of Gram Panchayats and Block Development Committee had substantially improved the outreach and had led to the success of credit-based poverty alleviation programs like Integrated Rural Development Program in rural areas (Pulley 1989). On the other hand, there has been limited integration of urban grassroots governance in the financial inclusion programs despite the 74th amendment in Article 243W of the Indian constitution which expanded poverty alleviation as one of the roles of municipalities (Kennedy 2012).

This might be largely due to a lack of acknowledgement in the public policy sphere of the essentiality of credit for the urban poor and the inability of governments to forth-come with an innovative financial mechanism for credit delivery to low-income households (Igel & Srinivas 1996). The primary purpose of this paper is:

- To assess the extent of high interest borrowing in slums and low-income neighbourhoods and whether high interest credit can be ascribed informal lending in addition to gauging the perception of urban poor regarding formal credit and structural blockages they face while accessing it.

- To study the modalities and mechanisms under which these informal credit lending systems operate and whether it becomes more pervasive during times of distress like demonetisation and the coronavirus pandemic.

- Finally develop policy recommendations on how governments can intervene efficiently to mitigate the limitations of the more conventional formal credit structure to increase its accessibility to the urban poor based upon outcomes of the primary survey and through reviewing consultancy reports, periodicals and case studies from across the world.

The paper is structured as follows: the first section is introduction which locates the relevance, objective and gives a brief review of the relevant academic literature. The second section of the paper is research methodology followed by the author while investigating the issue at hand. The third section presents the findings of the research, focusing on the three key objectives of the study. Fourth section is discussion on results and interviews undertaken during research. The fifth section presents possible policy implications.

2 Methodology

The study adopts a similar methodology previously used by Dreze et al. (1997) and Besley et al. (2001) which employs both qualitative as well as quantitative methods to assess the extent and working nature of informal credit in low-income neighbourhoods, namely a slum rehabilitation colony and a slum.

2.1 Data Collection

A structured questionnaire was administered to 157 randomly selected households in two sites for the survey conducted between 1 to 15 October 2021. Apart from socio-demographic data on the households, the questionnaire also collected detailed information on household income and if the household has taken any loan, the source of that loan (informal or formal institutions), the purpose, type of collateral used, interest rate and the repayment terms.

To ensure representativeness in the sample, systematic random sampling is used selecting every third household from either side of the street from every block/cluster of the survey site.

In addition to this, interviews of local moneylenders,bank managers and politicians were also conducted to cultivate an understanding of the supply side of the informal credit market and gauge grassroots governance issues that might emerge while creating a more accessible formal credit disbursal mechanism for the urban poor.

2.2 Site Selection

The study was conducted among households in JJ colony Madanpur Khadar and the Noor Nagar slum in South East Delhi. The resettlement colony is divided into 8 blocks and was established by the Delhi government to resettle slum dwellers of Alaknanda and Ambedkar Nagar slums aiming at uplifting their lives in 2001. Delhi Development Authority (DDA) acquired the land and leased it to the beneficiaries of the schemes on an equal basis.

On the other hand, Noor Nagar slum has pucca and semi-pucca structures divided into two clusters and has sprawled over 600 sqm of public land.

These sites are considered ideal for the study as all the residents can be categorised as urban poor yet have very disparate social factors and will provide a diverse data-set so that extent of informal credit can be adequately evaluated.

2.3 Data sources

Meso level data from surveys of various previous studies and Delhi Urban Shelter Board's allotment list was used to assess the community profile and estimate sample size for the survey.

2.4 A note on definitions

Due to the multidimensional nature of urban poverty, the author uses relative sense of deprivation in terms of healthcare, sanitation and household income, tenure status to define poor households. This study adopts definitions provided by the National Sample Survey Organisation (NSSO) for the remaining metrics like the type of credit, the purpose of the loan, etc.

3 Results

The first set of analyses examined the extent of indebtedness in the sample, where Table 1 presents households that are currently under debt from any source. As shown in the table below, Noor Nagar slum reported significantly more acute indebtedness than the JJ colony Madanpur Khadar. Overall, indebtedness in the sample stands at 45.2%.

Table 1: Extent of Indebtedness
Households that have taken any loan

	Total households (approx.)	Households Surveyed	Households that are in debt	Proportion of Households indebted
JJ colony Madanpur Khadar	2600	142	58	40.14%
Noor Nagar Slum	90	15	13	86.66%
Total	2690	157	71	45.2%

Source: Survey responses.

The paper has defined loans borrowed from moneylenders, shopkeepers, friends and relatives as informal sources whereas loans taken from government banks, commercial banks and micro-finance institutions (MFIs) are termed as formal sources of lending. We find that nearly 78.8% of all loans were taken from informal sources. What is interesting about the data in Table 2 is that both sites of the survey have similar borrowing from informal lending sources while formal lending is relatively higher in Madanpur Khadar, perhaps due to a larger presence of Micro-finance Institutions in this area

