



URBANIZATION AND ECONOMIC DEVELOPMENT - AN EXPLORATORY STUDY

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ABSTRACT

Two decades of rapid economic growth has fundamentally impacted its population and redefined international political, economic and environmental relationships with the world. Indian economy, the third largest economy in the world, in terms of purchasing power, is going to touch new heights in coming years. As predicted by Goldman Sachs, the Global Investment Bank, by 2035 India would be the third largest economy of the world just after US and China. Trade liberalization, financial liberalization, tax reforms and opening up to foreign investments has helped Indian economy to gain momentum. Urbanization in India is increasing at a greater speed with more number of people migrating to towns and cities in search of economic activities. Urbanization is not a side effect of economic development, but it is an integral part of the economic process. In this endeavor an exploratory study is undertaken to identify the impact of sustainable urbanization on economic development and the opportunities and the challenges of urbanization and development of cities.

KEY WORDS-Urbanization, India, World, Cities, Government. Economic Development, Environment.

INTRODUCTION

The world is becoming increasingly urban and urbanization is spreading like a wild fire over the globe. Within the current globalized development scenario, many rapidly growing poor and developing countries are trying desperately to move out of poverty and, ultimately, to imitate the production and consumption patterns of the industrialized world,

while also undergoing rapid urbanization. Cities can indeed be considered as the site in which the main economic, demographic, social and environmental issues of the future will play out. The way these different dimensions are interacting in today's cities has, deservedly, been receiving increased attention. However, what has not received nearly as much

attention is the magnitude of *future* urban growth and its probable ecological implications. World attention is focused primarily on ongoing processes in existing towns and cities. But these represent only the better known half of the equation in the trajectory of urban sustainability.

Economic reforms initiated in India have unleashed investment and growth, offering opportunities for growth and development. Although the Indian economy has been resilient so far, the key issue now is how to sustain this momentum. Turning around its cities and releasing their dynamism will be critical to India's future economic growth. Unlike many countries that are grappling with aging populations and rising dependency ratios, India has a young and rapidly growing population a potential demographic dividend. But India needs thriving cities if that dividend is to pay out. Development of cities could generate employment, contribute to the GDP and drive for fourfold increase in per capita income. Surging growth and employment in cities will prove a powerful magnet for the economic development of the country.

OBJECTIVES OF THE STUDY

1. To assess whether growth of cities contribute for economic development
2. To focus on the challenges and opportunities of urbanization.
3. To focus on the urbanization and quality of life.
4. To highlight the role of government in developing cities.

RESEARCH METHODOLOGY

The study is based on secondary data. The data has been collected from various sources like, newspapers, journals, internet and reports of government and non-governmental publications. The research is analytical and conclusive in nature.

AN INSIGHT ON URBANIZATION AT THE GLOBAL LEVEL

The world urban population is expected to increase by 72 per cent by 2050, from 3.6 billion in 2011 to 6.3 billion in 2050. The sustained increase of the urban population combined with the pronounced deceleration of rural population growth will result

