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# **An overview of India's Urbanization, Urban Economic Growth and Urban Equity**

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## **Abstract:**

The main objective of this paper is to analyze the recent past trends and patterns of urbanization, urban economic growth, and urban equity measured by urban poverty and inequality in India. In addition, it reviews the different urban development policies and programmes which are undertaken in different Plan Periods in India. The analysis shows that higher rate of urbanization is associated with higher economic growth, lower level of poverty and higher extent of inequality in urban India. Finally, the study suggests that Indian government needs to speed up the urbanization rate as it contributes higher share of national GDP by reducing urban poverty and inequality.

**Key Words:** Urbanization, Economic Growth, Inequality, Poverty, Urban India

**JEL Classification:** R11, R12, R58

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## 1. Introduction

One of the most recent phenomena observed in India is the formation of urban agglomerations, which is defined as geographic concentration of urban population and economic activities. This implies that urban agglomeration includes but not equal to urbanization. Urban India has been experiencing a steady increase in the share of its urban population, emergence of new cities or towns, sizeable contribution to the country's national income, reduction of poverty, increasing inequality, and lower level of inclusive growth. Urban population expansion is due to natural growth of population (accounted 59.4 percent in 1991-01); emergence of new cities (accounted 6.2 percent in 1991-01); rural to urban migration (accounted 21 percent in 1991-01); and reclassification of rural areas as urban (accounted 13 percent in 1991-01) [Kundu, 2006].

The main focus of this paper is to describe the recent past trends and patterns of India's urbanization from 1961 to 2011 and urban economic growth from 1970-71 to 2004-05. In addition, nature and extent of level of urban poverty and inequality have been described at all India level. Finally, a critical review of the urban policies and programmes are described as they are related to promotion of urban agglomeration, urban economic growth and urban equity in India. These descriptions are intended to provide an overview of India's urbanization, urban economic growth and urban equity.

We describe urbanization trends from Census period 1961 to 2011. Urban economic growth is described from 1971 to latest available years. To measure urban equity in terms of urban poverty and inequality, the year 2009-10 is specifically chosen for the availability of latest 66th Round of National Sample Survey Organisation's (NSSO) Household Consumer Expenditure Survey in India for that year. The consideration of study periods is mainly based on following reasons: First, the availability of full information for the various urban indicators used in this paper. Second, as for the first time 1961 Census has adopted the uniform and rigid definition of urban areas. Third, to present the recent past scenarios of urbanization for the relevant policy implications.

The rest of the paper is organized as follows. Section 2 and 3 present the trends and pattern of urbanization and economic growth in urban India over the different decades, respectively. Section 4 discusses about urban equity by measuring the poverty and inequality in urban India.

Section 5 critically reviews the major government policies for promotion of urban agglomeration, urban economic growth and urban equity in India in different Plan Periods. Section 6 summarizes the major conclusions of this paper.

## 2. Trends and patterns of urbanization in India

Urbanization is measured by two ways: First, level and growth of urban share of total population and its distribution by size classes of cities and towns. This is called demographic approach. Second, changes in number and growth of urban centers and an expansion of geographical boundaries of existing urban areas. This is called geographical approach.

### 2.1 Demographic approach

Table 1 shows that the annual exponential growth rate of urban population has increased from 3.23 percent during 1961-71 to 3.79 percent during 1971-81, but declined to 2.75 percent during 1991-2001. The decline in growth rate was slightly reversed back during 2001-2011. During the same period, the share of urban population in the total increased from 17.97 percent in 1961 to 31.16 percent in 2011. This indicates that an increasing trend of India's urbanization over the decades.

**Table 1: Trends in India's urbanization: 1961-2011**

Census Year	Urban population (in million)	Percentage urban	Annual exponential growth rate (%)
1961	78.94	17.97	-
1971	209.11	19.91	3.23
1981	159.46	23.34	3.79
1991	217.18	25.72	3.09
2001	286.12	27.86	2.75
2011	377.10	31.16	2.76

*Note: As the 1981 Census was not conducted in Assam, and the 1991 Census was not held in Jammu and Kashmir, the population of India includes projected figures for these states in those periods.*

