

**Poverty Premiums in *Dakshinpuri***

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## **Executive Summary**

This paper attempts to analyse the problem of poverty premiums from two angles. First, whether there is indeed an absolute premium paid over and above basic rates by the urban poor as a result of a lack of access or availability. The second and more pertinent question is that given a premium (or lack of it thereof), is the cause simply the situation of poverty itself, or is it a policy failure that fails to take into account the marginalized of a society.

By comparing previous studies that deal solely with urban slums and unauthorized colonies to *Dakshinpuri*, which has a similar per capita income level but with fully legal status, this paper attempts to answer the question of why such a premium exists and whether or not it stems solely from the condition of the study.

The key findings of the report and survey are as follows

- The existence of a small poverty premium on financial services, water provision and healthcare
- A dramatically reduced premium for all services, most specifically electricity
- A functioning environment of legal provision of services inside of resettlement colonies
- The impact of urban infrastructure projects such as the *Sonia Vihar* Water Treatment plant on reducing the premiums paid for accessing potable water
- A widespread distrust of the public education system provided by the MCD and Central and State Governments

## Introduction

*Dakshinpuri* is a place of contrasts. During my visits there, I spent time at the local branch of the State Bank of India. While waiting to meet the Deputy Manager of the bank, I helped local residents who could not read or write fill out withdrawal and cheque deposit forms. The first form I filled was for depositing a cheque, a salaried workingwoman, probably a clerk or peon with a monthly income of Rs 3600. I imagined that to be the average income of the colony itself, something corroborated by my further surveyed research. However, the second form I helped fill out was for a middle-aged woman who had come to the bank with her son. It was a withdrawal form for a meagre amount of Rs. 52,220. When I enquired as to where the money had come from, the child smartly replied that it had been transferred from Hong Kong. That story epitomizes my experiences in *Dakshinpuri*. It's an area of contrasts. As a resettlement colony, it caters to previous slum dwellers and migrant workers, but its legal status as a colony brings to it a strange wealth in poverty, otherwise not found.

*Dakshinpuri* is an interesting place. Consisting of 31 separate blocks with above four hundred houses each, it houses close to a hundred thousand people in an area no more than 10 sq. kilometres. The Government, who helped set up the colony, also has a love hate relationship with the same, with some basic services provided to the best of their abilities; power cuts for instance of no more than 3-4 hours daily and tap water supply for most areas of the colony, local facilities for healthcare and education leave a lot to desire, with private sector alternatives blossoming to cater to the limited but existent purchasing power of the residents.

More interesting is the idea that premiums may be dramatically reduced given the legal nature of the colony. Studies of *Sanjay Colony* in Delhi and the *Dharavi* Slums in Mumbai reveal that the urban poor living in slums and unauthorized constructions paid a quantitative and qualitative premium per unit on basic amenities, as private providers rushed in where governments failed to deliver basic services. This thriving network was

more the result of a failure of access to provided services rather than a failure of the services themselves.

### **Poverty Premiums: The Penalty paid by the Urban Poor**

The concept of a poverty premium itself is counter-intuitive. It is intuitive to believe that those who earn less and are economically backward should also pay less, especially in a socialist state. To understand the possible reasons behind such a premium, it is important first to understand Urban Poverty itself.

Urban Poverty can be defined as Poverty of Access. This poverty of access is an inability to access the most basic of services provided by an urban area, viz. electricity, water, healthcare, sanitation, etc. The Urban poor usually make up the blue-collar or temporary labour that any major metropolis runs on. These workers are usually migrants or first generation immigrants to the city and because of their lack of a steady job or collateral cannot formally purchase property or housing legally inside of city limits. As a result the Urban Poor often live in marginalized often-illegal settlements, such as slums, unauthorized colonies, and *Jhuggi Jhompri* (informal housing) clusters. Outside the purview of government and corporate providers of services, the people living in these settlements often have to purchase basic services through local monopolies or cartels that often abuse their monopoly power and overcharge customers. Finance, especially, is one area, which entraps the urban poor, as a lack of loans, and mechanisms for saving ensure that people live from hand to mouth and never accumulate enough assets to become upwardly mobile. This often functions as a vicious cycle, as banks and informal lending organizations often cite a lack of collateral and steady job as the top reason for giving high interest loans or denying debt to the urban poor.

Urban Poverty thus is not one of a lack of economic wealth. A lack of economic wealth is often a symptom of Urban Poverty. Its eradication is then predicated not on programs that aim to raise the economic status of the urban poor through measures such as raising minimum wage or increasing avenues for state sponsored employment.

To tackle urban poverty is to recognize that the urban poor are there in the world's cities because there lie opportunities and incomes better than what they could find in the villages. It is to recognize that in *Dakshinpuri*, a resettlement colony where slum dwellers were moved en-masse; the average family income is nearly Rs 7000 per month, with an average per capita income greater than Rs 1000 per month. Providing solutions of access can solve urban poverty, to substantially reduce the premiums paid by the urban poor by giving them the same rights and privileges accorded to regular citizens of cities. This paper attempts to examine whether some of those measures, such as legalizing colonies and providing rights of tenancy leads to a reduction in the premiums paid by the urban poor. Whether conditions improve or remain stagnant once infrastructure programs reach the urban poor, and whether an increase in access leads to an automatic reduction in the premium paid by the poor.

### **Resettlement Colonies in Delhi: A Brief History**

Resettlement colonies like the one in *Dakshinpuri* appeared in Delhi from 1975-77. These colonies were set up to relocate the large slum colonies that had appeared in Delhi due to large-scale migration of rural labour seeking opportunity in the city. Most of these slum colonies existed on marginal land, on the sides of open drains or railway lines, and thus had little or no facilities available to them and were illegal and attracted rent seeking by whoever controlled the land. As a policy response, the resettlement colonies were created, and slum dwellers were relocated, and given cheap loans to construct low quality housing in the locality. Most were allotted land sizes of around houses no bigger than the average room in a middle class home. However, it was an improvement on their previous living facilities and conditions, and more importantly, they were given the property rights to the allotted land, giving them collateral through which they could take loans to construct on the mentioned property, and also giving them legal recognition and paving the way for provision of basic services, something lacking in their previous slum dwellings.

Resettlement colonies, however, have not been without their fair share of problems. Most of these colonies were set up outside the main city at the peripheries, and the more recent resettlement colonies continue to be set out at the outskirts of the city. As a result, the migrant workers and blue collar workers living in these colonies have to spend a larger sum of money on transportation as well as more time on commuting. Because of this, many of the newer colonies have been unsuccessful in their aim of relocating slums, as most slum dwellers move back to their slums and lease out their tenements in the resettlement colonies, as the opportunity cost of leaving their place of work is too high.

*Dakshinpuri* is one of the older resettlement colonies, set up in the late seventies. At that time, the area near *Chirag Delhi* in South Delhi was the boondocks, but 30 years of expansion in the capital has made it a part of the mainstream, nestled between some of the more upper class residential colonies of Delhi. As a result, transportation is no longer a major barrier to the residents.