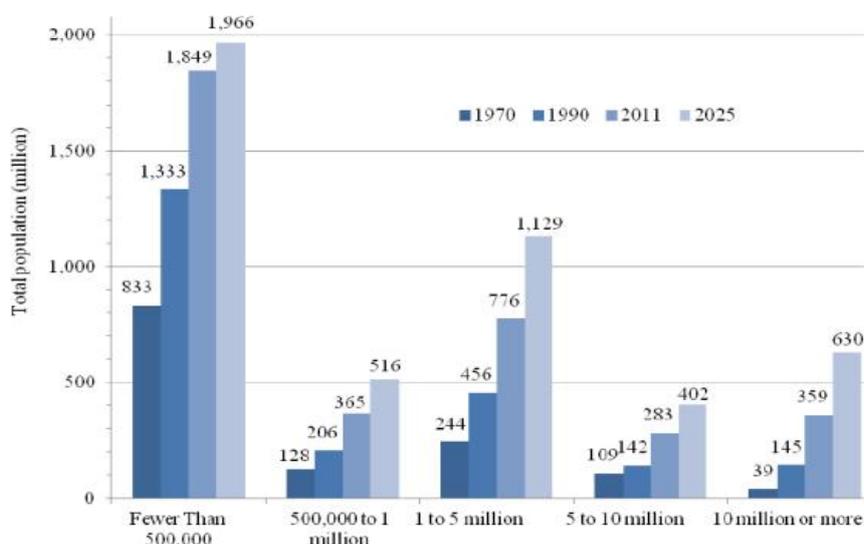
in continued urbanization, that is, in increasing proportions of the population living in urban areas. Globally, the level of urbanization is expected to rise from 52 per cent in 2011 to 67 per cent in 2050. The more developed regions are expected to see their level of urbanization increase from 78 per cent to 86 per cent over the same period. In the less developed regions, the proportion urban will be likely to increase from 47 per cent in 2011 to 64 per cent in 2050. In 2011, the world counted 23 megacities of at least 10 million inhabitants accounting for 9.9 per cent of the world urban population. The number of megacities is projected to increase to 37 in 2025, at which time they are expected to account for 13.6 per cent of the world urban population. Between 1970 and 2011, the number of people living in megacities has been multiplied almost 10 times, passing from 39.5 million to 359.4 million. It is expected that this number will almost double by 2025 and reach 630 million. Today, about 01 person out of 10 living in urban areas resides in a megacity of at least 10 million inhabitants; by 2025, it is expected that about 01 person out of 7-8 living in urban areas will live in a megacity. In relation to the overall population of the world, the share of megacities was 5.2 per cent in 2011, implying that just about one in every twenty people on Earth live in megacities. By 2025, the population living in megacities is expected to reach almost 8 per cent of the overall world population. One out of 13 people will then reside in a megacity. Tokyo, the next largest urban agglomerations are Delhi in India with 23 million inhabitants, Mexico City in Mexico, New York-Newark in the United States of America, Shanghai in China, São Paulo in Brazil and Bombay in India, each with about 20 million inhabitants. The smallest megacities are located in Africa and Europe. In 2025, Tokyo is projected to remain the world's most populous urban agglomeration, with almost 39 million inhabitants, although its population will scarcely increase. It will be followed by Delhi in India with 33 million inhabitants and Shanghai in China with 28.4 million inhabitants. Mumbai in India would come next, with almost 27 million inhabitants. All three cities are expecting important population gains following table high lights the density of urban and rural population in developed regions of the world.

Table 1 -Urban and Rural Population in Development Regions 1950-2050

Development group	Population (billion)					Average annual rate of change (percentage)			
	1950	1970	2011	2030	2050	1950-1970	1970-2011	2011-2030	2030-2050
Total population									
world	2.53	3.70	6.97	8.32	9.31	1.89	1.55	0.93	0.56
More developed regions	0.81	1.01	1.24	1.30	1.31	1.08	0.51	0.23	0.06
Less developed regions	1.72	2.69	5.73	7.03	7.99	2.23	1.85	1.07	0.65
Urban population									
World	0.75	1.35	3.63	4.98	6.25	2.98	2.41	1.66	1.13
More developed regions	0.44	0.67	0.96	1.06	1.13	2.09	0.89	0.52	0.29
Less developed regions	0.30	0.68	2.67	3.92	5.12	4.04	3.33	2.02	1.34
Rural population									
World	1.79	2.34	3.34	3.34	3.05	1.36	0.87	-0.01	-0.44
More developed regions	0.37	0.34	0.28	0.23	0.18	-0.48	-0.48	-0.92	-1.14
Less developed regions	2.01	2.01	3.07	3.11	2.87	1.74	1.03	0.07	-0.40

Source United Nations Department of Economic and Social Affairs/World Urbanization Prospects: The 2011 Revision

Figure 1-Total population in Cities of the World



Source United Nations Department of Economic and Social Affairs

AN OVERVIEW ON URBANIZATION IN INDIA

Economic growth and urbanization have moved hand in hand. India already has one of the largest urban populations in the world with the residents of India's cities reflecting the country's diversity. Since 1931, the proportion of India that lives in cities has grown gradually. However, in the past decade the story has really started to change, with urbanization ticking upward in line with economic growth. More Indians now live in cities than ever before an urban population that is the second largest in the world. India's urban population grew from the 290 million reported in the 2001 Census to an estimated 340 million in 2008, representing nearly 30 percent of India's total population. The population of today's Indian cities is a microcosm of the nation as a whole a rich mix of communities, cultures, professions, and income classes from the most deprived sections of society to a middle-

class majority that is at the heart of India's social and economic transformation.