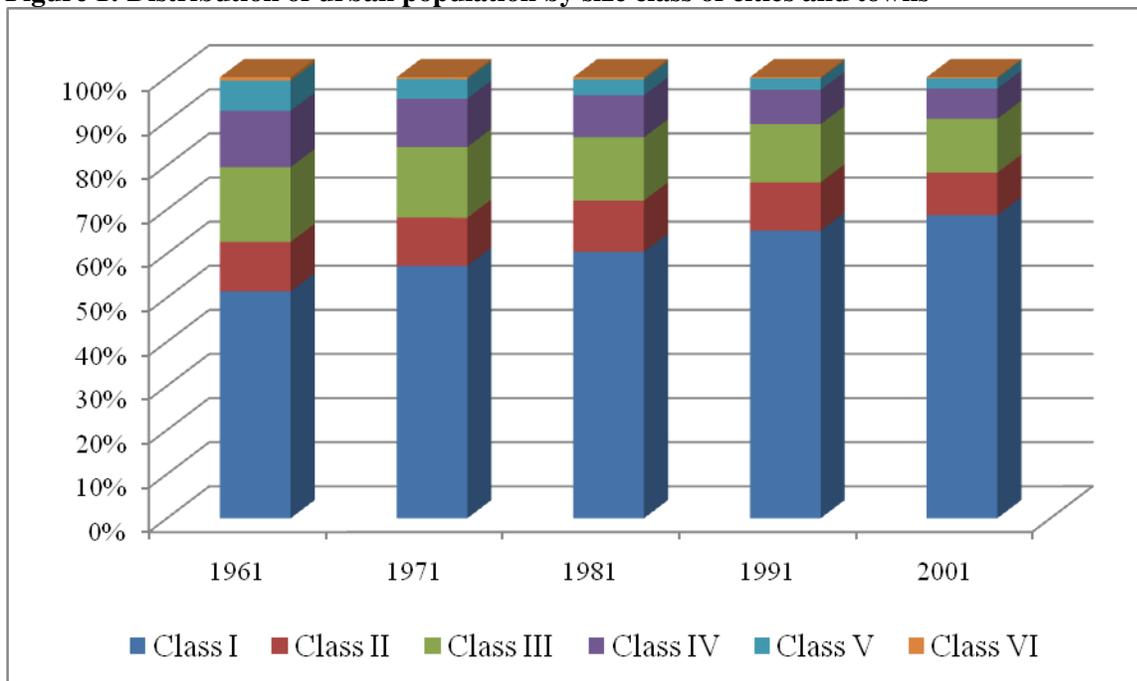
*Source: Bhagat (2011).*

As per the World Urbanization Prospects: 2011 Revision, the percentage of total urban population in India is 30.9 in 2010, which is lower than the developed countries like the United States of America (82.1 per cent) and Japan (90.5 percent) during the same year. It is also lower

than in other fast growing developing countries, such as, China (49.2 per cent), Brazil (84.3), and Russian Federation (73.7 per cent) in 2010.

Figure 1 illustrates that India’s urban population is mainly concentrated in and around class I cities. The percentage share of urban population in class I cities has increased from 51.42 in 1961 to 68.7 in 2001. On the other hand, classes II to VI cities have registered a decreasing rate of urban population growth (percentage). For instance, the percentage share of urban population in class IV cities decreased from 12.77 in 1961 to 6.84 in 2001.

**Figure 1: Distribution of urban population by size class of cities and towns**

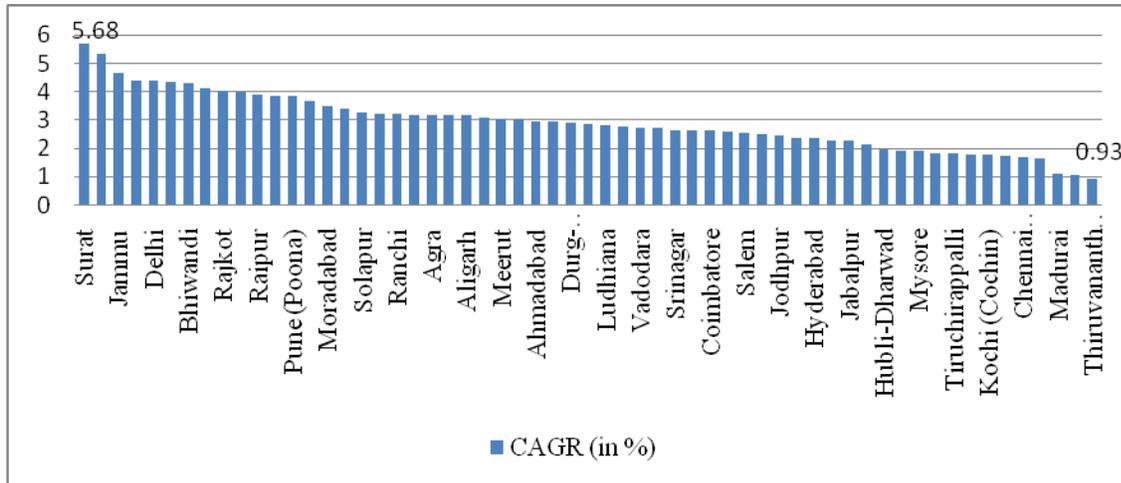


*Notes: Based on population size Census classifies urban centres in to following six categories. Class I (100,000 or more), Class II (from 50,000 to 99,999), Class III (from 20,000 to 49,999) Class IV (from 10,000 to 19,999), Class V (from 5000 to 9999), and Class VI (below 5000). Source: Author’s estimation based on Indian Census data of various years.*

Due to lack of Census population data in 2005, the study also considers city population data projected by the United Nations, World Urbanization Prospects (WUP, 2009 revision). It provides population figures for 59 large agglomerations with 750,000 or more inhabitants from 1950 to 2025 with five years interval. Figure 2 illustrates that the compound annual growth rate (CAGR) is highest for Surat (5.68 per cent) and lowest for Thiruvananthapuram (0.93 per cent) during the time-span 2000 to 2005. The average CAGR is about 2.93 percent. Among the six

mega cities (with population over five million), Delhi (4.38 per cent) ranked at the top of five high population growth cities while Chennai (1.72 per cent) ranked lowest among the five population growth cities. The results explain an increasing growth rate of city population from 2000 to 2005.

**Figure 2: CAGR of city population from 2000 to 2005**



Source: Author's estimation based on data from the United Nations (2009).

## 2.2 Geographic approach

Table 2 shows that the number of Census towns increased from 1362 in 2001 to 3894 in 2011 – an increase of about 186 percent. On the other hand, the number of statutory towns registered a marginal increase of about 6.37 percent during 2001-2011. The number of urban agglomerations has increased from 384 in 2001 to 475 in 2011, an increase of about 23.7 percent. The results indicate an increasing trend of number of urban agglomerations (UAs) /towns and out growths (OGs) from 2001 to 2011.