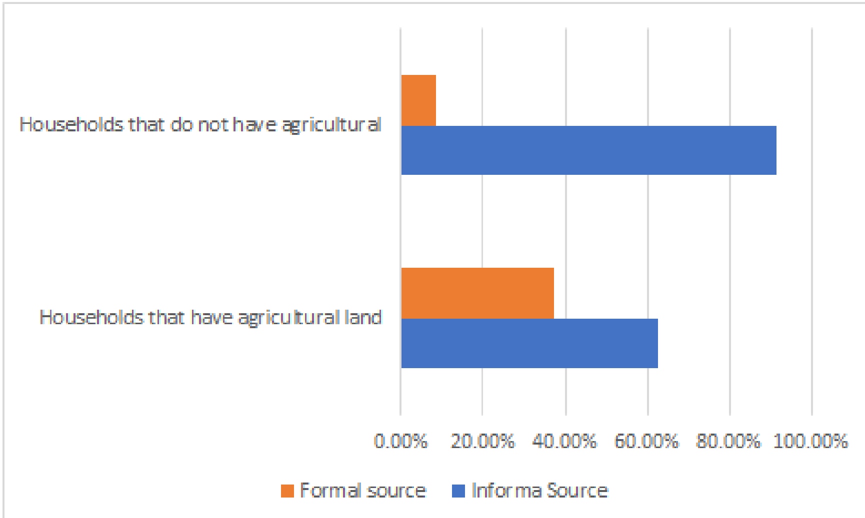
Table 2: Source of Borrowing
In proportion to total borrowing

Source	JJ Colony Madanpur Khadar	Noor Nagar Slum	*Total*
Formal	22.4%	15.3%	21.1%
Informal	77.5%	84.6%	78.8%

Source: Survey responses.

Figure 1: Source of Indebtedness of Households according to the Ownership of Agricultural Land

In proportion of indebted households according to their status of agricultural landholding



Source: Author's Visualisation from survey responses.

Figure 1 reveals that owning agricultural land among the urban poor is an important factor in providing access to formal credit. 37.5% of agricultural landholding debtors have borrowed from formal sources when only 21.1% have borrowed from these sources in the overall sample. Only 8.6% of the household that did not have any agricultural land were able to borrow from formal sources.

The Table 3 below illustrates the further breakdown of sources of borrowing. Moneylenders are still the major source of borrowing, accounting for 42.2% of all the borrowing in the sample, with borrowing from friends and relatives standing at 36.6% overall. The interesting thing to note is that friends and relatives are the key sources of borrowing in Noor Nagar rather than moneylenders in contrast with the JJ colony Madanpur Khadar.

Table 3: Detailed Source of Borrowing

In proportion to total borrowing

	Informal Source (%)			Formal Source (%)		
	Money Lender	Relative and friends	Shopkeeper	Government bank	Private bank	Co-operative/ micro-finance
JJ colony Madanpur Khadar	43.8	33.3	3.5	3.5	8.7	8.7
Noor Nagar Slum	38.4	46.17	7.6	15.84	0	0
Total	42.2	36.6	4.2	5.6	7.04	7.04

Source: Survey responses.

Table 4 shows that 85.7% of households, despite having a bank account, have borrowed from informal sources with both sites of the survey providing similar trends. In a further breakdown of these bank accounts, nearly 58.3% of accounts were Jan Dhan accounts with

Noor Nagar having 77.7% of all accounts as Jan Dhan accounts - which were mostly used for getting the benefit of direct transfer schemes. Most of the respondents never visited a bank for depositing savings due to which only 4.1% of households visited the bank many times over the three months.

Table 4: Status of Financial Inclusion of Indebted Households through Informal Sources

In proportion of households that have taken loans from informal sources

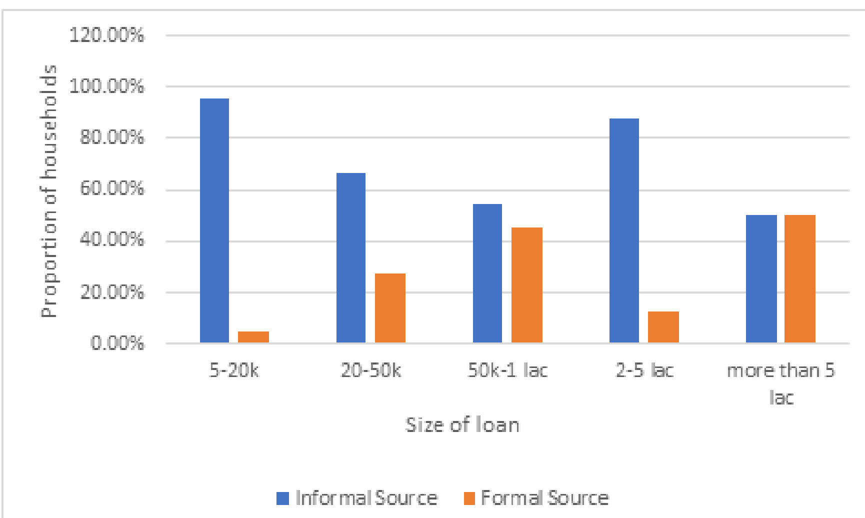
	Household having bank account (%)	Household having Jan Dhan account (Zero balance)(%)	Household having Savings account (%)	Visited bank in three months(%)			
				Many times	Few times	Once or twice	Not at all
JJ colony Madanpur Khadar	86.6	53.8	46.1	5.1	12.8	15.3	58.9
Noor Nagar Slum	81.8	77.7	22.2	0	22.2	11.1	55.5
Total	85.7	58.3	41.6	4.1	14.5	14.5	58.3

Source: Survey responses.

From Figure 2 below, we can infer that as the amount of loan increases the proportion of borrowing from formal sources also increases. As for the smallest loans that were ranging from Rs.5000 to Rs.20,000 only 4.7% of total borrowing were from a formal source. This measly share of formal lending becomes equal to informal lending in loans that ranged more than Rs. 5 lakhs.