## **Hypotheses**

This paper attempts to test two hypotheses regarding the poverty premiums in *Dakshinpuri*.

The first hypothesis is that Poverty Premiums exist for the urban poor in resettlement or other legal low cost housing colonies. So far, Premium research has concentrated on people living at the fringes in urban society, the slums and the unauthorized illegal shantytowns that mushroom in most cities across the developing world. Many of the reasons ascribed to the premium revolve around the fact that the poor often do not have access to public goods in these residences, and pay a premium as a result of the same.

The second hypothesis is that the premiums are affected by the legal status of the property. As previous studies have been conducted in mostly illegal residences, such as slums and unauthorized colonies, there was no responsibility on civic bodies to provide

civic services to these residents. The objective is to find whether such a poverty premium exists even if public goods are provided to residents, and how legality affects the quantitative and qualitative nature of the premium.

## **Objectives**

Given the two hypotheses, this paper has three major aims.

First: to find the poverty premium on a basket of basic services. This basket includes Electricity, Water, Education, Healthcare and Finance. The premium (if any) will be explored in both qualitative and quantitative terms.

Quantitative terms will try to cover the absolute amount in terms of both price and percentages residents pay over the regular government rates. It will also include a percentage of income premiums; i.e. the amount the poor have to spend as a percentage of their total income to access basic services. Qualitatively, the paper will look into the quality of service offered, in terms of access and availability.

Second: To compare the premiums found with those found in *Sanjay Colony* and in *Dharavi*. This will provide a basis for comparing legal and illegal colonies, especially if income levels in both are found to be roughly similar.

Third: To contrast those premiums on the grounds of legalization of the land and property.

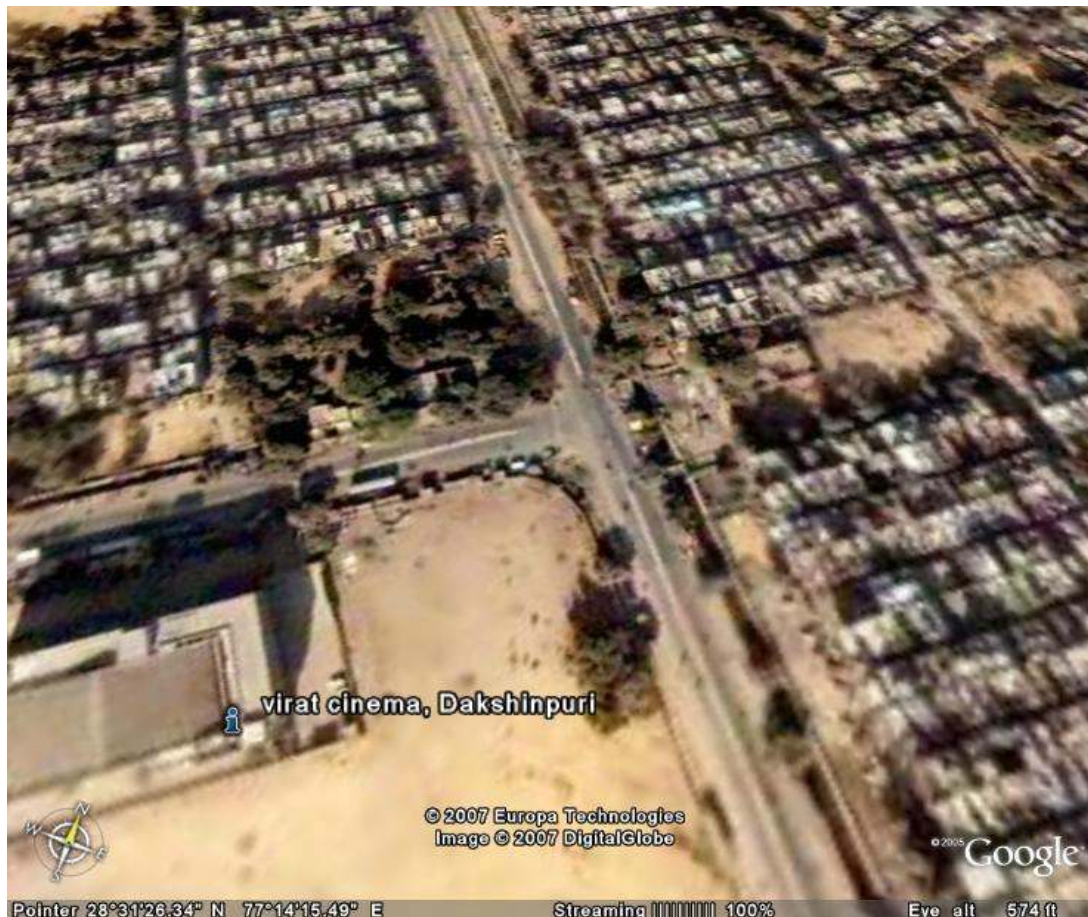
## **Methodology:**

### **Phase 1: Observational Study:**

The first step of the project was to identify a suitable colony to research into premiums. After rejecting two other colonies on the basis of their small size and lack of alternative market providers, on the suggestion of my research guide I looked into *Dakshinpuri*.

In the first phase of the primary research for the paper, an observational study of the services and provisions of the colony was conducted. Important areas in the colony

were identified, and interviews taken with the local police station, State Bank of India branch and the community centre were used to confirm the size, economic distribution and service providers in the region. Additionally, a few days were taken in walking around the area and mapping it out effectively, to get a good idea of where to sample from, and how to take the sample. Given the nature of the colony, there were no organised maps available on the area, and the densely populated region didn't show up exceptionally clearly on "Google Earth".



## Phase 2: Sampling

A sample size of two hundred households was selected as sufficiently large to test for all households. As interviews with both the Deputy Manager of SBI (name withheld) and the Reader of the SHO at the *Dakshinpuri* Police Station confirmed that there were no inequalities across blocks, i.e. the income levels in each block were more or less the



same, 10 blocks at random were identified to be sampled. Preliminary surveying confirmed that there existed income ranges within each block, where family income ranged from Rs 1500 per month for poorer and smaller single earning member households, to Rs 20,000 for large joint family households. These joint family households often also had additional members on a temporary basis, as family members from villages often stayed in the houses when taking part in temporary labour during agricultural lean seasons.

### **Phase 3: Surveying**

Once the sample for each block was identified, households as per the sample were surveyed. The survey pattern selected was by interview, where the interviewer to the interviewee, to avoid language and translational difficulties, as well as misunderstandings while conducting the survey, explained each question and its context. For instance, when respondents were asked whether or not they had ever taken a loan, it was initially assumed to be a loan from a bank or financial institution, so the presence of a surveyor was necessary to fully explain the nature of the question. Some limitations of course existed given this sampling methodology. While more accurate, it was also sometimes more difficult to obtain private information such as family incomes and details about financial status and debt conditions.