**Table 2: Number of UAs/Towns and out growths**

Sr. No.	Type of Towns	2001 Census	2011 Census	Percentage change
1	Statutory Towns	3799	4041	6.37
2	Census Towns	1362	3894	185.9
3	Urban Agglomerations	384	475	23.7
4	Out Growths	962	981	1.98

Notes: The following definitions are based on Census of India 2011.

1. All places within a municipality, corporation, cantonment board or notified town area committee, etc. are reckoned as Statutory Towns).
2. All other places which satisfied the following criteria (known as Census Town):
  - 2.1 A minimum population of 5,000
  - 2.2 At least 75 per cent of the male main workers engaged in non-agricultural pursuits; and
  - 2.3 A density of population of at least 400 per sq. km.
3. An urban agglomeration is a continuous urban spread constituting a town and its adjoining outgrowths (OGs), or two or more physically contiguous towns together with or without outgrowths of such towns.
4. An Out Growth is a viable unit such as a village or a hamlet or an enumeration block made up of such village or hamlet and clearly identifiable in terms of its boundaries and location.

Source: Author's estimation based on data from Census of India, 2011, (GOI, 2011)

Table 3 shows that the total area of All Classes of cities and towns increased from 38509.28 square kilometers in 1961 to 78199.66 square kilometers in 2001. On the other hand, total area of Class I cities increased from 8174.29 square kilometers in 1961 to 30984.69 square kilometers in 2001. The table also highlights some interesting trends of CAGR of urban area, and shows that the total area of cities and towns of All Classes increased from 1.19 percent during 1961-1971 to 2.05 percent during 1991-2001. On the contrary, though CAGR of total area of Class I cities increased from 3.64 percent during 1961-71 to 3.92 percent during 1971-81, it declined to 2.58 percent during 1991-2001. The results show an increasing trend of India's urban growth over the decades.

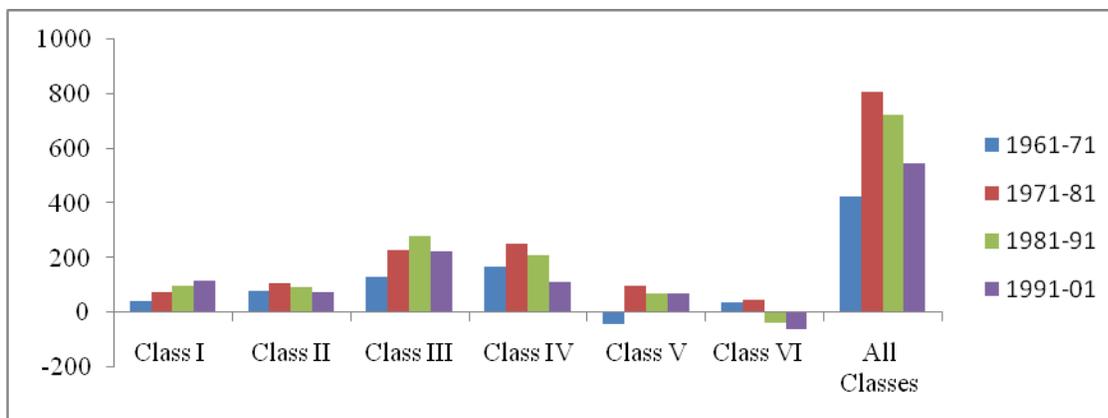
**Table 3: Expansion of geographic boundary of urban area**

Census Years	Area (in square kilometers)		CAGR (in %)		No. of towns/UAs
	All Classes (394 UAs and 3994 Towns)	Class I (240 UAs and 154 Towns)	All Classes (394 UAs and 3994 Towns)	Class I (240 UAs and 154 Towns)	
1961	38509.28	8174.29	-	-	2657
1971	43336.77	11689.53	1.19	3.64	3081
1981	52380.58	17176.50	1.91	3.92	3891
1991	63836.01	24021.97	2.00	3.41	4615
2001	78199.66	30984.69	2.05	2.58	5161
2011	-	-	-	-	7935

Source: Author's estimation based on Indian Census data of various years

Figure 3 illustrates that, according to 2001 census, the net addition was 546 new towns i.e., an increase of 11.83 percent during 1991-2001. The highest increase is evident in class III towns, where the number of towns increased from 517 to 1387 during 1961-2001. The number of cities (or class I towns) has risen from 105 in 1961 to 441 in 2001. The number of towns in class I to class V has been steadily rising since 1961. The total number of metropolitan cities (population 1 million and above) in India has increased from 23 in 1991 to 35 in 2001 and on to 53 by 2011. In addition, the number of towns has increased from 2657 in 1961 to 7935 in 2011. The results indicate an increasing trend in the addition of new cities/ towns in India.<sup>1</sup>

**Figure 3: Growth in number of cities and towns in India: 1961-2001**



*Notes: Based on population size Census classifies urban centres into six categories.  
Source: Author's estimation based on Indian Census data of various years.*

On the whole, the descriptions above clearly indicate an increasing growth of India's urbanization by the demographic as well as geographic approach. Thus, issues relating to India's urbanization process are relevant at present and in future. These issues include economic growth and equity as described below.

### 3. Urban economic growth

Urban economic growth is measured by the growth rate of urban GDP. Net domestic product (NDP) estimated at factor cost and its rural and urban break-up at national level are available only for the years 1970-71, 1980-81, 1993-94, 1999-2000 and 2004-05. Thus, urban economic growth is measured and described at the national level.