Figure 2: Source of Borrowing for Different Sizes of Loan

The proportion of households that have taken loans from informal sources in the corresponding range

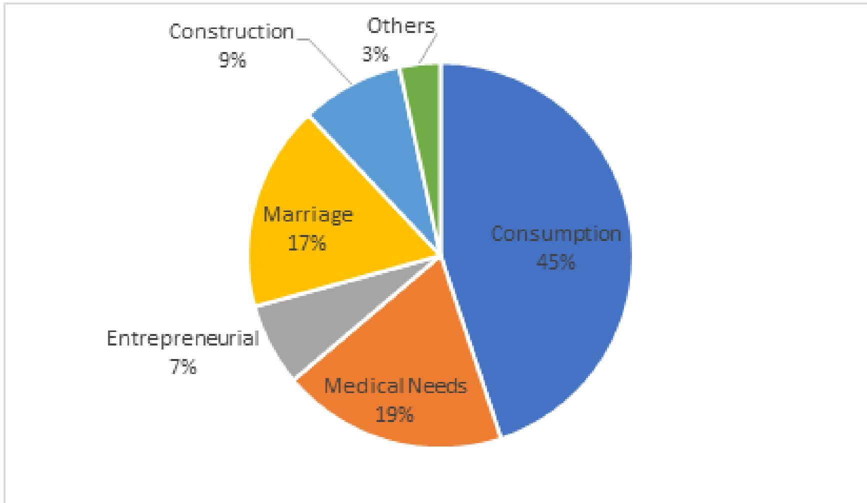


Source: Author's Visualisation from survey responses.

Figure 3 shows that the major purpose of borrowing in the informal credit market is consumption with 45.6% of all informal borrowing being carried out for consumption. Borrowing for marriage and medical needs stand at 17.5% and 19.2% of all informal loans respectively.

Figure 3: Purpose of Borrowing from an Informal Source

In proportion of total households that have taken loans from informal sources

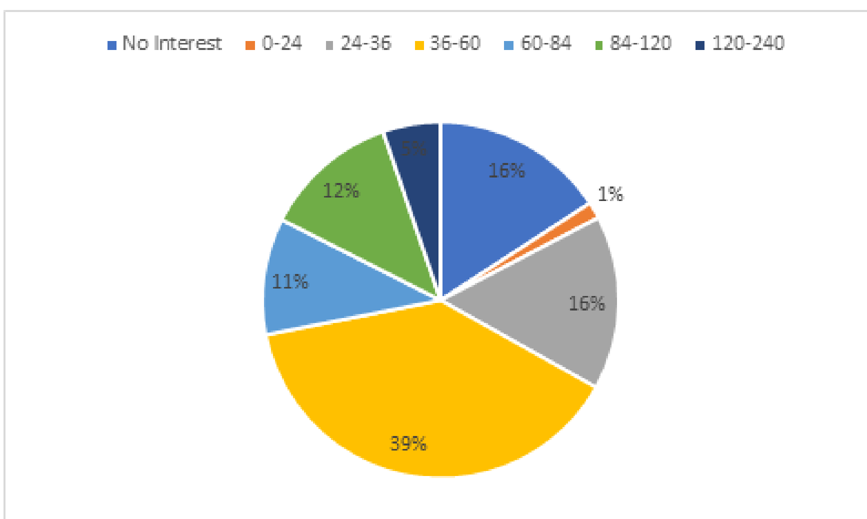


Source: Author's Visualisation from survey responses.

From Figure 4, it can be inferred that the majority of informal lending is operating at an interest rate of 36% to 60% per month. Now if we look at the data in Table 5, the interest rate for all of the loans from formal sources fell into the range 0-24% of interest rate which was considerably lower than the rate of borrowing from other informal sources.

Figure 4: Incidence of Interest Rate in Informal Lending

In proportion of households that have taken loans from informal sources



Source: Author's Visualisation from survey responses.

The highest rate of borrowing was from the moneylender. Nearly 86% of the borrowing from moneylender was at the cost of interest rate ranging from 36-240% per month whereas 48% of the total borrowing from friends and relatives fell into this range. Data from the Table 5 when seen in tandem with the data in Figure 4 shows the gravity of the situation

- a major part of the sample is borrowing at a usurious rate of interest. For lending from shopkeepers, it was mostly implicit that it was carried out in-kind by purchasing goods from the shopkeeper due to which none of the shopkeepers charged any interest.

Table 5: Interest Rate by Source

In proportion of households that have taken loans from informal sources

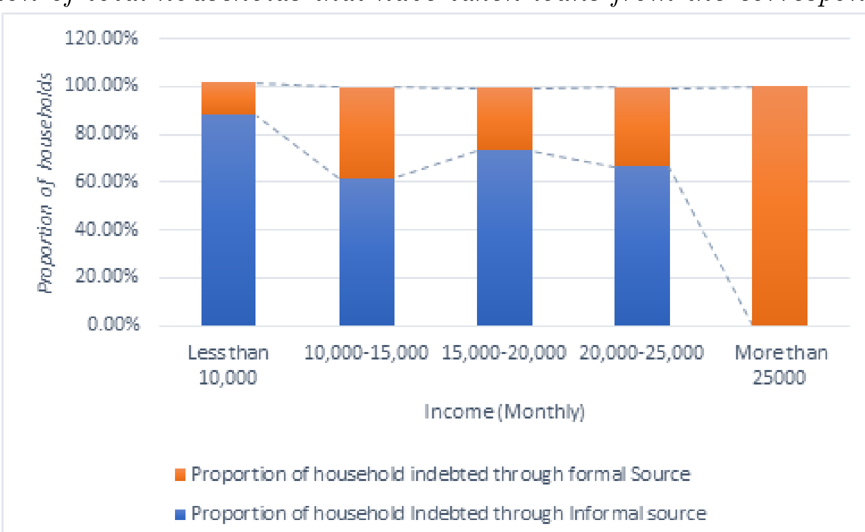
Range of Interest rate *(Per cent per year)*	No Interest	0-24	24-36	36-60	60-84	84-120	120-240
Money Lender	0	0	13.3%	53.3%	10%	16.6%	6.6%
Relative and friends	24%	8%	20%	24%	12%	12%	0
Shopkeeper	100%	0	0	0	0	0	0
Formal sources	0	100%	0	0	0	0	0

Source: Survey responses.