### **Phase 4: Data Compilation and Analysis:**

After the data had been collected, relevant findings were identified and analysed. The purpose of the analysis was to find whether any quantitative premiums exist, as well as to provide interesting information and analyses on qualitative premiums that were found, if any.

### **Service Basket: An introduction to the basic services discussed**

This paper looks into five basic services inside of *Dakshinpuri*.

### **Electricity:**

Electricity is the most basic urban service provision. Houses rely on electricity for all their activities, including pumping and storing water, and keeping cool in the hot Delhi summer. It is thus an obvious selection for a basic services basket.

Electricity was provided to residents by installed meters by BSES (*Brihanmumbai Suburban Electrical Supply*). Billing was bi-monthly and while each household was billed separately according to its meter, residents often did not know the number of units they consumed out of either ignorance or inability to read the bills provided by BSES.

### **Water:**

Water again is an obviously essential basic service, the provision of which is essential for any household.

The *Delhi Jal Board* provided water through taps or bore wells throughout *Dakshinpuri*. Water ran for an average of one and a half hours a day for the colony, and residents often used motors to pump water to their tanks. Water quality was potable and usually safe, however lack of repairs of pipes in some streets had led to the water being contaminated or muddy. Water was supplied on the basis of a bi-monthly fee supposedly fixed at Rs 160 for two months. However, no standard rate could be found even inside a street of a block, with residents paying vastly different amounts ranging from Rs 40 a month to Rs 500 a month for each household.

### **Education:**

With the fundamental right to an education provided to each citizen, school education becomes an essential basic service for any household with children. While government schools existed in the area, as soon as income levels reached above Rs 5000, households with school going children invariably sent their children to a private, preferably recognized school. Even among the poor, many sent their younger children to private unrecognized primary schools which had mushroomed in many of the back-alleys of the colony, even though many were wary of doing so as it reduced their chance of admission to a Government school at a later date.

## **Healthcare:**

Healthcare has been split into major and minor care.

For major care, residents inevitably went to either AIIMS or Safdarjung Hospital, with private hospitals out of the financial reach of the poor and no government or government aided hospital nearby. A hospital trip usually lasted a minimum of a day, as waiting to see a doctor was a lengthy procedure. For minor healthcare, local practitioners with dubious qualifications abounded, who charged between Rs 15-50 for consultations and prescriptions for medicines. The more affluent of residents visited the few MBBS qualified doctors in the area, where a consultation cost at least Rs 50. Medicines were almost always procured from private chemists, as government hospitals and dispensaries seldom provided or stocked medicine.

## **Finance:**

With low incomes, accessing both banking and loan facilities is difficult for the poor. A lack of financial education because of a lack of education also hinders people from accessing available sources.

There was a local branch of the State Bank of India, which had 30,000 accounts in the region, accounting for maybe 1/4<sup>th</sup> of the residents. Most people still did not believe in banking, and were scared of taking loans because they feared high interest rates. Moreover, an adequate micro-credit system did not exist to cater to small-scale loans.

## **Demographic Trends in *Dakshinpuri***

Before embarking on the analyses of premiums found in *Dakshinpuri*, it would be relevant to answer a few key questions about the demographics.

*Dakshinpuri* has 31 blocks, numbered blocks from 1-20 and lettered (A, B, C) from A through L. Each block on an average has 400-450 separate houses; the larger ones such as K Block having up to 700 while some smaller blocks such as 4 Block having only around 250 houses. Each house being at least 2 storeys of height, and has 6.31

residents, with an average of 1.69 working members per household. These figures however need to be taken with a pinch of salt, as many of the households are joint families and many also have non-permanent residents from their native village.

### **Household Incomes and Poverty:**

*Dakshinpuri* presents a surprise in contrasts. There is little variety between blocks in terms of monthly income and family sizes as no one block is richer or poorer, however inside of each block there exists a dramatic range of incomes, covering the poorest sections, with a per capita income ranging from a mere Rs 300 per month to a much healthier Rs 6600 a month.

This made sampling easier, as there was no need to pick blocks by income distribution, as each block gave similar results in terms of average monthly income and average population density.

From the results of the survey, the average monthly household income for the *Dakshinpuri* area was found to be Rs 6900, although the median was found to be Rs 6000, the disparity between the two can be accounted for by the presence of high monthly income outliers.

Given the larger family sizes and the number of joint family households in the survey, per capita figures for monthly income are more meaningful. Average per capita monthly income in *Dakshinpuri* was found to be Rs 1300, only 28% of the average per capita income of Delhi, Rs 4498<sup>1</sup>. The average per capita income across blocks is roughly the same, ranging from Rs 1400-1100

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<sup>1</sup>Data from the 'Economic Survey of Delhi', year 2005-06. The figures are for the year 2004-05 and had projected growth rates of per capita income for Delhi at 8.9%. Given that growth rate, the per capita monthly income today should be close to Rs 5300 per month, and *Dakshinpuri's* income is 28% of the city's average.

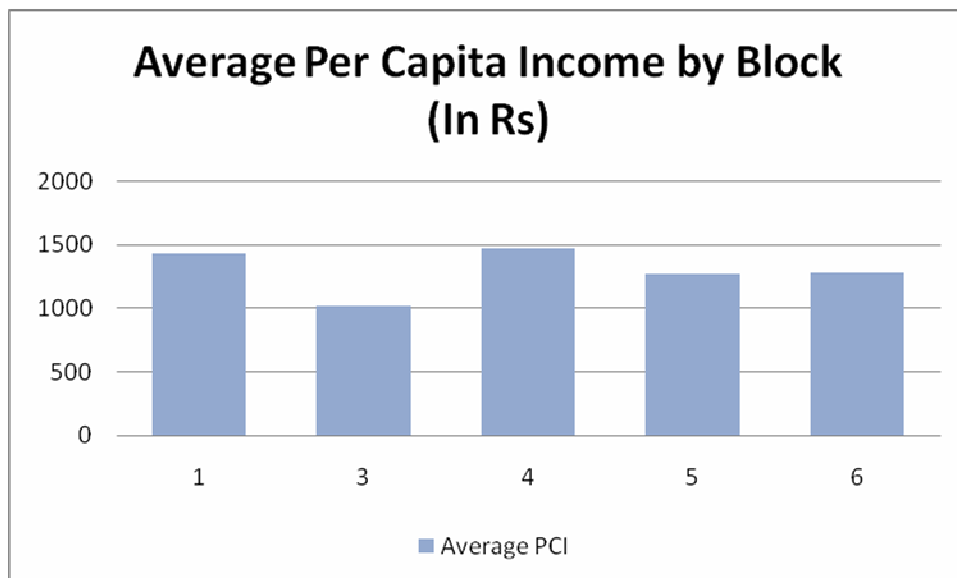


Figure 1: Average Per Capita Income by Block

As can be seen, the per capita income doesn't vary greatly between blocks, thus pointing to very homogenous colony vis-à-vis income distributions. The higher values for block 1 and 4 can be accounted by the fact that these blocks are smaller than the rest, and thus the sample size for these blocks was smaller, thus leading to a large influence of outliers on the average data figures for these blocks.