<sup>1</sup> Data on number of cities and towns are not adjusted for definitional changes in urban areas, especially, prior to 1961 Census.

### 3.1. Size and composition of urban GDP

Table 4 presents the total urban NDP by broad sectors (i.e., agriculture, industry and services) at current prices and constant (1999-2000) prices for these five different periods. At current prices, the total urban NDP at factor cost is seen to have grown approximately by 9840 per cent during the period, from Rs. 138.5 billion in 1970-71 to Rs.13766.5 billion in 2004-05, while at constant (1999-2000) prices the jump is by about 661 per cent. The increasing volume of urban NDP has consequently raised its contribution to national NDP from 37.65 per cent in 1970-71 to 52.02 per cent in 2004-05. The per capita urban NDP at constant (1999-00) prices for the year 2004-05 is Rs. 37245 as against Rs. 14142 for 1970-71, i.e., an increase of 163 per cent in per capita urban NDP, accounting for about 3 per cent growth rate during the same period. Most importantly, the service sector became the dominant sector of the economy by increasing its share steeply from 55.7 per cent in 1970-71 to 71.9 per cent in 2004-05 at constant (1999-00) prices. On the contrary, the share of agriculture and industry decreased from 4.9 per cent to 2.4 per cent and 39.4 per cent to 25.6 per cent, respectively, during the same period. These results show that there is an increasing trend of share of urban NDP in national NDP in the different periods of time and contribution from service sector in urban NDP is much higher than other two sectors (industry and agriculture).

Year	Urban as % of total NDP	Values at Current prices					Values at Constant (1999-00) prices				
		(Rs. in billion)			(in Rs.)	(Rs. in billion)			(in Rs.)		
		Agriculture	Industry	Service	Total NDP	Per capita NDP	Agriculture	Industry	Service	Total NDP	Per capita NDP
1970-71	37.65	6.5 (4.7)	51.74 (37.4)	80.26 (57.9)	138.5 (100)	1294	74.34 (4.9)	594.2 (39.4)	839.8 (55.7)	1508.3 (100)	14142
1980-81	41.09	22.5 (5.0)	170.9 (37.7)	259.9 (57.3)	453.4 (100)	2888	114.8 (5.4)	801 (37.4)	1225.7 (57.2)	2141.6 (100)	13951
1993-94	45.73	139.4 (4.4)	1046.9 (32.8)	2005.7 (62.8)	3192 (100)	13525	222.4 (4.6)	1583.9 (32.5)	3069.7 (63.0)	4875.9 (100)	20997
1999-00	51.7	291.4 (3.5)	2097.9 (25.3)	5911.1 (71.2)	8300.4 (100)	30183	291.4 (3.5)	2097.9 (25.3)	5911 (71.2)	8300.4 (100)	30183
2004-05	52.02	308.7 (2.2)	3649.7 (26.5)	9808.2 (71.2)	13766.5 (100)	44223	279.7 (2.4)	2942.1 (25.6)	8258.3 (71.9)	11480 (100)	37245

Note: Figures in the parenthesis are shares in percent.

Source: Author's calculation by using data from National Accounts Statistics of various years.

The national level NDP at real prices, the annual average share of agriculture (or industry or service) sector is about 31.01 (or 26.27 or 42.02) percent from 1970-71 to 2004-05. On the other,

the annual average share of agriculture (or industry or service) in urban NDP at real prices, is about 4.16 (or 32.4 or 64) percent during the same period of time. This indicates that, as compared to national level NDP, the industrial and service sector's contribution are much higher than the agriculture sector in urban NDP. Thus, description of composition of non-agricultural urban NDP is focused below.

In addition, Table 5 highlights the changes in sectoral compositions of urban NDP over the period 1970-71 to 2004-05. Though the percentage share of manufacturing in industrial sector has declined at constant (1999-00) prices from 64.6 per cent in 1970-71 to 55 per cent 2004-05, it still towers over construction, mining and quarrying and electricity, gas and water supply. Within the manufacturing sector, the average contribution of registered manufacturing sector is about 59 per cent, which is higher than unregistered manufacturing sector (i.e., 41 per cent) in all these five different time-periods. The contribution of unregistered manufacturing sector increased from 37.7 per cent in 1993-94 to 41 per cent in 2004-05, while registered manufacturing sector's contribution declined from 62.3 per cent in 1993-94 to 59 per cent in

Sectors		% Share at constant (1999-00) prices									
		1970-71		1980-81		1993-94		1999-00		2004-05	
Industry	Mining and Quarrying	3.7		4.8		4.9		9.1		4.8	
	Manufacturing	64.6		64.1		65.7		57.0		55.0	
		R	UR	R	UR	R	UR	R	UR	R	UR
		51.7	48.3	58.6	41.4	62.3	37.7	64.5	35.5	59	41
	Electricity, gas and water supply	2.6		3.1		5.1		6.3		5.9	
Construction	29.1		28.0		24.3		27.6		34.3		
Service	Trade, hotels and restaurant	44.6		39.0		32.1		30.6		26.8	
	Transport, storage and communication	14.1		17.5		12.3		12.7		17.9	
	Financing, insurance, real estate and business services	12.5		14.4		28.6		27.5		27.6	
	Community, social and personal services	28.7		29.1		27.0		29.3		27.6	
Total		100		100		100		100		100	

*Note: R indicates registered manufacture and UR indicates unregistered manufacture.*

*Source: Author's calculation by using data from National Accounts Statistics of various years.*

2004-05. On the other hand, the percentage share of construction (or mining and quarrying) increased from 29.1 (or 3.7) per cent in 1970-71 to 34.3 (or 4.8) per cent in 2004-05, while that of electricity, gas and water supply increased from 2.6 to 5.9 during the same period at constant (1999-00) prices. The analysis shows that electricity, gas and water supply (or construction or

unorganized manufacturing sector) has an increasing share in industrial sector of urban NDP over the different periods of time.