Figure 5 shows that as the income level increases the likelihood of borrowing from formal sources also increases. This result further supports the finding of Figure 2 as it shows that 57 out of 68 total indebted households with income less than Rs.10,000 tend to borrow from informal sources as these households are also those who have relatively lower saving rates than other households in the sample.

Figure 5: Income Level-wise Pattern of Indebtedness

In proportion of total households that have taken loans from the corresponding source

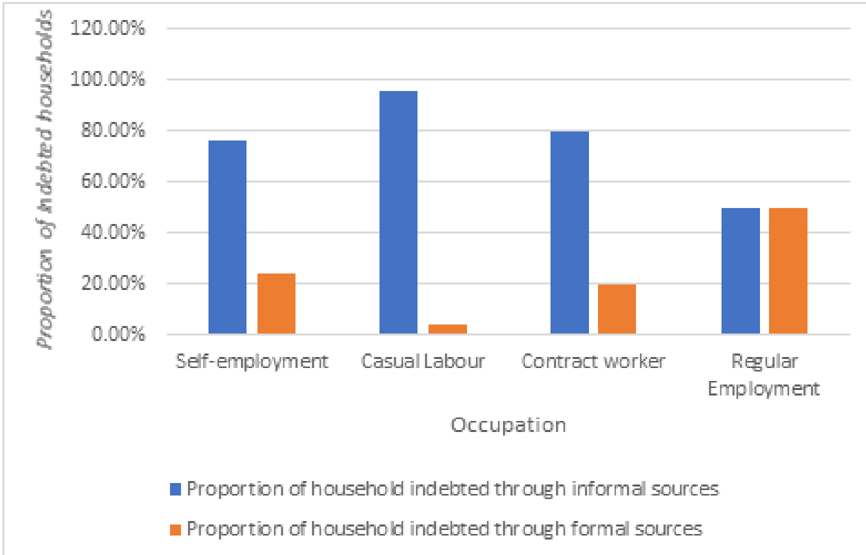


Source: Author's Visualisation from survey responses.

We can see through Figure 6 that casual laborers are most likely to borrow from informal sources of credit. 95.80% of the indebted households having casual labor as their primary occupation are borrowing from informal sources of credit whereas 50% of those regularly employed are borrowing from formal sources.

Figure 6: Occupation-wise Pattern of Indebtedness

In proportion of total households belonging to the corresponding occupation that has taken loan

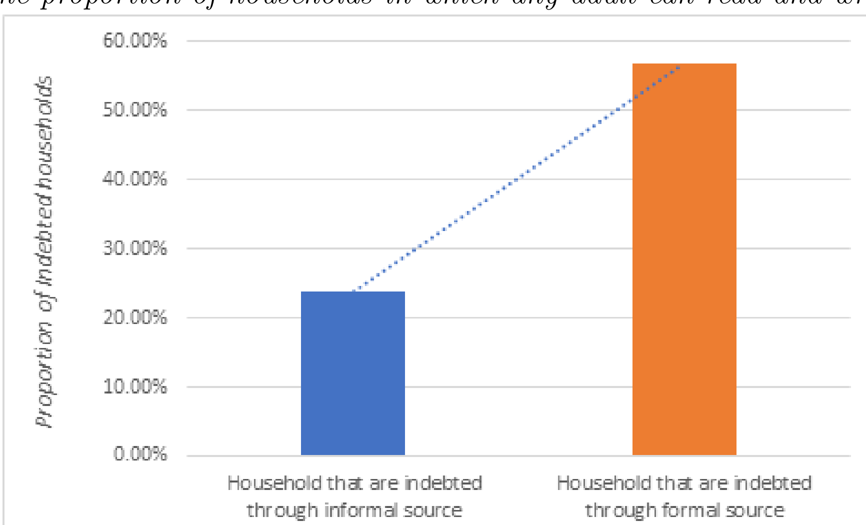


Source: Author's Visualisation from survey responses.

It can be inferred from Figure 7 that 56.7% of the households that were indebted through formal sources had any individual that could read or write fluently whereas only 23.9% of the households that were indebted from informal sources had any individual that could read or write fluently. This implies that education can be an important detriment in accessing formal credit.

Figure 7: Status of Educational Attainment

The proportion of households in which any adult can read and write

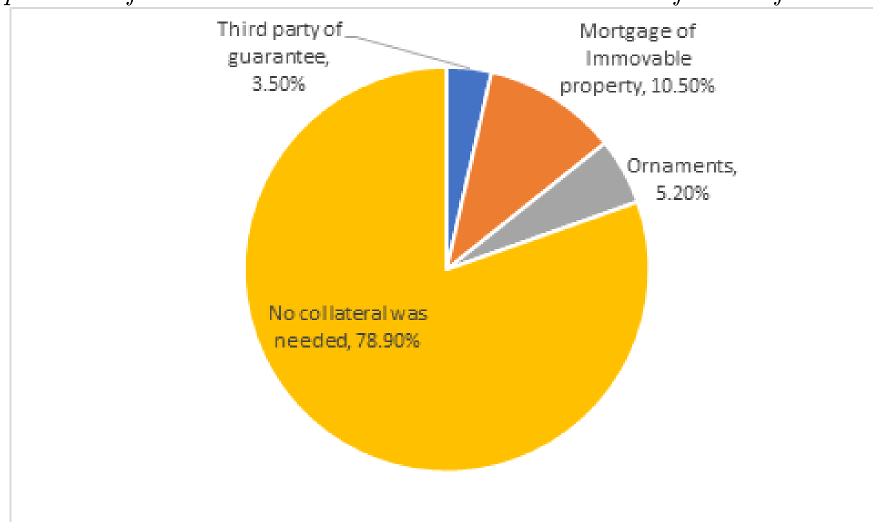


Source: Author's Visualisation from survey responses.