In 2001, India's urban population, living in approximately 5,200 urban agglomerations, was about 285 million. It has increased to almost 380 million in 2011. Projections are that by 2030, out of a total population of 1.4 billion, over 600 million people may be living in urban areas. The process of urbanization is a natural process associated with growth. It is well known that agglomeration and densification of economic activities (and habitations) in urban conglomerations stimulates economic efficiencies and provides more opportunities for earning livelihoods. Possibilities for entrepreneurship and employment increase when urban concentration takes place, in contrast to the dispersed and less diverse economic possibilities in rural areas. This enables faster inclusion of more people in the growth process and is therefore more inclusive. An interesting aspect of the

urbanization trend revealed by the Census is that the number of towns in India increased from 5,161 in 2001 to as many as 7,935 in 2011. It points out that almost all of this increase reflects the growth of 'census' towns (which increased by 2,532) rather than 'statutory' towns (which increased by only 242). 'Statutory' towns are towns with municipalities or corporations whereas 'census' towns are agglomerations that grow in rural and peri-urban areas, with densification of populations, that do not have an urban governance structure or requisite urban infrastructure of sanitation, roads, etc. As more Indians will inevitably live within urbanized conglomerations, with densification of villages, sprouting of peri-urban centres around large towns, and also migration of people into towns, the quality of their lives and livelihoods will be affected by the infrastructure of India's urban conglomerations. The infrastructure of India's present towns is very poor. Sewage, water, sanitation, roads and housing are woefully inadequate for their inhabitants. The worst affected are the poor in the towns. As more urban conglomerations form and grow without adequate infrastructure, the problems will only become worse. Therefore, India's urban agenda must get much more attention to meet the challenges of urbanization.

URBANIZATION AND ECONOMIC DEVELOPMENT

Urbanization is the rapid growth of population in the urban areas and economic activities which bring about more development of towns. Migration from rural to urban areas is an important factor for urbanization. Usually, there are better facilities for health, education, employment and higher standard of living in the urban areas in comparison with rural areas and this is another impact in the urbanization. Census 2011 indicates that the total population of the state is 10, 91,014. Out of this total population, 5, 61,977 people are living in the urban areas which are 51.51% of the total population of the state. The decadal growth rate of urban population is 27.43% for the decade 2001-2011. In India, the percentage of urban population to the total population in Census 2011 is 31.16 which increased by 3.35% from 27.81% (Census 2001).

Urbanization accompanies economic development because economic development entails a massive shift of labor and other inputs from sectors that are predominantly rural to sectors that are predominantly urban. Although the migration of people from rural to urban residences

and jobs is an important accompaniment of urbanization, the sectoral, not the locational, change is the crucial phenomenon. Between 2011 and 2050, the world population is expected to increase by 2.3 billion, passing from 7.0 billion to 9.3 billion (United Nations, 2011). At the same time, the population living in urban areas is projected to gain 2.6 billion, passing from 3.6 billion in 2011 to 6.3 billion 2050. Thus, the urban areas of the world are expected to absorb all the population growth expected over the next four decades while at the same time drawing in some of the rural population. As a result, the world rural population is projected to start decreasing in about a decade and there will likely be 0.3 billion fewer rural inhabitants in 2050 than today. Furthermore, most of the population growth expected in urban areas will be concentrated in the cities and towns of the less developed regions. Asia, in particular, is projected to see its urban population increase by 1.4 billion, Africa by 0.9 billion, and Latin America and the Caribbean by 0.2 billion. Population growth is therefore becoming largely an urban phenomenon concentrated in the developing world.

URBANIZATION – CHALLENGE AND OPPORTUNITY

- ☛ Expansion of urban India is the platform for industrial and modern service sector growth and the creation of greatly improved income opportunities for the youth of this country. In order to realize the opportunities that urbanization offers and to successfully resolve its accompanying challenges, a combination of several initiatives is needed.
- ☛ Step up investment in new urban infrastructure assets and maintenance of assets. It is estimated that a total of about Rs. 40 lakh crore (2009-10 prices) as capital expenditure and another about Rs. 20 lakh crore for operation and maintenance (O&M) expenditure for the new and old assets will be required over the next 20 years.
- ☛ Strengthen urban governance. A unified and effective administrative framework is necessary in urban areas with clear accountability to citizens.
- ☛ Strengthen the 'soft infrastructure' simultaneously with the building of the hard infrastructure. Therefore, along with the strengthening of governance structures, the enormous weakness in the capacity of human

and organizational resources to deal with the challenges posed by the sector must be addressed. Efforts must be made to redress this situation in collaboration with State Governments, ULBs as well as private sector.

☞ Give adequate emphasis to long term strategic urban planning to ensure that India's urban management agenda is not limited to 'renewal' of cities. It must also anticipate and plan for emergence and growth of new cities along with expansion of economic activities. The urban planning exercise, therefore, has to be situated not only in the specific context of municipal limits but also encompass the overall regional planning perspective.

☞ Address the basic needs of the urban poor who are largely employed in the informal sector and suffer from multiple deprivations and vulnerabilities that include lack of access to basic amenities such as water supply, sanitation, health care, education, social security and decent housing.