It is also observed that the average of contribution of service sector in the five different time-periods, (about 64 per cent) is the highest among 'others' and mainly comes from trade, hotels and restaurants, followed by community, social and personal services. But the percentage share of trade, hotels and restaurants declined from 44.6 per cent in 1970-71 to 26.8 in 2004-05, while the percentage share of community, social and personal services declined a bit from 28.75 per cent to 27.6 per cent during this period. However, the contribution from transport, storage and communication (or financing, percentage share from insurance, real estate and business services) increased from 14.1 (or 12.5) per cent in 1970-71 to 17.9 (or 27.6) per cent in 2004-05. This indicates that financing, insurance, real estate, and business services have the highest contribution in the growing services sector in the urban GDP.

Overall, the analysis indicates that the declining trend of industrial sector in urban NDP is mainly because of decline in the share of manufacturing sector. On the other hand, the growing service sector in urban NDP mainly comes from financing, insurance, real estate and business services (or transport, storage and communication services).

### **3.2. Urban economic growth**

Table 6 presents the compound annual growth rate (CAGR) of urban NDP by different sectors of the economy in different periods of time, and reveals that the highest (or lowest) growth rate, i.e., 7 (or -0.8) per cent was in industrial (or agriculture) sector from 1999-00 to 2004-05, while the service sector experienced the highest growth rate (11.5 per cent) from 1993-94 to 1999-00 in constant (1999-00) prices. Strangely, it is also clear that the increasing growth rate of total urban NDP is associated with declining growth rate in agricultural sector. However, the highest growth rate in total urban NDP is seen from 1993-94 to 1999-00; it declined in the years 1999-00 to 2004-05 from 9.3 percent to 6.7 percent at constant (1999-00) prices.

	1970-71 to 1980-81	1980-81 to 1993-94	1993-94 to 1999-00	1999-00 to 2004-05	1970-71 to 2004-05		
Agriculture	4.4	5.2	4.6	-0.8	4.0		
Industry	3.0	5.4	4.8	7.0	4.8	Mining and quarrying	5.6
						Manufacturing	4.3
						Electricity, gas and water supply	7.4
						Construction	5.3
Service	3.9	7.3	11.5	6.9	7.0	Trade, hotels and restaurant	5.4
						Transport, storage and communication	7.7
						Financial, insurance, real estate and business services	9.5
						Community, social and personal services	6.8
Total NDP	3.6	6.5	9.3	6.7	6.2		

*Source: Author's estimation using data from National Accounts Statistics of various years.*

In addition, Table 6 shows that the high growth rate of service sector (7 per cent) from 1970-71 to 2004-05 was achieved due to high growth in financial sector (9.5 per cent), transport, storage and communication (7.7 per cent) at constant (1999-00) prices. On the other hand, within industrial sector the highest contribution (7.4 per cent) came from electricity, gas and water supply and construction, followed by mining and quarrying (5.6 per cent), at constant (1999-00) prices. It is also seen that agricultural sector growth (4 per cent) was the lowest among the three sectors. Nonetheless, growth rate of urban NDP from 1970-71 to 2004-05 is high (6.2 per cent) at 1999-00 prices. The results indicate that service sector growth rate is higher than the growth rate of over all urban GDP in different periods of time.

Table 6 also shows some interesting findings as compared to growth rate of GDP at national level. While the CAGR of overall NDP in real prices is about 4.87 per cent from 1970-71 to 2004-05, the CAGR of urban NDP is about 6.2 percent during the same periods of time. Within national NDP (or urban NDP) the CAGR (in percent) in real prices of electricity, gas and water supply is 7.07 (or 7.4), construction is 4.89 (or 5.3), community, social and personal services is 5.43 (or 6.8), trade hotels, transport, and communication is 6.55 (or 7.7). Most importantly, urban per capita income is about Rs. 37, 245 which is much higher than all India per capita income is Rs. 19,331 at 1999-00 prices in 2004-05. Thus, the results indicate that overall urban

economic growth (or growth rate of different components of industrial and service sector in urban NDP) has been high and higher as compared to national level economic growth (or growth rate of different components of industrial and service sector in national NDP) in the different periods of time.

#### 4. Measurement of poverty and inequality for urban India

The key purpose of this analysis is to understand whether increasing trend of urbanization and urban economic growth is accompanied by a higher level poverty and inequality or not.

Kundu and Sarangi (2005) estimate the level of poverty across different size class of cities/towns by considering the price variation across different size class of cities/towns, using Deaton's methodology [Deaton 2003]. Table 7 shows the different levels of poverty across different categories of towns/ cities. In 1999-2000, the poverty level for million plus cities and medium category cities (population between 50,000 and one million) were 14 per cent and 20 per cent, respectively. Small towns (population 50,000 or less) show a little higher level of poverty (i.e., 24 per cent) in 1999-2000. Metropolitan cities had the lowest poverty level (about 23 per cent), which is lower than the poverty level (32 per cent) of medium cities/towns in 1993-94. The highest level of poverty (i.e., 36 per cent) is evident in 'small towns' in 1993-94. Overall, all-India urban level poverty shows a declining trend from 31.4 per cent in 1993-94 to 19.9 per cent 1999-2000.