Figure 8 shows that in 79% of the cases of informal lending, there was no collateral needed for lending. This can be attributed to the fact that most of the loans were of a small amount and that most of the families in the sample were living on subsistence with no collateral to place in the first place. It is interesting to note that 10.5% of the informally indebted houses were using their house as collateral which, by the DDA rules, cannot be transferred or even used as collateral in formal lending due to JJ colony being a slum rehabilitation colony.

Figure 8: Nature of Collateral in Informal Lending

In proportion of total households that have taken loans from informal sources



Source: Author's Visualisation from survey responses.

In the sample, 75.4% of respondents reported that they had to take some sort of borrowing from informal sources due to the pandemic which again points to the absence of a safety net in the sample that leads to borrowing. When we see Table 6 in contrast with Figure 3, we find that the lending for consumption increased substantially in times of distress like Covid-19 induced lockdowns and especially had an impact on incomes of those who were active in the informal economy.

Table 6: Incidence of Informal Indebtedness due to COVID-19 Lockdown

In proportion of total households that have taken loans from informal sources

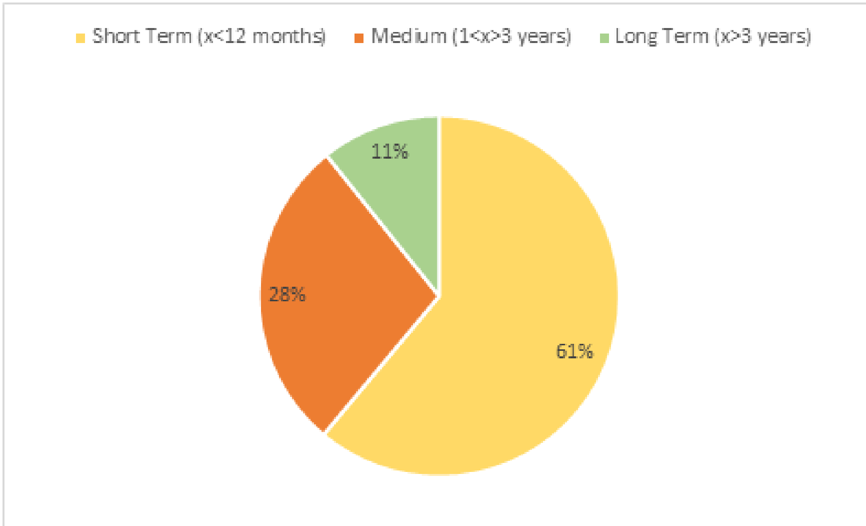
In proportion to total informal indebtedness	Purpose of such loan *(In Proportion of total loans taken due to Covid-19 lockdown)*				
	Consumption	Medical Needs	Entrepreneurial	Marriage	Construction
75.4%	60.4%	13.9	11.6%	13.9%	0

Source: Survey responses.

Lending in an informal credit system does not follow a fixed period of repayment. Rather, in most of the cases, the indebted were just repaying the loans as their means allowed them to pay, with some only able to pay back interest on the loan while the principal amount staying the same. However, it can be inferred from Figure 9 that as 61% of the loan were repaid within 12 months of the borrowing, most of the lending in the informal credit market is for the short term.

Figure 9: Timespan of Informal Loan

In proportion of total households that have taken loans from informal sources



Source: Author's Visualisation from survey responses.

Only 45.6% of the households which had taken loans from informal sources knew that banks lend at a lower rate of interest. This showcases that there is a huge information gap between the formal sources of credit and the urban poor, which can also be attributed to low level of educational attainment. 70.7% think that getting a bank loan is difficult with one of the major reasons being the paperwork and documentation required to get formal loans. 35% also reported being unable to get loans from the bank due to a lack of collateral. Other problems were also shared by the respondents such as difficulty in travelling to the bank as they were far away and old people above 60 not getting any loan due to the age limit in credit disbursal.

Table 7: Perception Regarding Formal Sources of Lending in Informally Indebted Households

In proportions to total indebted households

Aware of lower interest in banks (%)	Getting bank loan difficult(%)	Reason for difficulty in getting bank loan (%)			
		Paperwork/ Documents	Insistence on collateral security	Lack of business plan	Others
45.6	70.7	50.8	35.08	1.75	8.7

Source: Survey responses.

4 Discussion

In line with the objective of the study, the results indicate that an overwhelming majority of the urban poor are still borrowing from informal sources like moneylenders at usurious interest rates despite financial inclusion schemes like Pradhan-Mantri Jan Dhan Yojna[1]. This also explains the wariness of respondents in borrowing - many reported missing meals to cut down expenses rather than borrowing. Thus, only in dire need was borrowing carried out from moneylenders whereas many assumed rejections from formal sources.

