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Trends and processes of urbanisation in India

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CONTENTS

1. Introduction: overview and scope of this paper	1
2. Urban processes in India: a historical perspective.....	2
3. Contemporary and projected urban trends in India.....	4
4. Urban growth and migration: trends and decomposition.....	10
5. Urbanisation patterns across size class of urban centres.....	17
6. Trends and patterns of urbanisation: an interstate analysis.....	22
7. Changes in workforce structure and their impact on urbanisation.....	25
8. Changing labour relations and the 'formalisation' of informal activities	31
9. Migration, employment and poverty linkages across size class of urban centres	32
10. Empowerment of local bodies through a new system of urban governance and spatial inequality.....	37
11. Institutions and programmes for funding and reform	39
12. City planning and land-use controls within a participatory framework.....	43
13. Programmes and policies: an overview of the proactive role of state agencies	45
14. A summary of conclusions and their development implications	48
References	52
Recent Publications by IIED's Human Settlements Group	55

LIST OF TABLES AND FIGURES

Figure 1: Percentage urban population and urban growth rates, 1901–2001	11
Figure 2: Proportion of urban population in different size categories, 1901–2001.....	18
Figure 3: Projected percentage of national population aged 15–64 years, 1950–2050.....	25
Figure 4: Probability of being poor by migration status across size class of towns	35
Figure 5: Probability of being poor by migration status across levels of education	36
Table 1: Average annual growth rate of urban population for world's major regions and India, 1950-2050.....	6
Table 2: Percentage of urban populations and urban–rural growth differential for world's major regions and India, 1950-2050.....	7
Table 3: Number of towns, and percentage and growth rate of urban population in India, 1901–2001.....	8
Table 4: Annual exponential urban growth and URGD for India, 1990–2050.....	9
Table 5a: Internal migrants in various categories, 1961–2001.....	12
Table 5b: Percentage of total migrants in different NSS rounds in rural and urban India.....	13
Table 5c: Percentage of adult male migrants in different NSS rounds in rural and urban India	13
Table 6: Migrants with different durations of stay as percentage of total population and their growth rates	14
Table 7: Disaggregation of total incremental urban population into components	16
Table 8: Number of towns and percentage of urban population in different size categories	19
Table 9: Annual exponential growth rates of urban population in different size categories ..	20
Table 10: Annual exponential growth rates of population in different categories of urban centre, 1981–2001	21
Table 11: Level of urbanisation and growth of urban population across states and union territories	23

Table 12: Percentage of workers aged 15–59 years in different NSS quinquennial rounds by usual, weekly and daily status.....	27
Table 13: Age-specific work participation rates by usual (principal) status in urban areas...	28
Table 14: Work participation rates by usual status and education level, for persons aged 15 years and above in urban areas.....	28
Table 15: Percentage of unemployed persons/person days to labour force/labour days in urban areas.....	29
Table 16: Percentage of usually employed persons (PS+SS) by type of employment in urban areas.....	30
Table 17: Growth rate of real wages of regular and casual workers in urban areas (1999/2000 to 2004/2005).....	32
Table 18: Percentage poor in different size class of cities/towns.....	33
Table 19: Migration rate for rural and urban males in different MPCE classes, 1999–2000.	34
Table 20: Distribution of urban migrants across quintiles of consumption expenditure in 1999/2000.....	34
Table 21: Households classified by all or a few migrant members and incidence of poverty	35

1. Introduction: overview and scope of this paper

Scholars have posited an urban explosion in Asia and argued that ‘the fulcrum of urban growth’ has shifted dramatically away from Africa and Latin America, and towards Asia. Rapid growth of the urban population is undoubtedly one of the key processes affecting Asian development in the 21st century. However, its dimensions, characteristics and significance vary from one country to another. With the ‘mean latitude of global urban population moving steadily to the south’,¹ India has been considered to be a major contributor to this urban explosion, because of both its large demographic weight and the dynamics of urbanisation. Several stylised facts – such as India’s share of the projected world urban population increasing from the present 10 per cent to 14 per cent in 2050, and the increase in the number of 10-million-plus cities from zero in 1950 to three by the turn of the century – have been cited as evidence of ‘unprecedented urban growth’² in India.

Some development analysts hold that the structural reform adopted in the country since the early 1990s – the basic factor in India’s rapid acceleration of economic growth to over 8 per cent per annum in real terms for over half a decade – has opened up job opportunities in several globally linked sectors located in and around the cities, boosting rural–urban (RU) migration. They argue that linking the country with the global economy has led to a rise in indigenous investment and an inflow of capital from outside the country. Since many of these investments have been positioned either within or around the existing urban centres, it is reasoned that they have given an impetus to the pace of urbanisation by causing a significant increase in employment opportunities in the cities and strengthening the pull factors attracting migrants. Even when the industrial units are located in neighbouring rural settlements, the latter would soon acquire urban status. The Eleventh Five Year Plan of India (2007–12) is aligned to this perspective, holding urbanisation as the ‘key indicator’ of economic and social development and that the cities ‘will be the locus and engine of economic growth over the next two decades’ for the realisation of ‘an ambitious goal of 9%–10% growth in GDP’.³

There is, however, an equally strong and vocal viewpoint asserting that the process of urban development in India is not necessarily positive, as it is associated with the accentuation of regional and interpersonal inequality and, unfortunately, with little reduction in poverty. In this view, a low rate of infrastructural investment in the public sector – necessary for keeping budgetary deficits low – has slowed down agricultural growth. This, coupled with open trade policy, has resulted in ‘contraction of purchasing power’ and destabilisation of the agrarian economy, causing high unemployment and an exodus from rural areas. Employment generation in the formal urban economy, however, has not been and is unlikely to be high, due to the capital-intensive nature of industrialisation. Consequently, most of the migrants are, and will be, absorbed within the informal economy.

Thus, the protagonists as well as the critics of economic reform converge on the proposition that urban growth in the post-liberalisation phase has been high, although they assess the implications quite differently. However, as will be argued here, the recent data from the Population Census cast serious doubts on this common proposition of rapid urban growth in India. The significance of an urban transition in a country the size of India is self-evident. Nevertheless, given these alternate perspectives, it is important to examine and verify the empirical validity of the hyper urban growth proposition. This paper will thus attempt to establish the actual magnitude of this growth in more realistic terms, and then analyse where such growth is occurring, the factors involved (including the purported role of increased rural-to-urban migration), and the main consequences. But, in the case of India, it is equally critical to appraise where and why rural–

¹ Mohan and Dasgupta 2005.