**Table 7: Percentage of poor of population in different size class of towns**

<b>1993-1994</b>	<b>Poor</b>
Large towns/cities	22.6
Medium cities/towns	32.2
Small towns	36.2
Urban areas	31.4
<b>1999-2000</b>	
Large towns/cities	14.2
Medium cities/towns	20.4
Small towns	24.2
Urban areas	19.9

*Note: 'Large towns/cities' refer to those having '10 lakh or above' population; 'medium cities/towns' are those having '50,000 to less than 10 Lakh' population, and 'small towns' are those having 'less than 50,000' population. Source: Kundu and Sarangi (2005).*

**Table 8: Household consumption inequality trends in urban India**

Year	Gini Coefficient	Share in consumption expenditure (%)	
		Bottom 30% population	Top 30% population
1972-73	0.341	13.9	54.3
1977-78	0.345	13.5	54.9
1983	0.330	13.9	53.7
1987-88	0.352	13.4	55.3
1993-94	0.340	13.6	54.7
1999-00	0.343	13.4	54.7

Source: Government of India (2007).

Table 8 highlights a marginal increase in consumption inequality in urban India from 34.1 percent in 1972-73 to 34.3 per cent in 1999-2000. The relative share of consumption expenditure of the bottom and top 30% urban population groups indicates that the share has remained almost same during the period of 1973-2000. The estimates also show that marginally the poor were getting poorer and rich getting richer during the same period. To gain insights into the recent trends of poverty and inequality, unit level data of NSS 2004-05 and NSS 2009-10 on consumer expenditure has been used to estimate the poverty and inequality level differentiated across the class of cities and by the social groups.

Table 9 shows that all India urban inequality as measured by Gini index has marginally increased from 0.38 in 2004-05 to 0.39 in 2009-10. During the same periods of time, inequality level for mega city districts marginally declined from 0.38 to 0.37 while inequality level in respect of 52 large cities in 'other group' increased from 0.40 to 0.43. The 'Marginalized' group has the lowest level of inequality when compared to the other two groups (i.e., 'Others' and the 'total group') across all categories of cities. On the other hand, all India urban poverty, as measured by head count ratio, has fallen from 26 per cent in 2004-05 to 21 per cent in 2009-10. Most noticeably, the number of mega city districts show the lowest level of urban poverty which decreased from 7 per cent to 5 per cent during this period. In particular, poverty among 'other groups' in the mega city districts has fallen sharply from 6 per cent to 3 per cent during this period. However, poverty rate of 'marginalized group' is higher than 'other groups' in comparison to size of cities. Table 9 also shows that the mean per capita monthly consumption expenditure as measured by uniform recall price (URP) is lower among the 'marginalized' group than 'others' group.

Overall, the estimates indicate that in the process of increasing urban economic growth and the level of urban poverty have declined but urban inequality has widened in India.

**Table 9: Poverty and inequality for urban India**

		2004-05				2009-10			
		All India Urban	Large cities (52 cities)	Mega cities (6 cities)	Total all India urban (except 52 cities)	All India Urban	Large cities (52 cities)	Mega cities (6 cities)	Total all India urban (except 52 cities)
Gini Index	Marginalized Group	0.33	0.35	0.32	0.32	0.35	0.36	0.32	0.33
	Others	0.38	0.40	0.39	0.36	0.40	0.43	0.38	0.36
	Total	0.38	0.40	0.38	0.35	0.39	0.41	0.37	0.36
Headcount Index (in %)	Marginalized Group	34	25	8	39	28	21	8	32
	Others	16	11	6	19	12	7	3	16
	Total	26	18	7	30	21	15	5	25
Average per capita monthly income (in URP) (in Rs.)	Marginalized Group	837	962.9	1155.7	771.3	1438.9	1644.69	1911.3	1308.2
	Others	1306.1	1547.9	1736.8	1153.2	2245.7	2705.988	2822.8	1887.6
	Total	1052.4	1247.3	1498.6	940.3	1785.8	2132.127	2421.4	1545.7
Sample size (Persons)	Marginalized Group	121411	26871	5167	94540	107689	23510	5497	84146
	Others	85118	23186	8172	61932	73723	19756	7285	54000
	Total	206529	50057	13339	156472	181412	43266	12782	138146

Notes: 1. Marginalized Group includes Scheduled Tribes, Scheduled Castes, and Other Backward Classes.

2. Mega cities are cities with five million-plus population as per 2001 census.

3. Poverty Lines as per the Tendulkar Methodology (GOI, 2009) are considered to calculate Poverty Head Count Ratio for 2004-05 & 2009-10.

Source: Tripathi (2013)

## 5. Major government urban policies

In section 2, 3, and 4, we have discussed the trends and patterns of urbanization, urban economic growth and urban equity in terms of urban poverty and inequality in India. In this backdrop, now we critically analyze how government policies in different Plan Periods have been implemented for the promotion of urban agglomerations, urban economic growth, and equity in India.

In what follows, we describe the Government's major policies and programmes for urban development in India and critically examine their implications for promoting urban agglomeration, urban economic growth, and urban equity.