By any objective standard, this puts residents of *Dakshinpuri* amongst the poorer of Delhi's citizens. The first condition for the presence of a poverty premium, namely poverty, is thus satisfied. For the hypothesis to hold now, a premium must be observed.

We now take a look at each one of our discussed services in turn.

### Electricity

Electricity as previously discussed is one of the most basic services available to any urban area. Electricity is provided by and large by the *BSES Rajdhani Transco.*, a subsidiary of the Reliance ADAG group, who provide power to the majority of South Delhi. Houses receiving electricity have their individual meters, which are checked by collectors hired by BSES. Residents pay as per the regular billable charges for electricity in Delhi region, and receive no subsidy for their income level. Electricity is thus by

percentage one of the highest elements of a house’s monthly income, and is frequently the reason for low-income households needing to take short-term loans to pay off overdue bills. Most residents do not read their meter, due to ignorance and lack of education, and as a result rely on the collectors to both read and check the meter, and to confirm the bill amount, in cases of tampering. However, the ease and availability of provided electricity results in minimal stealing and only few households take power through private generation/contractors with power generators.

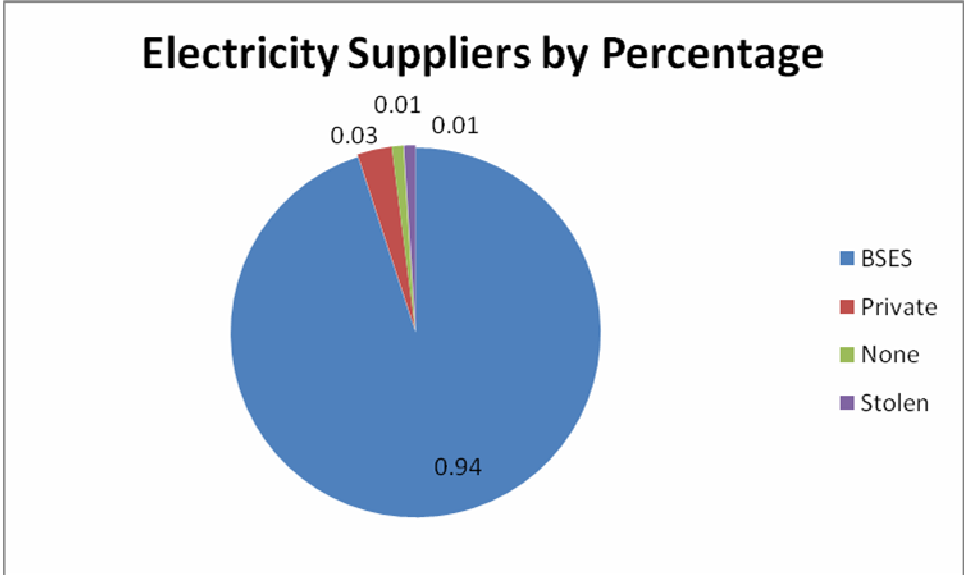


Figure 2: Electricity Provision in Dakshinpuri by Percentage

As is clearly evident, 94% of surveyed residents were supplied metered electricity through BSES. The average monthly bill was high, Rs 971.73 for each household each month, calculated as the bill was bimonthly. Electricity bills were one of the largest components of each household’s budget, and were especially high in the summer months, as the heat made it almost essential to run a cooler and fan all day long.

Table 1: Monthly Bill for Residents

Residents	Average Monthly Bill
Total Sample (200 households)	Rs 971
Read the bill and check the meter	Rs 668

Don't read the bill or check the meter	Rs 979
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Of all residents, a large 84% claimed that they never read the bill or checked the meter, unless the bill amount was unreasonably high. However, this result might be slightly skewed, as most residents surveyed were housewives, who seldom had an accurate gauge of the expenditure.

Interestingly, households who reported that they checked and read the meter themselves and didn't just leave it to the collector reported significantly lower monthly electricity bills. Two explanations come to mind. First, households, which take care to read their bill and track their expenditure are more careful with their electricity usage, and conserve on the same. Secondly, houses that double check are less likely to be cheated by the collector, who has an incentive to add a little extra to the bill as long as people do not check. Indeed, a common complaint inside of the colony was the high electricity bills, which were sometimes too high to be able to pay off.

### **Premiums on electricity bills:**

As a majority of the sample surveyed did not read or check their meter, there existed a great ignorance about the unit rate for electricity. As a result of this, very few households could provide even an estimate on their monthly usage, and only two households could provide the per unit electricity rate. House 5/218, which had electricity supplied to it through a Private (most likely stolen) provider at Rs 4/unit. This house had not got a BSES power connection because their meter had been cut off due to non-payment of bills. As perverse as it sounds, the house had to switch to a higher cost supplier to obtain electricity because they could not pay their regular bills. House 3/386 provided the BSES meter rate for the area, which was confirmed with the regular city rate at Rs 2.80/unit<sup>2</sup>. Additionally, the houses that did report to know their monthly

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<sup>2</sup> The given rate, Rs 2.80 is the residential property meter rate for *BSES Rajdhani* in Delhi. The commercial rate in Delhi is Rs 5 per unit. Incidentally, the commercial unit rates for electricity in India are amongst the highest in the world, largely due to the large amounts of electricity subsidies given to sectors such as agriculture.

consumption and checked their meters all gave bill amounts that were consistent with their consumed number of units, confirming that no premium existed.

A percentage premium, however, still existed for residents in *Dakshinpuri*. Given the high cost of electricity in Delhi, the residents had to pay a large portion of their monthly income, an average of 17% of their income for all surveyed residents, who reported their monthly expenditure and monthly income. Given that electricity is free for a large proportion of rural India, or heavily subsidized, it seems strange and criminal that residents must otherwise pay a large percentage of their income for accessing so basic a service.

In addition, a qualitative premium is also attached. *Dakshinpuri* was an area that BSES had earmarked for constant load shedding, and residents reported that there were regular power cuts between 4-5 hours each day. My experiences in *Dakshinpuri* can confirm this, as the electricity would go for two hours from ten in the morning to twelve noon, and then again for 2-3 hours in the late afternoon.

However, load shedding as a qualitative premium on accessing electricity is by no means limited to the poor, as several high income colonies, including Saket, a very posh area in South Delhi and *Sainik Farms*, another posh locality suffer similar power cuts of duration as long as *Dakshinpuri*.

### **Water:**

Water provides one of the more interesting success stories in *Dakshinpuri*, and one of the greater stories of contrast. Comparing with a detailed study of water access and supply in *Sanjay Colony* in 2006 one would expect to find multiple sources of water supply and a qualitative and quantitative premium on the water provided to residents. Indeed, in preliminary fieldwork, three of four separate private water supply tankers were found in the area, as were two or three bore wells. What was surprising then was the extent of provision of legally supplied Corporation Water.