² ‘This phenomenon of such rapid urbanisation is indeed unprecedented and it has changed human geography beyond recognition’ (Mohan and Dasgupta 2005).

³ Planning Commission 2008.

urban migration and urban growth are *not* occurring at the projected velocity, and the implications of this sluggish growth for the country's development.

This paper concludes that if, as this analysis suggests, India's urban growth is more sluggish than most observers believe, this may actually be contributing to the persistent inequalities observed by the critics of economic reform. The two obvious responses would be more inclusive population policies in the successful and large urban centres, or more support for economic growth in smaller urban centres. The first is likely to face political obstacles, as urban elites do not want to accommodate a large influx of low-income migrants. The second is likely to face economic obstacles, as it can be difficult to find good public investment opportunities in smaller urban centres. However, without urban growth, the pursuit of both economic growth and equality will eventually be compromised.

The paper begins with a brief historical overview of the urbanization process in India during the colonial period (Section 2). Section 3 attempts a stocktaking of the urbanization scenario in the post-colonial phase, within the context of the demographic and economic trends in Asia and worldwide, and critically examines the urban scenarios projected by international and national agencies. The trends and patterns of urbanization and migration in India are reviewed in some detail at the macro level in Section 4, while attempting to decompose urban growth into its various components. Section 5 presents the variations in demographic growth across different size categories of urban centres, investigating the problems of classification as urban centres move in and out of a category over time. State-level variations in the amount and pace of urban growth over the past five decades are analysed in Section 6.

Section 7 analyses trends in employment and unemployment of various types, and in wage distributions. A thesis of formalisation of the informal sector is proposed in Section 8, which investigates the implications for new forms of organisation of production and service activities from the viewpoint of efficiency and wellbeing of the workers. Section 9 looks at the role of long-duration and seasonal migration in poverty alleviation in different categories of settlements. It further speculates on whether the entry of poor migrants has become more difficult over the years. The new system of urban governance and empowerment of local bodies brought about through a Constitutional Amendment and other administrative measures is the subject of investigation in Section 10. Section 11 analyses the restructuring of financial institutions responsible for capital investment in urban infrastructure, as well as the new mechanisms of resource mobilisation adopted at local levels. The changed perspective for preparing and implementing city-level plans and ushering in land-market reforms to ensure greater efficiency and flexibility is discussed in Section 12, highlighting their implications for future migration and urbanization. Section 13 is an overview of the policies and programmes for urban development launched by central government during the past three decades, with emphasis on the programmes in the current Plan. Finally, Section 14 summarises the results in the context of the problems and possibilities of adopting a proactive strategy for urban growth and building inclusive cities.

2. Urban processes in India: a historical perspective

The genesis of the hierarchy of urban settlements and spatial structure in contemporary India can be traced to the development dynamics that prevailed during the colonial period, essentially in response to the requirements of an imperialist regime. The colonial economy generated strong commodity and population flows towards its key ports and administrative towns. This had the inevitable consequence of weakening the regional⁴ centripetal forces established during the

⁴ I.P. Gupta (quoted in Chakma 2011) argues that 'administrative and military influence in the medieval period remained subdued to economic activities'. He estimates that roughly 80–90 per cent of the activities in the large urban centres in Gujarat were 'economic'. Singh (1997) has also emphasised the economic base of the urban centres in this period.

medieval period through the inter-settlement linkages and bi-directional movement of goods and services between the core and periphery. The four major urban agglomerations (UAs) of Calcutta, Madras, Bombay⁵ and Karachi (presently in Pakistan) served, unlike their Western counterparts in the medieval period, as focal points of a mechanism for generating and extracting economic surplus. The pre-existing rural–urban interactions were gradually replaced by export–import oriented commodity flows. Movement of population that became necessary to sustain the new urban centres (and the plantation fields) further disrupted the core–periphery relationship and strengthened the centrifugal forces. Unlike their counterparts in developed countries, the Indian agglomerations were not a product of economic development.

The interactive system that had previously evolved through the centuries between a large number of handicraft, service and commerce-based towns and their hinterland of primary production, as well as between large cities and smaller towns in the hierarchy, was the major casualty of this process of urbanization.⁶ A few of these towns were also inducted into a mechanism of surplus expropriation and became centres of collection and processing of primary goods while the others were allowed to wither away. The new urban centres, endowed primarily with instincts for trade, failed to disseminate impulses for balanced regional development. Instead, they acted as satellites of the port towns that were themselves satellitic to the global metropolis. Even the former were largely alien to the internal economic system because the productive activities and commerce transacted more with the world market than with the indigenous people.⁷ The colonial policy of industrialisation resulted in the concentration of units producing goods mostly for consumption within the few large cities. These, however, exerted powerful backwash effects, resulting in the liquidation of secondary activities in the rural hinterland. The substitution of an interactive and generally symbiotic relationship⁸ with an exploitative one resulted in an overall weakening of the economic base. The displacement of the workforce from primary and secondary sectors in rural areas, and their non-absorption in the formal urban economy, led to serious problems of unemployment, informal employment and poverty.⁹

As rural–urban migration was not taking place in response to the increased demand for labour in productive sectors of the economy, the urban centres did not have the capacity to assimilate the migrants who shuttled like refugees between places of origin and destination, and also between various informal activities. Consequently, the dysfunctionality of the cities in the context of the regional economy increased and this, in turn, generated serious socio-economic distortions, affecting their internal organisation. The cities were planned with a view to providing high-quality civic amenities to the elites linked to the ruling class or those who could afford high prices. The segmented structure of the cities ensured that the service class lived nearby but did not overburden the infrastructure of the core areas.

⁵ The names of the first three cities have changed in recent years to Kolkata, Chennai and Mumbai, respectively.

⁶ Dutt (1937, reprinted 1979) argues that ‘the ruin of the millions of artisans and craftsmen was not accompanied by any alternative growth of new forms of industry. The old populous manufacturing towns, Dacca, Murshidabad (which Clive had described in 1757 to be ‘extensive, populous and rich as the city of London’), Surat and the like were in a few years rendered desolate’.

⁷ Chattopadhyaya and Raza 1975.