**Table 10: Major policy measures for urban development under India's Five Year Plans**

<b>Plan period</b>	<b>Major urban development programmes</b>
<b>First Five Year Plan (1951-56)</b>	Main importance was given for construction of institution building, houses for government employees and weaker section of the people under the Centre subsidized scheme.
<b>Second Plan (1956-61)</b>	1. Industrial Housing Scheme was broadened to include all workers. 2. Preparation of Master Plans (e.g., Delhi Development Authority (DDA)) for important towns by setting up the Town & Country Planning Legislations.
<b>Third Plan (1961-66)</b>	1. Through urban planning and land policy measures (such as, the control of urban land values through public acquisition) imbalance and asymmetry were sought to be removed in the development of large, medium, and small industries, and between rural and urban areas. 2. The State capitals of Gandhi Nagar and Bhubaneswar were developed and Master Plans for important cities were prepared.
<b>Fourth Plan (1969-74)</b>	1. To provide fund for housing and urban development programs, Housing & Urban Development Corporation (HUDCO) was established. 2. The creation of smaller towns and plan for the spatial location of economic activity were envisaged for decongestion of population in the large cities. 3. To provide a minimum level of services, like, water supply, drainage, sewerage, street pavements in 11 cities with a population of 8 lakhs, an environmental or urban slum improvement scheme was commenced in the Central Sector.
<b>Fifth Plan (1974-79)</b>	1. To prevent concentration of urban land holding and to use them for construction of houses for the middle and low income group, the Urban Land (Ceiling & Regulation) Act was set up and was passed in 1976. 2. In order to ease the increasing pressure on urbanization a Task Force was set up by giving particular emphasis on a comprehensive and regional approach by considering the problem in metropolitan cities.
<b>Sixth Plan (1980-85)</b>	1. To encourage setting up the new industries, commercial and professional establishments in small, medium and intermediate towns, positive inducements were suggested. 2. The major importance was on integrated provision of basic services for the poor. The Integrated Development of Small and Medium Towns (IDSMT) was launched in towns with population below one lakh for provision of roads, pavements, minor civic works, markets, shopping complex, bus stands, etc.
<b>Seventh Plan (1985-90)</b>	1. To expand the base of housing finance, the National Housing Bank was set up 2. To promote commercial production of innovative building materials, Building Material Technology Promotion Council (BMTPC) and a network of Building Centres were set up. 3. For the first time, this Plan also considered the problem of the urban poor and Urban Basic Services for the Poor (UBSP), Global Shelter Strategy (GSS), and National Housing Policy (NHP) were announced in 1988.

**Table 10 (Continued): Major policy measures for urban development under India's Five Year Plans**

<p><b>Eighth Plan (1992-97)</b></p>	<ol style="list-style-type: none"> <li>1. The Constitution (74th) Amendment Act, 1992 was made with a view to improve governance at the grass roots by stressing upon decentralization and creation of democratic governance structure; devolution of funds and responsibilities was ensured for fulfilling the needs and aspirations of urban residents.</li> <li>2. For the first time, this Plan identified the role and importance of urban sector for the national economy and recognized the significance of the following issues:             <ol style="list-style-type: none"> <li>i. Poor suffered due to huge gap between demand and supply of infrastructural services.</li> <li>ii. Housing shortage caused by the unabated growth of urbanization.</li> <li>iii. Higher level of incidence of urban poverty and marginal employment.</li> </ol> </li> </ol>
<p><b>Ninth Five-Year Plan (1997-2002)</b></p>	<ol style="list-style-type: none"> <li>1. The Swarna Jayanti Shahari Rozgar Yojana (SJSRY) to provide gainful employment to the urban unemployed or underemployed poor by encouraging the setting up of self-employment ventures or provision of wage employment.</li> <li>2. The Urban Self Employment Programme (USEP). The Urban Wage Employment Programme (UWEP).</li> <li>3. Nehru Rozgar Yojana (NRY) to provide employment to the urban unemployed and underemployed poor.</li> <li>4. Urban Basic Services for the Poor (UBSP) to achieve the social sector goals.</li> <li>5. Prime Minister's Integrated Urban Poverty Eradication Programme (PM IUPEP) for Class II urban agglomerations development of urban poor.</li> <li>6. Other basic service provision included Urban Water Supply and Sanitation.</li> </ol>
<p><b>Tenth Five Year Plan 2002-07</b></p>	<ol style="list-style-type: none"> <li>1. Strengthening urban governance by judicious devolution of functions and funds to the elected bodies and ULBs.</li> <li>2. Land Policy and Housing: The repeal of the Urban Land (Ceiling and Regulation) Act, 1976 was a significant step towards reform in the urban land market.</li> <li>3. Mapping, urban indicators and data from the urban sector: Town and Country Planning Organisation (TCPO) was established for urban mapping based on aerial photography.</li> <li>4. Extending Plan Assistance for infrastructure through various programmes, such as, Accelerated Urban Water Supply Programme (AUWSP), IDSMT, Mega city Scheme, etc.</li> <li>5. Urban poverty alleviation and slum improvement.</li> <li>6. Improvement of civic amenities in urban areas through improvement in urban water supply, urban sanitation, and urban transport.</li> </ol>