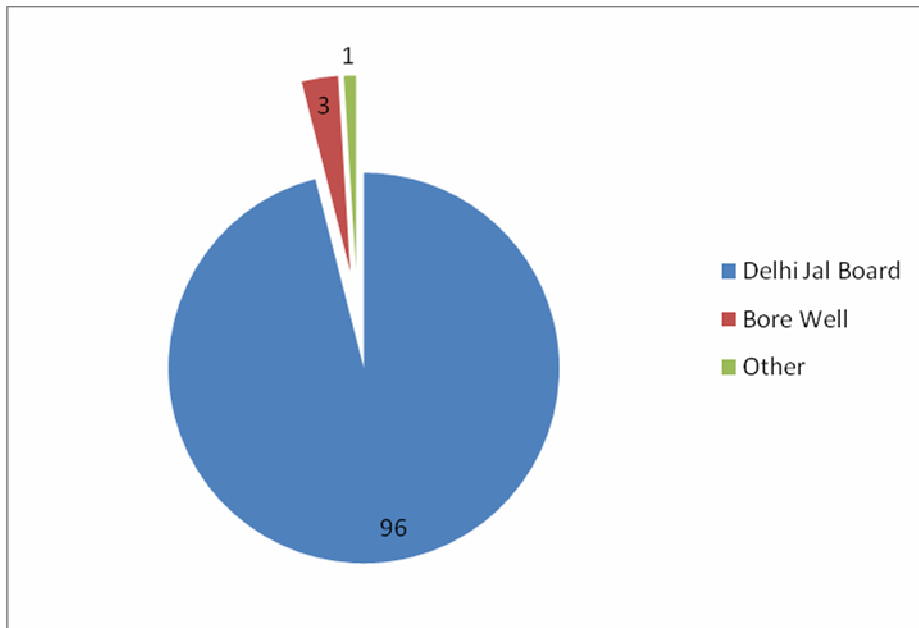


Figure 3: Water Distribution by Supplier

### Delhi Jal Board

As can be seen above, Water supply however remained as good or as bad for residents as it is for most of Delhi. Supply was erratic, and water usually came for 2 hours every day. However, water was clean and potable (I can attest to this having had several glasses of water while visiting households, in the hot summer sun, people were eager to quench your thirst), and residents were happy with the supply, which was daily, and seldom absent. A common complaint was of repairs to pipelines in the areas, which had made water supply erratic in the month before the survey, however the problem had been resolved and residents were more than happy with their water supply.

### Premiums on Delhi Jal Board Water Supply

Water supply is perhaps the most interesting of the basic services followed, as it actually fails to show a premium on access, and even shows a discount when it came to accessing this service. Residents paid a fixed rate every two months to access water supply, and all residents had access to water supply. The average monthly bill for each resident was Rs 120, whereas the standard rate for the colony was supposedly fixed at

Rs 160 for ever two months, or Rs 80 a month. This disparity could not be accounted for. Even though there existed a stated rate by DJB, some residents insisted they were paying a higher rate, of either 115 a month or up to Rs 300 a month. On anecdotal evidence obtained from talking to residents about the rate disparity, it was discovered that households had to pay a fee for non-payment or late payment of bills that often increased the bill amount. This could account for residents overstating their bill, and one assumes that the rate for the colony rests at Rs 80 for month. As none of the houses surveyed had water meters, and there existed no water meters in *Dakshinpuri*, this flat rate is completely independent of usage. The regular DJB Tariff applicable for the Delhi region is given below as follows. This tariff was obtained from the Delhi Jal Board online website, and crosschecked with metered water bills.

Table 2: DJB Tariff applicable w.e.f 01.04.2005

Consumption (Kilolitre)	Rs per KL
Up to 6	0.00
7-20	2.00
21-30	7.00
Above 30	10.00

Note: The bill is to be calculated as follows

$$P = M + 1.5BX$$

M=Minimum Service Charges

B=Block Tariff Rates

X=Unit consumption in KL

Along with this, a fixed connection charge of Rs 40 is charged per line. Sanitation charges are separate, but outside the scope of this discussion.

As the residents did not have metered supply, it was difficult to obtain information about their usage patterns. However, most households owned a water tank, which they

filled daily with the day's water supply. These tanks were usually 200-300L in terms of capacity, so we assume an average of 250L. This results in monthly consumption of 30X 0.25KL, or 7.5 KL per month. Plugging this value into the DJB provided formula for calculating water bills; it should result in a monthly bill of Rs 85, which is roughly equal to the fixed charges paid by each resident. For usage greater than 250L a month for each household, there is actually a discount on water supply, as *per unit costs* do not exist for the residents of *Dakshinpuri*. However, given the erratic nature of the water supply, and the fact that water does not run in taps for more than 2 hours daily, it is difficult to use beyond the 250L, given each household. Also, for the average family size of the colony, it nearly meets the United Nations Population fund's Basic Daily Water Requirement of 50L per capita. (A 250L tank divided by 6.31, the average family)

Thus, there is little or no premium seen in terms of water supply for the colony. Qualitatively as well, residents were happy with the supply and quality of water, and no real premium above and beyond what was required was seen. Indeed, paid access provided by Delhi Jal Board had both resulted in a happy situation for residents as well as regular usage fees, ensuring revenues for maintenance and reduced water theft in the locality.

Again, one can conclude that legal access and provision of services even to the poor results in benefits for both supplier and consumer, and a reduced or in this case, no premium paid on basic access. Additionally, the pricing structure in *Dakshinpuri* is an accurate gauge of the usage patterns of the colony, so even while meters have not been installed (the installation of which is often counterproductive as the necessary investment doesn't yield benefits over and above the cost), the DJB still doesn't see a major loss in terms of water provision in the colony. Such a scheme could well be encouraged and propagated in other unauthorized or illegal slum colonies inside of Delhi, thus empowering both consumer and supplier.

However, the availability of access to water is not the only thing determining a lack of premiums. The ease of access also affects premiums, as residents in poor and rich

colonies alike must seek out private and more expensive solutions to water needs when the DJB supply is inadequate.

**The wonder that is the Sonia Vihar Water Treatment Plant!**

The 140 MGD Sonia Vihar water treatment plant has provided relief to much of parched South and East Delhi. In 2006, much of South Delhi went days without water supply from taps, and had to rely on DJB tankers or other private sources, leading to a time consuming premium on both acquiring and storing water. Tankers only came at certain times of the day, so if a family did not have a free member at the time, private tankers often had to be purchased by a group of people at a cost of about 500-600 per tanker. This led to both an unnecessary expenditure, as well as a waste of time for working members of the house, as one had to queue up to receive free water from the DJB tanker. Tankers came at their own time, and there was a large amount of water wasted, as water flowed out onto the street from the open tap of the tanker.

Post Sonia Vihar, *Dakshinpuri* has had no complaints of water this summer. Water is present every day, something that almost seems like a luxury to the residents of the colony, and runs from 1-4 hours in taps every day. Sonia Vihar has benefited not just the middle class colonies of South Delhi, but everyone across the board. It proves how infrastructure is a greater tool in alleviating poverty of access than subsidies and loans provided to the marginalized.