⁸ ‘Medieval towns were centres of manufacture and commercial activities. There appears to have existed hierarchy among the towns... they were vibrant centres of commercial and manufacturing activities. This hierarchy was also markedly presented within the town itself... Medieval towns were marked by “urban characteristics”. Between town and country there existed a “symbiotic” relationship’ (Chakma 2011).

⁹ Dutt (1937) cites records from the Census of India to demonstrate how various manufacturing sectors were ‘practically stamped out’ even in early years of the last century, observing that ‘it was not only old manufacturing towns and centres that were laid waste, and their population driven to crowd and overcrowd the villages: it was above all the basis of the old village economy, the union of agriculture and domestic industry that received its mortal blow.’

As India was gradually drawn into the orbit of the capitalistic system during two centuries of colonial rule, its political economy became the major impediment to technological development in agriculture and industry. This adversely affected productivity in both sectors. In many developed countries, the high level of agricultural production, and the surpluses generated as a consequence, had facilitated the growth of cities. In British India, however, it was not the level of agricultural or industrial surplus but the socio-political organisation that enabled the cities, directly or indirectly, to appropriate an increasing share of total production from their hinterland. Surpluses extracted through rents and the taxation system were either transmitted across national frontiers or used to meet the increasing demand of the tertiary sectors with a high incidence of 'non-productive' activities. Imports entering the market in small towns and rural areas through the trading networks ushered in strong forces of de-industrialisation. Most small producers could not survive in global competition, particularly when the government policies directly or indirectly helped imports.

The twin processes hitting hard at the economic base of the rural industries and creating enclaves of apparent affluence in select urban centres struck at the very root of the existing inter-settlement linkages and synergies across different sizes of urban centres. Public facilities were concentrated in the towns and cities and were available to only a few privileged sections of the urban community, with access of the rural population being negligible. Further, the cultural superstructure imposed on the urban areas was not rooted in indigenous institutions, and this led to the fragmentation of tradition along the rural–urban interface. 'Urbanism', cut off from the basic source of its strength, became rootless and imitative while 'ruralism' was stuck within the confines of petty production and burdened by superstition, obscurantism and parochialism.

Independence in 1947 brought political as well as economic structural change. Massive public-sector investment in selected pockets, especially during the Second and Third Five Year Plans (1955–65), helped in restructuring the urban hierarchy. However, regional disparities persisted, despite the public sector playing a major role in directing concentrated investments towards 'backward' areas. This is because the apex centres did not create a viable system of urban settlements – as in many developed capitalist economies – and left their hinterland virtually untouched. The assumption of percolation and diffusion of growth impulses from the centre to the periphery – characteristic of the Anglo-Saxon regional development theories – proved to be invalid as the multiplier effects got impounded within the large agglomerations. The transformation of large cities from colonial to national capitals meant only an increasing concentration of low productive manufacturing and service activities that could find a foothold more easily due to the changed political economy. The pace of urban growth was rapid during the first three decades after Independence, but that led to greater informalisation of the urban economy and to growing deprivation in terms of basic services. The next sections examine the actual magnitude and characteristics of urban growth during recent decades.

3. Contemporary and projected urban trends in India

The postulates regarding India's purported current hyper-urbanisation, and the supposition that this trend would continue for the next few decades, are mostly based on absolute population figures (or increments therein) or India's share of regional or global totals. Understandably, the increments work out to be high due to the large size of India's population base, which accounts for 67 per cent of the total population of South Central Asia and 29 per cent of that of Asia. However, inferences regarding the dynamics of urban development based on India's share of the total or incremental urban population and its comparison with that of other countries or regions can be misleading.¹⁰

¹⁰ Predictions such as 'in Southern Asia, urbanisation rates varied due to specific country conditions. Generally urbanisation took longer to get underway but is expected to accelerate dramatically in the 1990s' (Forbes and Lindfield 1997) have proved to be wrong.

An overview of Table 1 & 2 (overleaf) reveals that the pace of demographic growth in urban areas of Latin America and the Caribbean during the second half of the last century was spectacular, the percentage of urban population going up from 41 to 75 per cent. Africa also registered rapid urban growth during 1950–70, the rate slowing down after this period. Within Latin America, the South American portion of the region recorded higher urban–rural growth differential (URGD) throughout the entire half-century, as did Sub-Saharan Africa within the African continent. It has been argued that Asia will now replicate the experience of these continents ushering in an “urbanisation avalanche”, with India and China determining the regional trends due to their large demographic weights.¹¹

Before attempting a detailed discussion on the projections for India in relation to the regional and global scenario, it is necessary to examine if its definition of an urban area is comparable with that of other countries, since the official source of urban growth data – the United Nations Population Division (UNPD) – uses the data given by the national-level agencies, generally without adjusting for definitional anomalies. Many countries are highly restrictive in defining their urban settlements. This is not the case in India where the Census takes 5000 as the population cut-off point as the first criterion for defining an urban centre. The other three criteria define ‘urban’ in terms of a locality’s density of population (above 400 people per square kilometre), percentage of male non-agricultural workers (above 75 per cent), or by certain pronounced urban characteristics. The centres identified as urban based on these three criteria, even though they have fewer than 5000 people, are known as *census towns*.

Altogether, it can be asserted that India’s definition of urban areas is fairly average. India’s cut-off point might be considered restrictive in comparison to some countries such as Australia, France, the Philippines and others that have specified a limit between 2000 and 3000. However, the list of countries that have a cut-off point as high as, or even higher than India, is equally impressive. Evidently, the nationally defined limit depends on a variety of factors and it would be erroneous to impose a uniform limit across countries. Moreover, as noted above, the chosen cut-off point has not prevented the Indian Census from identifying settlements having smaller populations but presenting other urban features as towns. In addition, each state government prepares a list of *statutory towns*, based on administrative criteria, as well as others, and these get automatically included in the Census as urban units, whether or not they have 5000 people or meet other criteria.

Smaller urban localities typically make up a minute proportion of the total urban population, whether in India or elsewhere. Lowering the cut-off population number or relaxing the density criteria might increase the percentage of urban population in India slightly, but that would not be the case for urban growth. This is because a large number of villages having some 5000 people or more, and that do not meet the other criteria, have stagnant economies and therefore tend to be out-migrating in character. Their population growth, therefore, turns out to be significantly below those that get identified as towns, the former’s higher fertility notwithstanding. Considering all these factors, there is no reason to believe that India’s low levels of urbanization or urban growth are due primarily to definitional issues.