**Table 10 (Continued): Major policy measures for urban development under India's Five Year Plans**

<p><b>Eleventh Five Year Plan (2007-2012)</b></p>	<ol style="list-style-type: none"> <li>1. Jawaharlal Nehru National Urban Renewal Mission (JNNURM).</li> <li>2. Urban Reform Incentive Fund (URIF)</li> <li>3. Mega city scheme Integrated Development of Small and Medium towns (IDSMT)</li> <li>4. Pooled Finance Development Fund (PFDF)</li> <li>5. Development of satellite cities/counter Magnet cities</li> <li>6. E-governance in municipalities National Urban Information System (NUIS).</li> <li>7. National Capital Region Planning Board (NCRPB).</li> <li>8. Strengthening urban local bodies through capacity building and better financial management.</li> <li>9. Increasing the efficiency and productivity of cities by deregulation and development of land.</li> <li>10. Dismantling public sector monopoly over urban infrastructure and creating conducive atmosphere for the private sector to invest.</li> <li>11. Establishing autonomous regulatory framework to oversee the functioning of the public and private sector. Using technology and innovation in a big way.</li> <li>12. Swarna Jayanti Shahri Rozgar Yojana (SJSRY).</li> <li>13. Reducing incidence of poverty.</li> <li>14. Accelerated Urban Water Supply Programme (AUWSP).</li> <li>15. Improvement of urban basic services which includes water supply and solid waste management, others.</li> </ol>
<p><b>Approach to the Twelfth Five Year Plan (2012-17)</b></p>	<ol style="list-style-type: none"> <li>1. Rapid Mass Transport (RMT) for better transportation system.</li> <li>2. Reform of the urban water sector.</li> <li>3. Efficient use of urban land.</li> <li>4. Long term strategic urban planning with the overall regional planning perspective.</li> <li>5. The environmental sustainability of urban development.</li> <li>6. Investment in new urban infrastructure assets and maintenance of assets.</li> <li>7. Need to strengthen urban governance</li> <li>8. To strengthen the 'soft infrastructure'</li> <li>9. Improvements of urban utilities such as water and sewerage NUHM (National Urban Health Mission) for better urban public health.</li> <li>10. Need to fulfill the basic needs of the urban poor.</li> </ol>

*Source: Author's compilation based on Shaw (1996) and various Five-Year Plans, Government of India, Planning Commission, New Delhi.*

Table 10 shows that various urban development policies and programmes executed under different Plan Periods for the fulfillment of the following objectives. First, promotion of urban agglomeration and urban economic growth (e.g., JNNURM have a strong impact on infrastructural development in the cities, which increases the level of investment and increases the urban economic growth and the urban population agglomeration); Second, to deliver the basic services (e.g., water, road, and sanitation etc.) to the city dwellers (mostly for urban poor) which is aimed at enhancement of the basic utilities; Third, to reduce the inequality of uneven distribution of urban population across different classes of cities; Fourth, to increase the urban

land area for accommodating more urban population either by increasing the size of the existing cities or by creating new cities, and recently, to ascertain whether recent urban policies have been conducive to inclusive urban growth.

The increase in the pace of urban economic growth is due to higher productivity in the cities and due to the increasing share of industrial and services activities operating in the cities to fulfill the higher demand. Lower level of poverty is because of higher level of income of the city dwellers and availability of more job opportunities. Higher level of inequality is mainly because of the lower wage or level of opportunities for the unskilled worker, as also ineffectiveness of redistribution policies designed by the urban government. Finally, lower level of inclusiveness is due to many reasons, such as higher inequality, poor redistribution policies, and over concentration of population in the large cities.

## **6. Conclusions and policy implications**

This paper describes the recent past trends in urbanization, urban economic growth, urban poverty, and urban inequality and draws implications on them by highlighting various urban development policies and programmes of various Five Year Plans in India. The study period mainly covers from 1961 to 2011.

The descriptive analysis shows the following:

- (a) Increasing trend of India's urbanization and growth rate of city population, and concentration of urban population in and around class I cities.
- (b) Increasing trend of number of new urban agglomerations (UAs)/ towns and an expansion of boundaries of existing urban centres (i.e., out growths) over the decades.
- (c) An increasing trend of share of urban NDP at national level NDP with higher share of service sector has the highest contribution than other two sectors (i.e., industry and agriculture sector). With urban service sector financing, insurance, real estate, and business service are the major contribution of urban NDP. The declining share of urban industrial sector is due to the declining contribution from urban manufacturing sector.

- (d) Growth rate of urban GDP (or urban per capita income) in real prices has remained higher than the growth rate of national level GDP (or per capita national income). Overall urban economic growth has been high and higher as compare to national level economic growth over the different periods of time.
- (e) The relative share of consumption expenditure of the bottom and top 30 percent urban population group has almost remained the same during the period of 1973-2000. Overall, estimates show that in the process of increasing urban economic growth, the level of poverty has declined and inequality has increased. Mega city districts show the lowest level of urban poverty than other cities. The 'Marginalized group' has the lowest extent of urban inequality and highest level of urban poverty compared to other two groups (i.e., 'Others' and 'Total group').
- (f) The different urban development policies and programmes (e.g., JNNURM) undertaken in various Plan Periods have important implication to promote urban agglomeration, urban economic growth, and urban equity through high urban infrastructural development.

In terms of relevant policy implications the study argues that Indian government needs to speed up the urban urbanization rate as: First, larger share of national GDP mainly comes from urban India. Second, India's urbanization rate much lower than in other fast growing developing countries.

The study also finds an increasing trend of GDP and inequality in urban India. In this perspective, it would be very appropriate to compare it with the "East Asian miracle" which is all about the remarkable success achieved by the economies of the eight East Asian countries (i.e., Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Singapore, Taiwan (China), and Thailand). One of the most important factors behind this success was that the benefits of higher economic growth were spread widely among the population. The government policies that promoted greater degree of equality were accompanied by years of higher economic growth. Though the "East Asian miracle" was all about national economic growth, its experiences are important for strong government policies to combat the higher level of inequality in urban India as urban India contributes a larger fraction to national GDP. For instance, education is one the

main factor behind higher urban economic growth in long run. Thus, promotion of human capital accumulation may be to be given priority in government policies for urban development in India for higher urban economic growth and reduction of inequality and poverty in urban India.

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