**Healthcare:**

Healthcare remains a mixed bag affair inside of *Dakshinpuri*. Before analyzing the situation in depth, we must first define what we interpret as a premium on Healthcare. First, we divide healthcare into two main fronts, consultation and cost of medication. As treatments vary across illnesses, and thus expenses on healthcare vary, a discussion on the total cost of healthcare as a premium is irrelevant to determining a premium. What then is relevant is whether or not basic healthcare services, which are provided at subsidized rates to the poor in the city, are available, and whether or not they are accessed adequately, and at the desired price. Obviously, a discussion of poverty premiums becomes irrelevant if we try to compare free government healthcare to healthcare provided by private hospitals in the city.

**Cost of Consultation:**

The first medical stop for residents is at a local clinic for their primary check up. Surveyed residents have a myriad of options, as over ten polyclinics and MBBS qualified doctors have general practices inside of the colonies of *Dakshinpuri*. people are satisfied with the quality of healthcare provided at the basic level, and consultations are inexpensive, and usually come with provided medication.

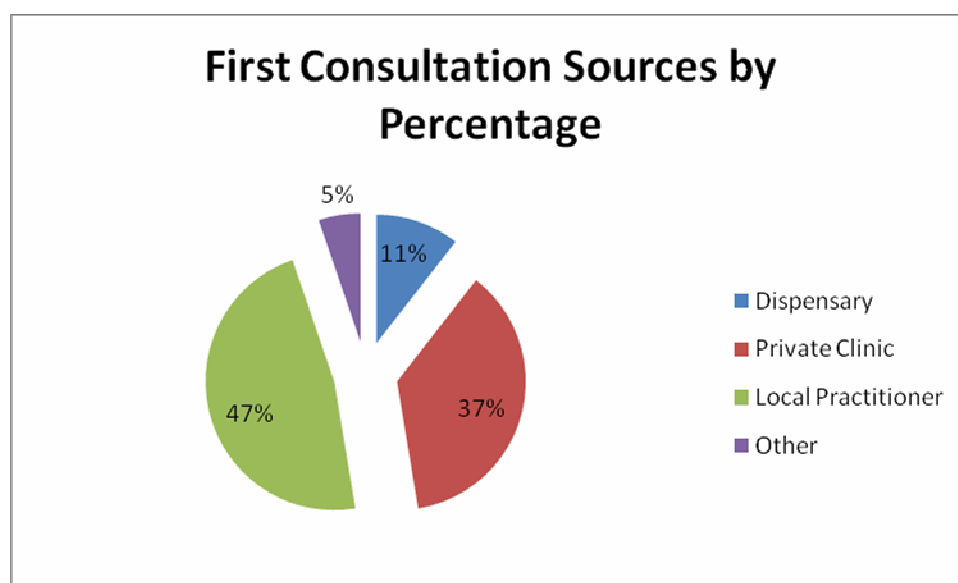


Figure 4: First Consultation Sources by Percentage

As can be seen, most residents visit local practitioners, that is, medical practitioners with less than an MBBS qualification, *vaids, hakeems (those practising ancient medicine in India)* and quacks for the first check up or diagnoses, usually for minor illnesses such as coughs, cold and fever. The treatment they receive for the same is adequate and satisfactory as per survey respondents, and rates are usually competitive. Private Clinics refers to MBBS or higher qualified doctors in the region (Of whom, a one Dr. Mahajan is the most popular!), where most residents go when confronted with more major problems. Consultation costs here are still inexpensive, and do not present a premium. While dispensaries remain the cheapest avenue of treatment, at Rs 2 for a consultation card, it is an unpopular option with most residents, as there is often a rush at the dispensary, and waiting for doctors is cumbersome. A common complaint was that the

dispensaries were overcrowded and doctors there had no time to see patients, and as a result, they were unpopular with residents.

**Table 3: Consultation Costs for various sources**

Source of First Consultation	Consultation Cost in Rs
Dispensary	2.00
Local Practitioner	10-25
Private Clinics	50-100
Other (Don't go, treated at home, etc)	

As can be seen, for first consultations for minor illnesses, no major premium can be seen in *Dakshinpuri*, as there exists a large variety of service providers at low prices.

However, when one looks at treatment for major illnesses and injuries, the picture is less rosy. 100% of residents surveyed went either to All India Institute of Medical Sciences or Safdarjung Hospital for treatment, each of which were 8-9 kilometres away. This resulted in an average travelling cost of Rs 100 per trip, and the opportunity cost of an entire day, as waits inside of either hospital averaged 2-3 hours each. When questioned, most respondents said that there was a lack of alternatives when seeking major medical treatment, as private hospitals closer by were out of their financial reach both in terms of consultation costs and in terms of treatment/bed costs etc. As a result, residents of *Dakshinpuri* had to pay a price premium in terms of transportation, and the hidden opportunity cost of an entire day as no Government provided General Hospital existed in the vicinity. Indeed, most of Delhi is served by AIIMS and Safdarjung Hospital, as no other major general hospital exists in the city. While consultations are free in both hospitals, a lot of time is wasted due to overcrowding stemming from the large absence of alternatives.

## Solutions to Premiums on Hospital Care

Overcrowded hospitals are bad for both the hospital and patients. Given that there now exist many private alternatives nearby, such as Max, Devki Devi Hospital and Batra Hospital, the government should move towards subsidizing healthcare for poor citizens rather than subsidizing the hospital itself. A system of redeemable healthcare cards would cut costs and government hospitals, and shift traffic out to private hospitals, who could later recover the consultation cost from the authority providing the voucher, or take on the cases on a voluntary basis. Indeed, a large number of hospitals have agreed to take on 25% cases free of cost in exchange for largely subsidized land allotted to them by the government, but this policy has yet to be enforced by the government.

## Premiums on Cost of Medication

Medication was available to residents of *Dakshinpuri* either through private chemists open in the area, or through the two Government Dispensaries in the locality.