¹¹ Asian Development Bank 2011, Forbes and Lindfield 1997.

Table 1: Average annual growth rate of urban population for world's major regions and India, 1950-2050

Period	World	More developed regions	South America	Northern America	Europe	Less developed regions	Less developed regions, excluding China	Latin America and the Caribbean	Africa	Sub-Saharan Africa	Asia	East Asia	South-Central Asia	South-Eastern Asia	Western Asia	India
1950-55	3.12	2.35	4.70	2.67	2.06	4.17	3.92	4.52	4.64	4.88	3.93	4.57	2.89	3.95	5.08	2.41
1955-60	3.14	2.27	4.52	2.61	2.04	4.21	4.08	4.44	5.05	5.48	3.85	4.28	2.97	4.15	4.90	2.34
1960-65	3.08	2.07	4.28	1.99	1.99	4.19	4.17	4.31	5.10	5.45	3.86	4.01	3.39	3.97	4.84	3.00
1965-70	2.67	1.77	3.83	1.57	1.60	3.58	4.09	3.92	4.66	5.11	3.28	2.66	3.51	4.03	4.80	3.15
1970-75	2.56	1.37	3.56	0.95	1.35	3.64	4.01	3.67	4.39	4.83	3.38	2.56	3.96	3.96	4.56	3.74
1975-80	2.67	1.15	3.43	0.97	1.11	3.89	3.96	3.43	4.45	4.84	3.72	3.18	4.20	4.03	4.05	3.89
1980-85	2.70	0.92	3.17	1.16	0.80	3.93	3.73	3.01	4.29	4.51	3.88	3.77	3.60	4.41	4.78	3.30
1985-90	2.63	0.95	2.81	1.37	0.72	3.65	3.43	2.75	4.15	4.53	3.63	3.71	3.28	4.10	3.80	3.10
1990-95	2.38	0.76	2.46	1.68	0.32	3.24	2.95	2.49	3.79	4.27	3.17	3.43	2.84	3.48	2.74	2.81
1995-00	2.22	0.61	2.23	1.67	0.11	2.97	2.74	2.21	3.44	3.89	2.93	3.03	2.63	3.53	2.63	2.58
2000-05	2.20	0.67	1.94	1.41	0.32	2.83	2.43	1.90	3.40	3.81	2.83	3.36	2.46	2.25	2.51	2.37
2005-10	1.92	0.68	1.59	1.31	0.40	2.40	2.33	1.60	3.36	3.71	2.28	2.18	2.43	2.22	2.35	2.31
2010-15	1.85	0.64	1.33	1.22	0.37	2.27	2.27	1.38	3.28	3.60	2.17	1.94	2.49	2.16	2.09	2.38
2015-20	1.76	0.58	1.12	1.10	0.34	2.14	2.21	1.19	3.14	3.43	2.04	1.68	2.50	2.11	1.97	2.42
2020-25	1.65	0.51	0.92	0.98	0.29	1.99	2.13	1.02	2.98	3.25	1.89	1.36	2.47	2.07	1.86	2.43
2025-30	1.54	0.45	0.76	0.86	0.24	1.85	2.05	0.86	2.84	3.08	1.73	1.06	2.42	1.96	1.71	2.41
2030-35	1.43	0.38	0.62	0.76	0.20	1.70	1.93	0.71	2.68	2.90	1.57	0.82	2.30	1.78	1.57	2.29
2035-40	1.31	0.32	0.48	0.67	0.16	1.55	1.78	0.57	2.50	2.71	1.40	0.65	2.11	1.57	1.40	2.08
2040-45	1.19	0.26	0.37	0.60	0.11	1.40	1.62	0.43	2.31	2.50	1.24	0.49	1.90	1.37	1.25	1.87
2045-50	1.05	0.21	0.25	0.54	0.05	1.24	1.45	0.30	2.12	2.30	1.06	0.31	1.68	1.17	1.09	1.64

Source: United Nations Population Division (2010), *World Urbanization Prospects: The 2009 Revision* (POP/DB/WUP/Rev.2007) United Nations Department of Economic and Social Affairs, New York.

Table 2: Percentage of urban populations and urban–rural growth differential for world’s major regions and India, 1950-2050

Period	World		Less developed regions		Less developed regions, excluding China		Latin America and the Caribbean		Africa		Asia		South-Central Asia		India	
	Percentage Urban	URGD	Percentage Urban	URGD	Percentage Urban	URGD	Percentage Urban	URGD	Percentage Urban	URGD	Percentage Urban	URGD	Percentage Urban	URGD	Percentage Urban	URGD
1950–55	28.83	1.93	17.61	2.63	20.18	2.31	41.38	3.20	14.40	2.91	16.33	2.46	16.44	1.25	17.04	0.75
1955–60	30.85	1.97	19.60	2.69	22.11	2.29	45.30	3.23	16.29	3.26	18.08	2.43	17.31	1.12	17.58	0.47
1960–65	33.00	1.72	21.80	2.45	24.14	2.37	49.32	3.17	18.64	3.30	19.95	2.16	18.13	1.50	17.92	1.15
1965–70	34.93	1.01	23.96	1.46	26.37	2.29	53.28	3.06	21.27	2.67	21.74	1.14	19.27	1.56	18.79	1.25
1970–75	36.08	0.97	25.32	1.73	28.66	2.25	57.06	3.04	23.59	2.30	22.73	1.46	20.51	2.06	19.76	1.93
1975–80	37.21	1.45	26.99	2.43	31.01	2.26	60.74	3.03	25.73	2.23	24.03	2.37	22.24	2.36	21.33	2.05
1980–85	38.92	1.55	29.44	2.60	33.48	2.01	64.29	2.77	27.91	2.02	26.26	2.69	24.35	1.62	23.10	1.38
1985–90	40.78	1.51	32.21	2.35	35.76	1.83	67.40	2.72	29.99	2.00	28.95	2.46	25.87	1.38	24.35	1.28
1990–95	42.62	1.49	34.83	2.21	37.89	1.45	70.32	2.68	32.13	1.83	31.54	2.30	27.22	1.08	25.55	1.09
1995–00	44.45	1.57	37.37	2.22	39.61	1.45	73.04	2.55	34.16	1.58	34.08	2.37	28.30	1.13	26.59	1.08
2000–05	46.40	1.79	40.00	2.33	41.36	1.20	75.48	2.53	35.95	1.68	36.80	2.57	29.47	1.12	27.67	1.04
2005–10	48.63	1.47	42.82	1.83	42.82	1.28	77.74	2.26	37.91	1.74	39.83	1.94	30.65	1.33	28.72	1.25
2010–15	50.46	1.53	45.08	1.84	44.39	1.42	79.63	2.02	39.98	1.83	42.17	1.98	32.08	1.64	30.01	1.60
2015–20	52.37	1.64	47.36	1.92	46.15	1.63	81.22	1.85	42.20	1.95	44.60	2.08	33.89	1.97	31.72	1.97
2020–25	54.41	1.78	49.76	2.03	48.18	1.85	82.59	1.70	44.59	2.09	47.19	2.20	36.13	2.29	33.89	2.34
2025–30	56.62	1.93	52.30	2.15	50.49	2.07	83.78	1.66	47.18	2.22	49.94	2.33	38.81	2.61	36.56	2.71
2030–35	58.97	2.04	54.98	2.23	53.08	2.23	84.87	1.70	49.95	2.30	52.85	2.41	41.95	2.81	39.75	2.93
2035–40	61.41	2.09	57.72	2.27	55.84	2.28	85.93	1.73	52.82	2.35	55.84	2.43	45.40	2.82	43.30	2.93
2040–45	63.85	2.14	60.46	2.30	58.63	2.33	86.94	1.76	55.73	2.40	58.82	2.46	48.92	2.83	46.93	2.93
2045–50	66.29	2.20	63.18	2.34	61.42	2.38	87.91	1.78	58.66	2.44	61.76	2.49	52.46	2.84	50.58	2.93