☞ Ensure environmental sustainability of urban development. As this is a complex process, which requires co-ordinated action on different facets of urban development; the strategy would require creation of an institutional mechanism for convergent decision-making so that cities become environmentally sustainable. Such an approach would be in line with the objectives of the National Mission on Sustainable Habitats which seeks to make cities sustainable through improvements in energy efficient buildings, management of solid waste and a shift to public transport.

OPPORTUNITIES OF URBANIZATION BY 2030

- ☞ The GDP of the country would multiply 5 times by 2030.
- ☞ 590 million people will live in cities, nearly twice the population of the United States today.
- ☞ 270 million people net increase in working-age population.
- ☞ 70 percent of net new employment will be generated in cities
- ☞ 91 million urban households will be middle class, up from 22 million today

- ☞ 68 cities will have population of 1million plus, up from 42 today; Europe has 35 today.
- ☞ \$1.2 trillion capital investment is necessary to meet projected demand in India's cities
- ☞ 700-900 million square meters of commercial and residential space needs to be built.
- ☞ 2-5 billion square meters of roads will have to be paved, 20 times the capacity added in the past decade.
- ☞ 7400 kilometers of metros and subways will need to be constructed - 20 times the capacity added in the past decade.

ROLE OF GOVERNMENT

Urbanization in India has occurred more slowly than in other developing countries. The speed of urbanization poses an unprecedented managerial and policy challenge—yet India has not engaged in a national discussion about how to handle the seismic shift in the makeup of the nation. Urban India today is “distributed” in shape—with a diverse range of large and small cities spread widely around the nation. India will probably continue on a path of distributed model of urbanization because this suits its federal structure and helps to ensure that migration flows aren't unbalanced toward any particular city or cities. As the urban population and incomes increase, demand for every key service such as water, transportation, sewage treatment, low income housing will increase five- to seven fold in cities of every size and type. And if India continues on its current path, urban infrastructure will fall woefully short of what is necessary to sustain prosperous cities. Recent reports suggest that India spends \$21 per capita per year in urban infrastructure, whereas the most benchmarks suggest a requirement \$100. The investment required for building urban infrastructure in India, over the next 20 years, is estimated at approximately US\$ 1 trillion.

In order to reap the benefits of urbanization India needs to work on several areas to manage its urbanization i.e Inclusive cities, urban governance, funding, planning, and capacity building and low-income housing India also needs to start a political process where the urban issues are debated with evolution of meaningful solutions.

Inclusive Cities: The poor and lower income groups must be brought into the mainstream in cities. Regulations intended to manage densities and discourage migration both limit the supply of

land *and* require many households to consume more land than they would choose. This drives urban sprawl and pushes up the price of land and the cost of service delivery for all. High standards for parking, coverage limits, setbacks, elevators, road widths, reservations for health centers schools etc. (often not used) prevent the poor from choosing how much to consume of the costliest resource (urban land) to put a roof over their heads, and comply with legal requirements. Informality is now the only path to affordable housing for the bulk of the population in India's cities. But informality implies illegality and therefore vulnerability. While lower income groups pay dearly for shelter and services—they are bereft of normal property rights protections and their investments are thus far riskier than those of the well off. They must instead depend on the good will of bureaucrats and politicians—to safeguard their homes and places of business. These barriers to healthy urbanization come not only at a high human cost, but take a toll on productivity. Chronic informality discourages the very investments in education, health and housing improvements the lower classes need to improve their own lot and contribute more to the national economy.

Urban Governance: Meaningful reforms have to happen that enable true devolution of power and responsibilities from the states to the local and metropolitan bodies according to the 74th Amendment. This is because by 2030, India's largest cities will be bigger than many countries today. India's urban governance of cities needs an overhaul. India's current urban governance is in sharp contrast to large cities elsewhere that have empowered mayors with long tenures and clear accountability for the city's performance. India also needs to clearly define the relative roles of its metropolitan and municipal structures for its 20 largest metropolitan areas. With cities growing beyond municipal boundaries, having fully formed metropolitan authorities with clearly defined roles will be essential for the successful management of large cities in India.

Financing: Devolution has to be supported by more reforms in urban financing that will reduce cities' dependence on the Centre and the states and unleash internal revenue sources. Consistent with most international examples, there are several sources of funding that Indian cities could tap into, to a far greater extent than today: Monetizing land assets; higher collection of property taxes, user charges that

reflect costs; debt and public-private partnerships (PPPs); and central/state government funding. However, internal funding alone will not be enough, even in large cities. A portion has to come from the central and state governments. Here one can use central schemes such as JNNURM and Rajiv Awas Yojana but eventually India needs to move towards a systematic formula rather than ad-hoc grants. For large cities with deep economies, this might mean allowing them to retain 20 percent of goods and services tax (GST) revenues. This is consistent with the 13th Central Finance Commission's assessment that GST—a consumption-based tax that creates local incentives for growth and that is therefore well suited for direct allocation to the third tier of government. For smaller cities, however, a better option would be to give guaranteed annual grants.