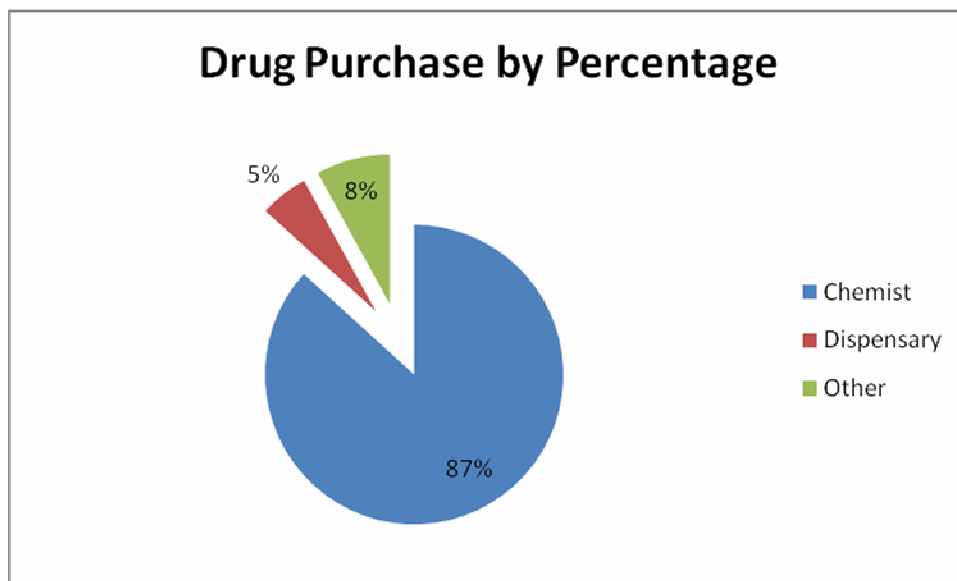


Figure 5: Drug Purchase by Percentage

As is evident, a large proportion of residents purchase drugs at Private Chemists, even though dispensaries are available in the vicinity, within 2 kilometres of most colonies of

*Dakshinpuri*. The reason most commonly ascribed by residents for not availing of dispensaries to purchase medicine is their unavailability and the long queues at the dispensary. While most residents are aware that drugs can be purchased at a subsidized cost, they are unwilling to make the effort to go, as it is both time consuming and usually a fruitless exercise, as medicines other than *paracetamol* and other generic drugs are simply unavailable.

Other residents complained that dispensaries were time consuming, and treatment and medicines was usually only provided to “people in the know”.

#### The AIIMS Mobile Treatment Van

AIIMS sends a mobile treatment Van twice every week to *Dakshinpuri*, providing free treatment and consultation to residents. When surveyed, most residents in blocks 3,4,5 and 6 used the Van services, while residents of K and J block did not, as it was inconvenient to travel to *Virat Cinema* and the State Bank of India, the two main stops of the service. Residents mainly used the Van for checking up minor problems such as boils, sprains and bruises and fevers. Women also often used the vans for free immunization of their children, and one newly married woman I met claimed to receive free contraceptives from the Van. While the service is admirable, it is limited in the number of people it can reach. The model for the Van is however effective, and should be expanded in scale and scope. This could drastically reduce pressure and load on government hospitals.

While the poor still do not have access to subsidized healthcare, at least no more than in name, one cannot put a premium on it, as they pay just as much as the average citizen for consultation and expenses on medication. A large network of doctors inside of *Dakshinpuri* providing initial consultation at low prices ensures that residents have a cheap alternative to the non-functioning government dispensaries. Medical costs however remain a burden on the poor, both in terms of opportunity cost and cost of medication, as there is still no working solution to providing cheap medication for the financially challenged.



## Finance:

Banking has made its way to the colony of *Dakshinpuri*. A State Bank of India Branch proudly boasts of over 30,000 separate accounts in the region, accounting for a possible one fourth of residents.

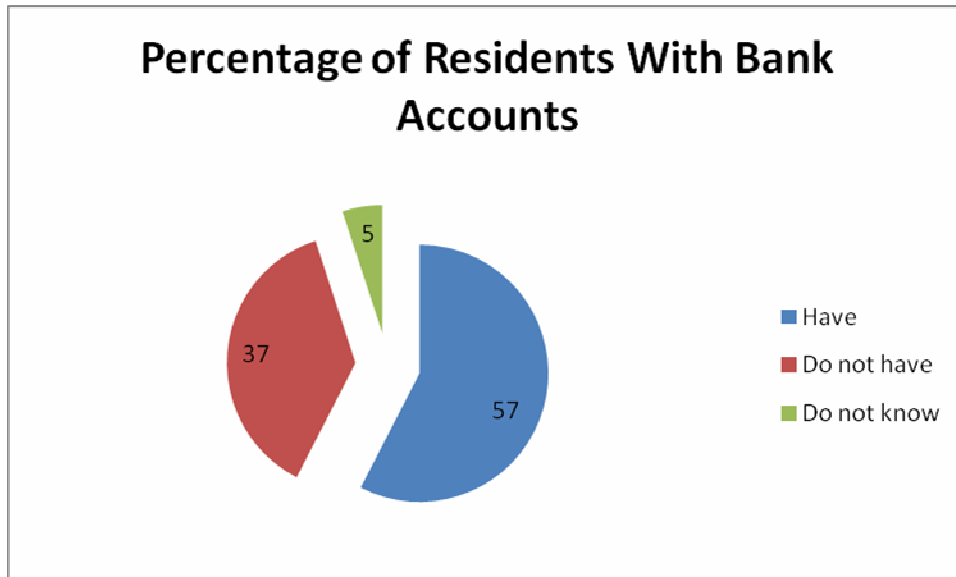


Figure 6: Percentage of Residents with Bank Accounts

As per the survey, 57% of surveyed households had at least one bank account, if not more. Of residents with bank accounts, the majority had accounts with State Bank of India, though some had accounts with other private banks such as Punjab National Bank and ICICI. Having a bank account strongly correlated with the salaried status of employees which shows that the informal sector still is outside the purview of organised savings. Most people surveyed with bank accounts however usually kept them as a method to transfer their salary, which was usually paid by cheque, and did not use it as a mechanism for long-term savings. This is because residents often did not have sufficient monthly income to save, and lived from hand to mouth, vis-à-vis their expenditures.

## Credit Options in *Dakshinpuri*

*Dakshinpuri* seemed to contain a myriad of credit options, ranging from family and friends and local small-time moneylenders, to organised financial loan services from State Bank of India, Citifinance and GE Money, all of whom had outlets inside of *Dakshinpuri*. However, awareness of the same was low, and people surveyed showed a remarkable disinclination towards taking any kind of loans, for fear of non-payment and high interest rates.