Source: United Nations Population Division (2010), *World Urbanization Prospects: The 2009 Revision (POP/DB/WUP/Rev.2007)*, United Nations Department of Economic and Social Affairs, New York.

Note: The percentage of urban population is for initial year in each period

Table 3: Number of towns, and percentage and growth rate of urban population in India, 1901–2001

Census year	Number of towns/ urban areas	Urban population (as percentage of total population)	Annual exponential growth of urban population
1901	1827	10.84	-
1911	1815	10.29	0.03
1921	1949	11.18	0.79
1931	2072	11.99	1.75
1941	2250	13.86	2.77
1951	2843	17.29	3.47
1961	2365	17.97	2.34
1971	2590	19.91	3.21
1981	3378	23.34	3.83
1991	3768	25.72	3.09
2001	4368	27.78	2.73

Note: Estimated population has been taken for Assam and Jammu & Kashmir in 1981 and 1991, respectively.

Source: Paper-2, Rural–Urban Distribution, 1981, 1991 & 2001 (unpublished).

The central point here is that, despite significant fluctuations over the past few decades, urban growth has at best been modest in India. Moreover, contemporary growth scenarios in India cast serious doubts on the prospect for rapid urbanisation in the future. As shown in Table 3, the rate was reasonably high in the fifties, fell sharply during the sixties (largely due to definitional anomalies as discussed below) and reached its peak in the 1970s, as reported by Population Census in India. These rates were similar or lower to those of Africa or Latin America throughout the period. Correspondingly, the Indian URGD was below 1 per cent during the fifties and rose gradually to 2 per cent by the early 1980s (Table 2). However, it fell dramatically during the 1980s and further in the 1990s. The growth rate for the latest quinquennial period (2000–05) for India has been estimated by the UNPD as only 1 per cent. This is below all the continents of the world except Europe, the countries coming out of the former Soviet Union and those undergoing some kind of political instability. Both urban growth and URGD are still much below that of South America and Sub-Saharan Africa during the entire period.

All these trends confirm the declining overall trend of urbanisation and question the popular theories of ‘urban explosion’, or ‘over-urbanisation’ in India, as well as the future urban scenario put forward by various expert committees set up by the government and international agencies over the past two-and-a-half decades. In the early 1980s, the Indian Planning Commission (1983)¹² had projected the country’s urban population for the years 1991 and 2001 using alternate variants. The exercise was undertaken under the shadow of the ‘urban explosion’ observed during 1971–81 and, consequently, the projected figures were on the high side. All other official projections made during the 1980s and 1990s also reflected this ‘optimism’ and gave figures for future urban population that are even larger than that of the Planning Commission. The Expert Committee for Population Projections for the Eighth Plan, for example, had predicted urban growth (annual exponential) rates of 4.4 per cent during the 1980s and 4.1 per cent during the 1990s. The Expert Group on the Commercialisation of Infrastructure Projects (EGCIP 1996) also implicitly assumed a rapid pace of urbanisation as a consequence of the new economic policy.

¹² Planning Commission 1983.

Recent projections of urban growth made by the UNPD are slightly lower, but still over-estimate probable growth. The *1995 World Urbanisation Prospects* (United Nations 1996) had placed the annual growth rate of urban population for 1990–95 and 1995–00 at 2.9 and 3.0 per cent, which is about what had been recorded by the Indian Census during the 1980s (Table 4). The percentage of the urban population was projected to go up from 25.5 in 1990 to 28.6 in 2000. Importantly, these figures were revised downwards in the subsequent WUPs. The growth rates for the periods 1990–95 and 1995–2000 were brought down to 2.75 and 2.80, while the level of urbanization for 2000 was placed at 28.4 in the 1998 report. These figures are below those of WUP 1996, possibly because the former take into consideration the decline reported in the natural increase in population in the Sample Registration System (SRS). These estimates, however, are higher than those that actually came out in the Census.