Planning: India needs to make urban planning a central, respected function, investing in skilled people, rigorous fact base and innovative urban form. This can be done through a "cascaded" planning structure in which large cities have 40-year and 20-year plans at the metropolitan level that are binding on municipal development plans. Central to planning in any city is the optimal allocation of space, especially land use and Floor Area Ratio (FAR) planning. Both should focus on linking public transportation with zoning for affordable houses for low-income groups. These plans need to be detailed, comprehensive, and enforceable.

Local capacity building: A real step-up in the capabilities and expertise of urban local bodies will be critical to devolution and improvement of service delivery. Reforms will have to address the development of professional managers for urban management functions, who are in short supply and will be required in large numbers. New innovative approaches will have to be explored to tap into the expertise available in the private and social sectors. India needs to build technical and managerial depth in its city administrations.

Affordable housing: Affordable housing is a particularly critical concern for low-income groups—in the absence of a viable model that caters to their needs, India can meet the challenge through a set of policies and incentives that will bridge the gap between price and affordability. This will enable a sustainable and economically viable affordable housing model for both government housing agencies and as well as private developers. India also needs to encourage

rental housing as an option particularly for the poorest of the poor, who may not be able to afford a home even with these incentives.

From the study conducted it is suggested that if India wants to reap the challenges of urbanization urban infrastructure needs to be strengthened across the board. Primarily by -

- ✧ Provision of basic amenities like safe drinking water, sewerage, waste management facilities and sanitation facilities in urban conglomerations, while also ensuring that the urban poor have access to these facilities at affordable cost.
- ✧ Improved water management, including recycling of waste water in large cities and new townships.
- ✧ Transportation in urban centers is a major constraint. Currently, public transport accounts for less than a quarter of urban transport in India. Therefore, urban mass transit including metro, rail, electric buses and trams as well as other forms of public transport must be greatly strengthened especially in under-served urban centers.
- ✧ Strengthening preventive healthcare, including 100 per cent vaccination, safe drinking water, management of MSW and ambient air quality and aggressive control of vectors that cause diseases. A National Urban Health Mission may be considered to meet these objectives.
- ✧ Strengthening the secondary and tertiary healthcare systems using PPP models wherever possible, and ensuring adequate availability of such services to weaker sections.
- ✧ For inclusive urban growth, policy initiatives must result in an enabling environment for Productive and dignified self-employment. Permissions, as well as provisions of spaces and other facilities for small enterprises are necessary. Institutions of self-help groups, producer societies, and other forms of cooperatives can be one approach amongst others.
- ✧ The formation and growth of formal enterprises may be facilitated too to enlarge opportunities for good employment within the cities.

- ✧ The Skill Development Mission must be geared to creating extensive skilling facilities for a wide range of contemporary occupations.
- ✧ The housing business is largely in the private sector. Government should consider using land as leverage for market based strategies and PPP models to greatly improve the scope of affordable housing for weaker sections.
- ✧ The condition and needs of the most vulnerable urban citizens must always be kept in the fore front if urbanization is to be inclusive. Without doubt, the most vulnerable are 'street children' in Indian cities, who have no option than to live and work in miserable conditions on the streets. Safe housing and care of the elderly is also becoming a major concern in Indian cities.

CONCLUSIONS

In the context of globalization cum decentralization, cities have to generate a favourable business climate that stimulates private and public sector investment in order to generate jobs and improve the tax base. Good governance, level of corruption, quality of infrastructure, good transport and communications, level of access to services and urban amenities, expenditures on health and education, infant mortality rates, an institutional milieu that reflects respect for individual rights, the absence of violence, the effort to meet international standards for waste disposal, air quality and green space per capita are all valuable assets in attracting investments and improving quality of life in urban areas. Moreover, ensuring that poor people have the possibility of attaining decent living conditions can also be critical in improving the quality of life of the entire city. This affects both the city's environmental conditions and its economic dynamism. Reducing urban poverty and environmental degradation makes the city more habitable for the entire population. The prospects for cities and their inhabitants in developing areas would be greatly improved if national and local governments took proactive steps to deal with the land and housing needs of the growing contingents of the urban poor.

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