When we further analyse this indebtedness, it reveals that there are several hurdles that decide the source of borrowing for the urban poor. A higher proportion of informal borrowing in Noor Nagar Slum could indicate that the relative level of deprivation has an impact on the indebtedness, since respondents in JJ colony Madanpur Khadar were relatively well-off with secure land tenure. This finding is consistent with that of Varley (2002) who also reported that slum-dwellers prefer borrowing from relatives and friends due to the cohesive nature of slum communities and the flexibility it provides. However, it's also interesting to note that residents of JJ colony Madanpur Khadar are deprived of formal credit facilities by government regulations itself as they cannot mortgage their property with the bank for credit and have not been provided with alternatives either.

One unanticipated finding was that, even among the urban poor, ownership of agricultural land is an important factor in getting access to formal credit. This type of borrowing was particularly from Grameen development banks like Prathma Bank or through governmental schemes like Kisan credit. Many also reported selling agricultural land for construction of their house in the city. It can thus be suggested that agricultural land acts as a safety net for the urban poor. A possible explanation for this result may be the ease of getting formal credit in the rural context - Dreze et al. (1997) found that public institutions accounted for 80% of the total outstanding debt in the rural context.

Overall, the savings level was quite low in the sample with most of the respondent's reporting never going to the bank to deposit savings (only 4.1% have frequently visited the bank). On the other hand, the households that did not have bank accounts resorted to a similar argument: as they were living on subsistence with virtually no savings, the need to have a bank account never arose or their bank accounts were closed due to low balance due to even flagship financial inclusion schemes of Government of India like Pradhan Mantri Jan Dhan Yojna (PMJDY)[2] had little impact on the borrowing pattern of the urban poor as having a bank account does not guarantee having access to formal credit or even financial literacy. Hence, most of the Jan Dhan accounts were merely used to get the benefit of direct transfer schemes (e.g.Vidhwa pension). This result further supports the finding that 88.2% of total households with income less than Rs.10,000 tended to borrow from informal sources as these households were also those who had relatively lower saving rates compared to other

[1]The maximum age for loan application approval is decided unilaterally by Individual banks, however, most lenders set it's age limit ranging from 60-70 years of age.

[2]These are special savings accounts specifically targeting the poor opened under Pradhan Mantri Jan Dhan Yojana were maintenance of minimum balance requirement is waived off.

households in the sample. Meanwhile, those who reported a higher income - which often also meant having regular employment in the formal sector - tended to borrow from formal sources.

The nature of borrowing in the informal credit market was often found to be for a small amount, for the short term and often borrowed for consumption. This can be because of two main reasons: (1) consumption is not considered a productive activity by the restrictive lending policies of the formal lending institutions Besley et al. (2001) and (2) the cost of processing and filing for loans can be relatively high if the amount of borrowing is low. (Braverman and Guasch 1986).

The pattern of borrowing in the sample corroborates with the nature of borrowing where we find that respondents with a less stable income stream, e.g. those who work on daily wages, have a higher proportion of borrowing from the informal credit market. Such households reported going without any work for fortnights at a time which results in them borrowing for consumption. Due to this financial uncertainty, informal lending has a comparative advantage over formal lending because of the flexibility it provides in the repayment of the loan.

Also, while interacting with the local bank manager, we found that having income proof, such as pay slips and income tax returns, is an important determinant in accessing institutional credit. Therefore, 50% of those that have regular employment were able to borrow from formal sources which is much higher than those who work in the informal sector and are paid in cash. Even contract workers in most cases were paid in cash by the contractor (Thekedaar) at the end of the month.

These results imply a lack of safety net for the urban poor which results in them borrowing merely for consumption. It also showcases low saving levels among the urban poor because they need to borrow in times of unexpected expenses like medical emergencies and huge outlays in occasions like marriages. Any improvement in access to formal credit will provide them with a much-needed safety net and thereby increase their disposable income. Further, as disposable income rises, low-income households tend to spend more on education and healthcare, which might finally pave their way out of the poverty trap (Alderman et al 2001).

The following Table 8 is based on the descriptive interviews carried out with the moneylenders to understand the supply side of the informal credit. In addition to that, this information was also corroborated with accounts provided by borrowers to cross-check the information provided. Moneylenders were hesitant to divulge information as most of their income were untaxed and believed that openly talking about it might result in complications with the authorities due to which many tried to hide their real monthly income.

Table 8: Forms of Informal Lending

Form of Informal Lending	Rationale	Working Example
Daily wage repayment loan	This type of loan is given to those who have a high risk of defaulting like migrant labourer's and daily wage earners. This high risk is balanced by high-interest rates per month and repaid within a short period as well. The amount of loans is small. Usually, moneylender collects a particular fixed amount at the end of the day at a commonplace like Sabzi Mandi	For example, if the principal amount is 10,000 then a daily repayment of 100 for 120 days is fixed which means applicable interest rate is 20%. There is Nothing is fixed as penalty on defaulting but it depends on case to case basis but can be like Rs.10-20 extra per day.
Large Loan Repayment	This loan is given out to those who are in the knowledge circle of the moneylender that is those who are living in the same neighborhood for many years, being from the same village as the moneylender or had taken and returned the money before from the moneylender. This has no repayment terms often is flexible returned according to the means of the borrower. It is taken usually for 6 months or more.	Let's say the principal amount is 50,000 then by a monthly interest rate of 2% means applicable annual interest rate is 24% which equals to 62,000 on final repayment. Nothing is fixed as penalty on defaulting but it depends on case-to-case basis

Society/Committee	The idea behind this is to have a common safety net where people usually friends pool in their money from which any members of the committee can borrow at a very low-interest rate. Whatever interest income is earned it is divided equally among members	There are a fixed number of members usually 12-15 members. Money is pooled by every member contributing a fixed amount. The time period of this is equal to the member if there are 15 members that it runs till 15 months. If a member wants to borrow an amount, then he has to bid an amount above the principal that he has to pay eventually. This extra amount above the principal is equally distributed among the member. Repayment is very flexible in that it can be adjusted according to the borrower situation, even if it gets delayed by 2-3 months no penalty is charged.