Table 4: Annual exponential urban growth and URGD for India, 1990–2050

	WUP 1995 (1994 revision)	WUP 2004 (2003 revision)	WUP 2008 (2007 revision)	WUP 2010 (2009 revision)
Urban growth 1990–1995	2.87	2.73	2.88	2.81
Urban growth 1995–2000	3.04	2.54	2.63	2.58
Urban growth 2000–2005	3.16	2.28	2.35	2.37
Urban growth 2020–2025	2.80	2.53	2.60	2.43
Urban growth 2045–2050	NA	NA	1.69	1.64
URGD 1990–1995	1.30	1.10	1.09	1.09
URGD 1995–2000	1.77	1.07	1.08	1.08
URGD 2000–2005	2.22	1.07	1.02	1.04
URGD 2020–2025	3.25	2.63	2.66	2.34
URGD 2045–2050	NA	NA	2.94	2.93

Source: UNDP (*World Urbanisation Prospects*, different revisions)

The WUP (1996) projection of future urban growth of 3.16 per cent during 2000–05 is lower than that of the government committees and closer to the recent Census figure. The latest WUP (2010), however, puts this at 2.37. Also, it implicitly admits that the projection of the urbanization level, placed at 41.3 per cent by the year 2020 in WUP (1996) is very much on the high side.¹³ WUP (2008) places this at around 37.5 only. What is surprising, however, is that this gives higher projections of urban growth in future years than given four years earlier, in WUP 2004.¹⁴ It is not clear what new information became available to substantiate this ‘optimism’.

It is surprising to see that in these projections, despite reporting one of the lowest URGDs among developing countries for the 2000–05 period, India’s URGD for 2020–25 or 2045–50 is foreseen to be one of the highest in the world. It is difficult to concur with this perspective, especially when India has registered a significant deceleration in urban growth rates and URGD in recent decades. Given these recent trends, all these projections of urban growth – whether made by UN agencies or by various committees of the government – can be considered as over-estimates.

¹³ The parameters of the model (used for the projection exercise in the UN study) lead to a low increase in the percentage of urban population in the initial years, and going up subsequently (but coming down ultimately, at a high level of urbanisation).

¹⁴ The annual growth rates of urban population given in WUP 2003 and WUP 2007 for 2025–30 are 2.5 and 2.6, respectively.

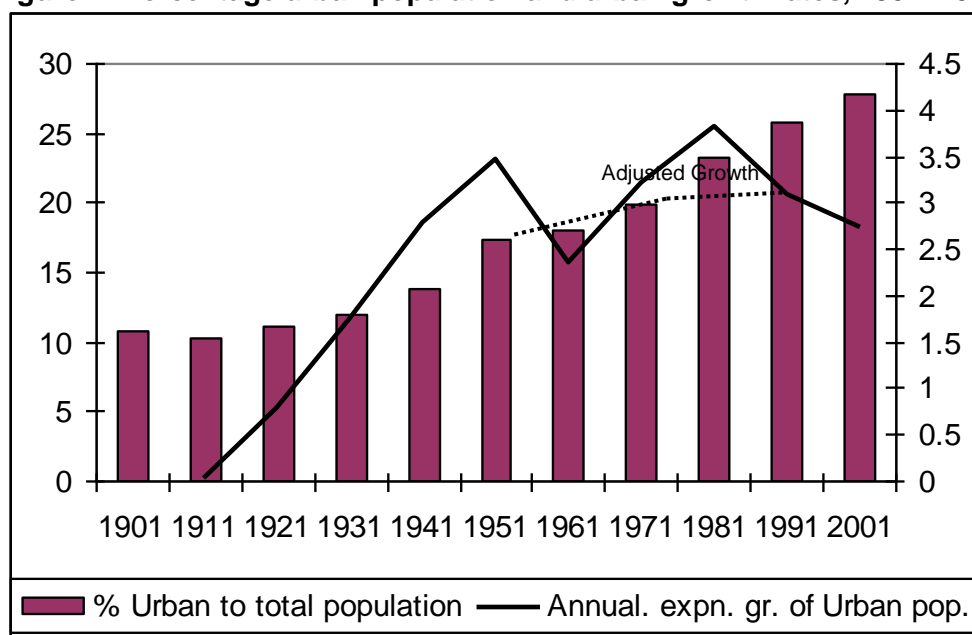
The high-growth perspective on urbanization could be attributed partly to the methodology adopted by the UNPD and other national and international agencies, a methodology based on an exponential function, connecting the percentage of urban population with URGD. It implicitly assumes that the URGD would increase in developing countries until these have half of their population living in urban areas. Despite several modifications in the methodology, allowing the URGD to come down before a country reaches the 50 per cent level, the UNPD gives over-high figures. UNPD is aware of this problem since it regularly revises downward the projected urban population for future years. Traditional anti-urban outlooks that urge policymakers to control rural-to-urban migration and to slow down the growth of large cities have possibly motivated planners and administrators to accept this perspective as it provides justification for imposing restrictions on population mobility. Furthermore, this allows the urban elites to demand and corner a greater share in the total investible resources for infrastructure and civic amenities. Given the urban (elite) bias in development planning in most of the less developed countries (Lipton 1977), it is understandable why such projections have largely gone unchallenged in India, as well as in many other developing countries.

It is only recently that policymakers in India have started questioning the rapid urbanization perspective and, with it, the measures for discouraging rural–urban migration and decelerating urban growth. The Tenth Plan document notes that ‘the moderate pace of urbanisation in the country has been a cause of disappointment’ (Planning Commission 2003), and the Eleventh Plan admits that ‘the degree of urbanisation in India is one of the lowest in the world’ (Planning Commission 2008). It is important to examine how the new perspective has affected policies, programmes and emerging urban forms.

4. Urban growth and migration: trends and decomposition

The percentage urban population in India has gone up gradually from about 11 in 1901 to 17 in 1951 and then to 28 in 2001 (Table 3). The urban growth rate during 1941–51 was fairly high, at 3.5 per cent per annum, but then reduced to 2.3 per cent in the following decade. It has been pointed out that the figure for the 1940s was on the high side, since the definition of urban centre could not be standardised in the first Census conducted after Independence, and also because massive rural–urban migration occurred due to partition of the country. The formalisation of the concept of ‘urban centre’ in the 1961 Census led to a significant fall in the growth rate. Making adjustment for these anomalies (Figure 1), urban growth has been rising steadily between 1951 and 1981, after when it has started going down, as noted in the preceding section. The highest rate of urban growth (3.8 per cent) was recorded during the 1970s, but has subsequently reduced to 3.1 per cent in the 1980s, and 2.7 per cent in the 1990s.

Figure 1: Percentage urban population and urban growth rates, 1901–2001



Source: Table 4; Adjusted growth rates are author's interpolation.