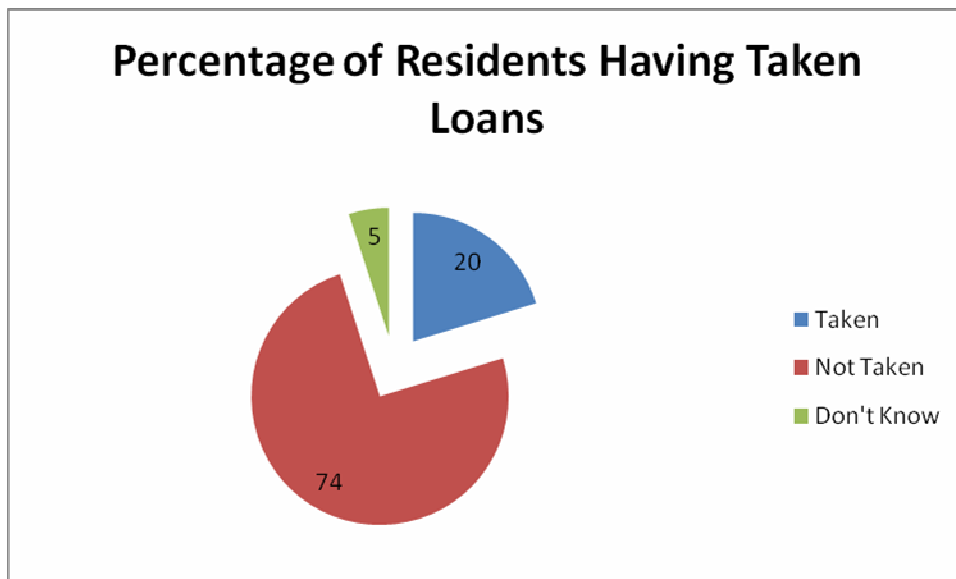


Figure 7: Percentage of Residents Having Taken Loans

Only 20% of surveyed residents claimed to have taken a loan in the recent past. A strange phenomenon was that of the residents taking loans, they either belonged to the higher income bracket inside of *Dakshinpuri*, or the lowest bracket. Those in the higher bracket could afford the down payment and regular interest needed to pay off the loans, and usually borrowed from formal institutions. The lowest income bracket was forced to take loans to pay off regular expenses, such as electricity bills and monthly rent. Given below is a table of credit options availed by residents who had taken loans, and the relevant interest rates.

<b>Credit Source</b>	<b>Usual Loan Amount</b>	<b>Interest Rate per Annum</b>
Bank (SBI)	Rs 50,000-70,000	12%
Citifinance	Rs 50,000	10%
Workplace	Rs 70,000	4%, else deducted from salary
Bank (PNB)	Rs 50,000-70,000	24%
Local Moneylenders	Rs 1000-10,000	30%-120%
Friends/Family	Rs 500-5000	0%-5%

Table 4: Credit Sources and Interest Rates in *Dakshinpuri*

As is clearly obvious, small loans are charged at a much higher interest rate, than larger loans. Larger loans were usually taken for expenses such as the purchase of a motorcycle or wedding expenses, by salaried employees, whereas the smaller loans were almost always taken from local money lenders by the poor who were unable to access organised loan services. Given the base rate of between 10%-12% for most financial institution loans, the poorest of the poor in *Dakshinpuri* pay a premium between 3 times to 10 times the regular interest rate for accessing financial services.

This problem can be solved by the entry into the market of small loan microfinance institutions. This was already happening, and while I was conducting my survey, I met two students who were conducting a similar survey in the area for G1 finance, a small-scale loan institution with plans of setting up shop in *Dakshinpuri*. A market exists for small loans at low interest rates.

What, however is needed more than just institutions is financial education. Most residents when asked whether or not they would ever take a loan said they were scared of paying high interest rates, and never needed nor wanted to take a loan as a result. When questioned further, many did say that they had thought about it, but didn't know where to go; as they felt only salaried employees with some form of collateral could take loans.

As can be seen, for those unfortunate enough to need to take a small loan in *Dakshinpuri*, access to facilities remains poor, and local moneylenders take undue advantage of the fact, charging interest rates of up to 120% per annum.

### ***Education: A Case Study on Consumer Choices***

While education does not fall directly under the ambit of essential urban services, it is essential for the upward mobility of the poor in India. Providing good quality primary education to each citizen is also the mandate of the Government of India, given that the right to an education has been granted the status of a Fundamental Right in the country.

While close to 80% of school going children in *Dakshinpuri* went to government schools for education, surveys with residents confirmed that they were unhappy with the quality of education provided at the primary level. Families with higher income levels sent their children to private or unrecognized primary schools, to prepare them better for their secondary school education, as the Government schools had low teacher turnout and poor facilities. However, parents often could not send their children to private school beyond primary education, as fees for secondary schools in the private sector were high and there were no NGO alternatives such as *Deepalaya* in the locality for students. As a result, secondary education was monopolized by the senior secondary schools and secondary schools run by the Municipal Corporation of Delhi, in a building locally known as "*Kali Building*".

This is an enforced qualitative premium on not just residents of *Dakshinpuri*, but all lower and below middle class citizens of India. The public schooling system is abysmal, and while private alternatives exist for primary classes, few private schools cater to secondary level students at low prices.

## **Conclusions on Premiums on Basic Services**

### **Looking back at the discussion**

#### ***Sainik Farms: A Case Study on Premiums in Illegal Residential Colonies***

Sainik Farms, or Defence Services Enclave is a large unauthorized urban area next to *Dakshinpuri*. Originally meant as agricultural land parcelled off to ex-servicemen, the land was sold off to buyers at plot sizes of 1000 sq yards. Sainik Farms is now an upper class colony, where some of Delhi's wealthiest citizens reside, and plots regularly sell for over Rs 4 crore. All construction in this colony is illegal, as there are building restrictions for agricultural land.

Given that this land was agricultural, the rates for the power and electricity supply were fixed and subsidized for the same, user charges did not develop in this colony. Since the colony itself is illegal and unauthorized, the Municipal Corporation of Delhi has washed its hands clean of the same, and much of the infrastructure in the colony is privately provided.

Most residents of Sainik farms access power through either stealing electricity or through private generation by a community diesel power plant. Water supply is through groundwater, which is now nearly dry. In addition, roads in the colony are poorly maintained and too narrow for large vehicles to ply. As a result, much of the colony is a fire hazard zone, as fire trucks are unable to reach inside. Additionally, there is no provision of public transport or public amenities inside of the colony, such as schools and healthcare provision.

The MCD itself regularly threatens demolition of the colony given its illegal status, and because of the image that it is a "posh" illegal colony, it rarely comes into discussion for regularization. As a result, Sainik Farms is stuck in limbo, where new construction or repairs cannot take place without large bribes to the MCD, and regularization of the construction has also not taken place, to allow for infrastructure development to take place within the colony.

As is clearly evident, the residents of Sainik Farms pay a premium on access for each of the above services discussed. Privately provided electricity is cheaper than the equivalent BSES electricity rates, water is unavailable and no social infrastructure such as schools and hospitals exist in the vicinity. The Legal Status of the colony perverts the incentives for all parties, residents have an incentive to steal electricity and water and flaunt sensible building regulations, resulting in narrow and congested lanes and falling water tables. Government service providers have no incentive or obligation to enter the colony. The political stalemate ensures that neither will the illegal constructions be brought down, nor will the colony be legalized to allow for the provision of basic infrastructure.

Given this case study, it is clearly evident that residents of this illegal colony pay a premium for accessing basic services. However, the residents can hardly be classified as poor, given the large cost of land in Sainik Farms, and the profile of the residents; many of who are prominent politicians, lawyers, journalists and retired judges.

### **Premiums and Legalization**

The premiums paid by residents of Sainik Farms confirm that in most scenarios, legality affects the service premium paid by urban residents. If we look at each one of the services discussed, be it water, electricity, healthcare or education, the quality of access for residents in these colonies is severely restricted by the lack of infrastructure provided to them. This is consistent with studies in *Dharavi* and *Sanjay Colony*, where free access soon became no access, and user charges never applied.