5 Policy Implication

The findings of the paper attribute the root cause of indebtedness induced by informal borrowing majorly to exclusion, poverty and unemployment. Therefore, a key policy priority should be to plan for mitigating these factors.

Firstly, policy can tackle the issue of asymmetry of information between the urban poor and the formal sources of lending. Banks suffer from an inability to evaluate profiles of the urban poor and micro-finance institutions suffer from a lack of infrastructural ability to manage a large segregated population. Here, the municipal agencies and Self-Help Groups (SHGs) can leverage their access to such households to integrate them with the banks by providing information on loans and analysis of profiles of the borrower in such segregated neighbourhoods. Furthermore, the banks along with municipal agencies and SHG should be made to hold awareness lectures ('Chaupals') within the neighbourhood at a predefined time where a bank representative can present all the information about the financing programs. After the lecture, a candid conversation addressing the queries and apprehensions of the member of the household should be held to build up a last-mile network of communication. The banks can also incentivize skill-development programs through loans, enacting a similar framework to that adopted by the Municipality of Belém. In the Fundo Municipal de Geração de Emprego e Renda Ver-o-Sol program (Barboza and Spink 2002), it engages NGOs to train unemployed people to be self-employed entrepreneurs, who will later be provided with credit to finance their projects. Since the lack of documentation of such households on residence, domicile, income, etc. is one of the major obstacles in their access to formal credit, a provision for a third-party guarantee or pre-assessment of profiles of household with a considerate and minimum documentation process should be put in place to provide immediate credit when the need arises.

Secondly, fixed repayment terms and collateral requirements came out as major hurdles towards accessing formal finance. We can imitate a similar repayment schedule adopted by O Banco do Povo de Belém (Bank of People of Belém) which provides a cushion for up to 120 days of delay with the possibility of renegotiating repayment terms before taking any coercive steps for recovering the loan (Barboza and Spink 2002). A two-pronged approach can be adopted to resolve the issue of collateral: where the local government and NGO networks active in low-income areas are entrusted with formulating joint-savings groups similar to the already prevalent committee (see Table 8) which are in turn connected with banks where collective savings can act as collateral and members as guarantor for the loan. As we found that the majority of the sample was living in the same place for more than 5 years we can learn from intervention in Mexico where Banco Azteca accepted movable household assets like furniture, electronic appliances as collateral (Bruhn and Love 2009). Strengthening of land titles with the withdrawal of reasonable restrictions on transferability rights in slum rehabilitation colonies after a certain period of time can also be availed to ease access to formal finance of residents.

Lastly, the most impoverished section of the community is also the most excluded section in terms of formal credit as they are the ones borrowing for consumption due to unstable income, majorly consisting of persons being employed as casual labour. A special credit line can be provided to this section as Dasgupta, 1995 argues "At the margin, consumption of basic needs amounts to investment". However, such extension of credit might be a temporary and band-aid solution to the problem of indebtedness. The most appropriate intervention would be an employment guarantee or targeted basic income scheme like Famılia Cidada implemented in Brazil which provides half the minimum wage to families that meet the established profile of the State's service network, in addition, the program innovates, having goals as to the permanence of children in school, the socioeconomic emancipation (Barboza and Spink 2002).All taken together with involvement of grassroot governance will provide a more urban poor friendly credit lending framework as well as a monitorable framework for banks.

A Appendix

A.1 SAESM Household Survey 2021

District: /   / Block/Town: /   /
Area: /_____/ Basti: ________________________/

Hamlet/Mohalla: /____

Date: /_____/________________________/2021/

Name of investigator /___/ Phone no (optional): /_____________________

A. Household Details	
1. Full name of household head: /____/(s/o)(d/o)(w/o)/______ /	
2. Number of household members: (nuclear family only)	
3. Main occupations: [1 = Farming; 2 = Non-agricultural self-employment; 3 = Casual labour; 4 = Contract worker; 5 = Regular employment; 6 = Housework; 7 = Other; 9 = Unclear]	
4. Category: [1 = SC; 2 = ST; 3 = OBC; 4 = General; 9 = Unclear]	
5. Household Income (Monthly) [1=less than 10,000;2=10000;3=15000;4=20000;5=25000;5=30000;6=More than 30000]	
6.Do you own land/Flat in the city [1=Yes;2=No]	
7. Can any adult in the house read/write: [1=Yes;2=No]	
8.Do you have agricultural land in the village[1=Yes;2=No]	
9.If yes, then how much land do you own in the village (Bighas)	