The percentage of lifetime male migrants¹⁵ living in urban areas declined from 33.6 to 32.4, and that of intercensal male migrants from 18.5 to 16.9 between 1971 and 1981 (Table 5a, overleaf). This is striking since the decade saw a very high growth of urban population, as noted above. Correspondingly, the share of male lifetime interstate migrants declined from 11.2 to 10.0 per cent over the same decade. The migration data from the 1991 Population Census reveal a further decline in these figures, the percentage figures for male lifetime, intercensal and interstate (lifetime) migrants being 26.0, 11.7 and 8.0, respectively. Migration of females into urban areas, too, declined but at a slower pace, as this is influenced more by socio-cultural factors that change slowly over time.

The data from Population Census 2001 mark a slight departure from previous trends. With the exception of total intercensal migrants, the percentage figures for all other migration categories have shown a rise during the 1990s for both men and women, as may be seen in Table 5. The fact that intercensal migration does not fall into line with other types of migration warrants further probing.¹⁶ The percentage of migrants by place of last residence (POLR) with fewer than 10 years duration has declined for both men and women (Table 6). This confirms the pattern noted above, based on place-of-birth migration data. However, the shares of POLR migrants by all other longer durations have gone up. The maximum increase is reported in the case of migrants for whom information on period of stay could not be ascertained. This can probably be attributed to uneasiness on the part of recent migrants to admit their arrival date due to the apprehension that this may disqualify them from certain officially provided benefits, most importantly tenure rights. Concerns about threats from the both the civic administration and the local population would be additional factors for misreporting.

¹⁵ Those born in a settlement other than their place of enumeration.

¹⁶ Annual exponential growth rates of intercensal migrants in rural and urban areas are 1.4 and 2.5 per cent per annum, respectively: less than that of the corresponding total population.

Table 5a: Internal migrants in various categories, 1961–2001

	Percentage of total population					Migrants in millions
	1961	1971	1981	1991	2001	2001
Total migrants						
Intercensal	15.0	12.4	12.2	9.7	9.5	98.3
Intercensal interstate	2.0	1.6	1.6	1.3	1.6	16.8
Lifetime	30.6	28.7	29.4	26.5	29.2	301.1
Lifetime interstate	3.3	3.4	3.6	3.3	4.2	42.3
Male migrants						
Intercensal	11.3	9.4	8.9	6.1	6.2	32.9
Intercensal interstate	2.2	1.8	1.6	1.2	1.6	8.5
Lifetime	18.3	17.2	16.6	13.8	16.4	87.2
Lifetime interstate	3.4	3.4	3.3	2.8	3.7	19.7
Female migrants						
Intercensal	19.0	15.7	15.7	13.5	13.2	65.4
Intercensal interstate	1.7	1.3	1.7	1.5	1.7	8.3
Lifetime	43.7	41.1	43.1	40.3	43.0	213.7
Lifetime interstate	3.2	3.4	3.9	3.8	4.6	22.7
Rural male migrants						
Intercensal	8.4	7.1	6.3	4.2	4.0	15.2
Intercensal interstate	0.9	0.8	0.7	0.5	0.6	2.3
Lifetime	13.9	12.9	11.5	9.4	10.5	40.2
Lifetime interstate	1.4	1.3	1.2	0.9	1.1	4.4
Urban male migrants						
Urban male population Millions	42.8	58.7	84.9	114.9	151.2	
Intercensal	23.8	18.5	16.9	11.7	11.7	17.7
Intercensal interstate	7.9	5.6	4.4	3.3	4.1	6.2
Lifetime	37.5	33.6	32.4	26.0	31.2	47.0
Lifetime interstate	12.3	11.2	10.0	8.0	10.2	15.3

Notes:

(a) Population figures pertain to the whole country and include the estimated figures for Assam and Jammu & Kashmir for the years in which the Census could not be conducted in these states. The migration figures for 1981 and 1991, however, do not include Assam and Jammu and Kashmir, respectively. The percentage figures, however, are obtained by using the corresponding total population and not those given in the table.

(b) Lifetime migrants are those enumerated at places other than that of their birth. Intercensal migration figures are based on the concept of place of birth for the year 1961. For 1971, 1981 and 1991, the figures are based on the concept of place of last residence, implying that people residing anywhere other than the place of enumeration are considered migrants.

Source: Population Census: D-III table for 1961 and D-2 tables for 1971, 1981 and 1991.

Table 5b: Percentage of total migrants in different NSS rounds in rural and urban India

Round (year)	Rural		Urban	
	Male	Female	Male	Female
64 (2007–2008)	5.4	47.7	25.9	45.6
55 (July 1999 – June 2000)	6.9	42.6	25.7	41.8
49 (January–June 1993)	6.5	40.1	23.9	38.2
43 (July 1987 – June 1988)	7.4	39.8	26.8	39.6
38 (January–December 1983)	7.2	35.1	27.0	36.6

Source: Various NSS reports.

Table 5c: Percentage of adult male migrants in different NSS rounds in rural and urban India

Round (year)	Male 15–59		
	Rural	Urban	Total
64 (2007–2008)	6.5	31.4	13.8
55 (July 1999 – June 2000)	9.0	32.0	15.5

Source: Tabulated from Unit Level data.

Table 6: Migrants with different durations of stay as percentage of total population and their growth rates