10. No. of years living in the same neighborhood [1=0 to 1 yrs;2=2 to 3 years;3=4 to 5 years;4=More than 5 years]	
B. Status of Financial Inclusion	
11. Does anyone in the family have bank account [1= Yes;2=No]	
12.if yes, then type of Bank [1=Private;2=Public;3=Cooperative]	
13. if yes, then account type [1=Jan Dhan Account (zero balance account);2=Savings Account]	
14.if yes, then how frequently have you visited the bank in last 3 months? [1 = Many times; 2 = A few times; 3 = Once or twice; 4 = Not at all; 9 = Unclear]	
15. if yes, does anyone in family hold ATM card [1=Debit Card;2=Credit Card;3=No Card]	
16.if no, then why have you not opened the account yet? [1=Lack of document;2= Bank refused;3= Cultural/religious reason;9=Other(specify)] Remark=	
C. Information About Credit Status of The Family	
17.Have you taken any loan? [1=Yes;2=No]	
Fill Only If the Household is Indebted	
18. Purpose of Loan [1=Consumption;2=Medical Treatment; 3=Entrepreneurial; 4=Marriage;5=others(specify);6=construction]	
19. Source of Loan [1=Informal 2=Formal]	
20. Loan taken on behalf of [1=Male;2=Female;3=Transgender]	
21. Amount of Loan 1=5-20k;2=>20-50k;3=>50k-1 lac;4=>1-2 lac;5=>2-5 lacs;6=more than 5 lacs	

22. Detailed Source of Loan [1=government bank;2=co-operative society;3=commercial bank; 4= employer; 5=money lender;6=relatives and friends;7=shopkeeper;8=others]	
23. Rate of Interest for The Loan (Monthly): [0=No interest;1=2 - 3%;2=>3 - 5%;3=>5 − 7;4=>7 − 10;5=>7 − 10;6=>10 − 20;7=>0-2%]	
24. Type of collateral used: [1=guarantee by third party;2=mortgage of immovable property;3=ornaments;4=No collateral was needed;5=other type of security(specify)] Remark:	
25. If mortgaged, type of mortgage [1=Simple Mortgage;2=Usufructuary Mortgage;3= Mortgage by Conditional Sale]	
26. Since when are you repaying the loan? [1=Short Term<12 months;2=Medium Term 1<x>3yrs; 3=Long Term>3yrs]	
27. Have you taken any loan during/due to Covid-19 Pandemic/Demonetisation [1=Yes;2=No]	
27a.if yes, source of that loan [1=Informal;2=Formal]	
Fill Only If Loan Is Taken from Informal Source	
28. Whether aware of lower interest rates in banks [1=Yes;2=No]	
29. Whether getting bank loans difficult [1=Yes;2=No]	
30. If yes, reasons for [1=Paperwork/Form fill up difficult;2=Insistence on collateral security; 3=Lack of business plan;4=Others(specify)]	

Use the last page for Additional Comment	

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A.2 SAESM Moneylender Survey 2021

District: /______________________________/ Block/Town: /. /

Area: /________________________________/ Basti: /_______________________________________/

Hamlet/Mohalla: /____/ Date: /__/__/2021/ Name

of investigator: /_______________________________/Phone no (optional): /____________________

_______________________________________/

A. Personal Details	
1. Full name of Moneylender: /____/(s/o)(d/o)(w/o)/______ /	
3. Main occupations: [1 = Farming; 2 = Non-agricultural self-employment; 3 = Casual labour; 4 = Contract worker; 5 = Regular employment; 6 = Housework; 7 = Other; 9 = Unclear]	/ / / /
4. Category: [1 = SC; 2 = ST; 3 = OBC; 4 = General; 9 = Unclear]	
5. Income (Monthly)	
6.Do you own land/Flat in the city [1=Yes;2=No]	
7. Number of years of education:	
8.Do you have agricultural land in the village[1=Yes;2=No]	
9.If yes, then how much land do you own in the village (Bighas)	
10.No. of years living in the same neighbourhood [1=0 to 1 yrs;2=2 to 3 years;3=4 to 5 years;4=More than 5 years]	
C. Information About Lending Activity	
11.Total Amount of money you have lent right now?	

12.Rate of Interest of lending (Monthly)	/ / / / / /
13. Do number of borrowers increase during times of distress like demonetization and covid-19 pandemic? [1 = Increase; 2 = Decline; 3 = More or less same; 4 = Unable to tell; 9 = Unclear]	
14.If differential rate of interest exists, then basis of such differentiation Remark:	
B. Status of Financial Inclusion	
15. Does you have bank account [1= Yes;2=No]	
16.If yes, then type of Bank [1=Private;2=Public;3=Cooperative]	
17. If yes, then account type [1=Jan Dhan Account (zero balance account);2=Savings Account;3=Current]	
18. If yes, then how frequently have you visited the bank in last 3 months? [1 = Many times; 2 = A few times; 3 = Once or twice; 4 = Not at all; 9 = Unclear]	
19. If yes, do you hold ATM card [1=Debit Card;2=Credit Card;3=No Card]	
C. Information About Credit Status	
20. Have you taken any loan? [1=Yes;2=No]	
Fill Only If the Moneylender is Indebted	
21. Purpose of Loan [1=Consumption;2=Medical Treatment; 3=Entrepreneurial; 4=Marriage;5=others(specify);6=for lending further]	
22. Source of Loan [1=Informal 2=Formal]	
23. Detailed Source of Loan [1=government bank;2=co-operative society;3=commercial bank; 4= employer; 5=money lender;6=relatives and friends;7=shopkeeper;8=others]	
24. Rate of Interest for The Loan (Monthly): [1=2 - 3%;2=>3 - 5%;3=>5 – 7;4=>7 – 10;5=>7 – 10;6=>10 – 20]	
25. Type of collateral used: 1=guarantee by third party;2=mortgage of immovable property;3=ornaments;4=No collateral was needed;5=other type of security(specify)	

Remark:	
26. If mortgaged, type of mortgage [1=Simple Mortgage;2=Usufructuary Mortgage; 3= Mortgage by Conditional Sale]	
27. Type of loan [1=Short Term<12 months;2=Medium Term 1<x>3yrs; 3=Long Term>3yrs]	

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