	Total migrants, 1991			Total migrants, 2001			Annual exponential growth, 1991–2001 (excluding Jammu & Kashmir)		
	Persons	Males	Females	Persons	Males	Females	Persons	Males	Females
Total	27.43	14.64	41.22	30.63	17.57	44.62	2.98	3.66	2.71
Rural	25.84	10.12	42.6	28.37	11.5	46.19	2.53	2.82	2.45
Urban	32	27.41	37.14	36.5	32.98	40.41	3.97	4.46	3.54
Less than 1 year									
Total	0.84	0.75	0.93	0.87	0.79	0.95	2.22	2.36	2.09
Rural	0.76	0.64	0.89	0.82	0.71	0.93	2.27	2.54	2.06
Urban	1.05	1.04	1.05	0.99	0.98	1	2.1	2.03	2.17
1–4 years									
Total	4.71	3.19	6.34	4.6	3.12	6.19	1.66	1.63	1.68
Rural	3.99	2.13	5.98	3.9	1.98	5.94	1.38	0.83	1.58
Urban	6.76	6.18	7.42	6.42	6.02	6.87	2.13	2.36	1.92
5–9 years									
Total	4.16	2.27	6.2	4.1	2.28	6.05	1.76	1.92	1.69
Rural	3.7	1.45	6.1	3.61	1.3	6.06	1.38	0.54	1.58
Urban	5.49	4.61	6.48	5.37	4.77	6.04	2.45	3	2
0–9 years									
Total	9.7	6.21	13.47	9.57	6.19	13.19	1.75	1.83	1.72
Rural	8.46	4.22	12.97	8.34	3.99	12.93	1.46	1.01	1.61
Urban	13.3	11.82	14.96	12.78	11.78	13.9	2.26	2.58	1.97
10–19 years									
Total	6.45	2.99	10.18	6.76	3.15	10.64	2.36	2.36	2.36
Rural	6.04	1.85	10.49	6.26	1.69	11.09	1.97	0.65	2.2
Urban	7.65	6.21	9.27	8.08	6.85	9.45	3.2	3.61	2.89
20+ years									
Total	8.96	3.39	14.97	9.84	3.74	16.38	2.83	2.84	2.83
Rural	9.22	2.26	16.65	10.04	2.07	18.48	2.46	0.7	2.69
Urban	8.21	6.61	10	9.32	7.98	10.81	3.94	4.54	3.48
Duration not stated									
Total	2.31	2.05	2.59	4.45	4.49	4.4	8.35	9.61	7.14
Rural	2.13	1.79	2.49	3.73	3.75	3.7	7.12	8.86	5.55
Urban	2.84	2.77	2.91	6.32	6.37	6.26	10.58	10.85	10.3

Notes: The figures excepting the first three rows are percentages to total population in the country. The figures for 1991 pertain to India (excluding Jammu & Kashmir) while those for 2001 are all-India figures. Growth rates have, however, been computed by excluding the estimated figures for Jammu & Kashmir from the all-India figures of 2001.

Source: Census of India for different years

The growth rate of migrants with under-one-year duration, however, is higher than that of intercensal migrants (Table 6). This is understandable because it is difficult for people who have just arrived to hide this fact. Also, a majority of them are contract labourers or transitory residents, with a minimal stake in their current location. The growth is lowest for those with 1 to 4 years duration of residence, followed by those reporting a stay of 5 to 9 years. The growth rates of migrants with 10 to 19 years and more than 20 years duration, on the other hand, are much higher than that of the total migrants or total population. How can the percentage of intercensal migrants can go down in a decade that records relatively high growth in total migrants?

This paradoxical result can be explained as follows. Many people who arrived during the 1990s falsely claimed their arrival date to be ten or more years. This is for apparently the same reason for which many keep their period of stay unspecified: recent migrants do not want to be identified as such, for practical considerations. This undoubtedly would create problems of data comparability in analyzing the temporal flow of migrants, particularly for urban areas where there is greater motivation for reporting a longer duration of stay. There is thus a case for analysing the robustness of data on migration disaggregated by the period of residence at the destination.

According to a study by the Office of the Registrar General (1993), New Delhi and the East West Centre, Honolulu, the contribution of rural–urban migration in the incremental urban population has declined over the previous decade, and stood at 22.6 per cent in the 1980s. Making a slight departure from their methodology, an attempt has been made here to decompose the incremental urban population, using a simple identity, into four components. These are: (a) natural increase, (b) new towns less declassified towns (outside the agglomerations), (c) merging of villages with towns and jurisdictional changes for cities and agglomerations, and (d) rural–urban migration. The first component, estimated by applying natural growth rate on the base year urban population, as well as intercensal migrants, increased marginally from 35.4 million in the 1980s to 40.2 million in the 1990s (Table 7). This account for 61.3 per cent and 59.4 per cent of the total increase in urban population in the two decades, respectively. In estimating this component, the decline in the natural growth rate of population between 1991 and 2001, as per the Sample Registration System data, (which is slightly sharper in urban than in rural areas) has been taken into consideration.¹⁷

¹⁷ The natural growth being much less in urban than rural areas has also been indicated by certain national-level surveys (Registrar General 1999).

Table 7: Disaggregation of total incremental urban population into components

	Percentage distribution			
	1961–1971	1971–1981	1981–1991	1991–2001
Total increase	30.18	49.9	57.7	67.7
(a) Natural increase on base year population and on intercensal migrants	64.6	51.3	61.3	59.4
(b) Population of new towns less declassified towns	13.8	14.8	9.4	6.2
(c) Net rural–urban migration	18.7	19.6	21.7	21.0
(d) Increase due to expansion in urban area and merging of villages in towns	2.9	14.2	7.6	13.0

Notes and sources:

(a) The first component, natural increase, has been estimated by using SRS data of birth rate and death rate for the urban population.

(b) The population in new towns less that of declassified towns is obtained by subtracting the increase in the population of common towns from the total increase in urban population. Importantly, the new towns that emerge as parts of urban agglomerations (existing in the base year) would be included in the common towns. This second component would, thus, give the population of only those new towns that are not part of the urban agglomerations.

(c) The fourth component has been estimated as residuals in the first three decades since it is very difficult to ascertain this directly. For the 1990s, this has been obtained based on the assumption that there has been considerable merging of towns with urban agglomerations, and areal expansion in the latter. Since the number of towns merging with existing towns in the 1990s is 221 compared to 103 in 1980s, the component (d) has been taken as twice that in the 1980s, as a conservative estimate.

(d) The net rural–urban migration has been obtained from the Population Census in the first three decades, while in the fourth it is a residual category. The components where the changes in the share have been substantial are (b), new (less declassified) towns and (c), jurisdictional changes.¹⁸ The share of component (b) in the total increment to urban population declined from 9.4 per cent in the 1980s to 6.2 per cent in the 1990s, while that of (c) has gone up from 7.6 per cent to 13.0 per cent. This suggests that the urbanisation process, outside the existing cities and urbanised regions, has become sluggish over the decades.

The final component is the addition stemming from the extension of municipal limits and the merging of villages and towns into existing towns. This has been estimated as a residual category for the 1960s, 1970s and 1980s. However, for the 1990s, it is computed here based on the assumption that there is spatial concentration in urban growth which would result in the merging of settlements with existing towns and in the areal expansion of the latter.¹⁹ The validation of this assumption comes from the fact that the number of towns merged with neighbouring towns/cities

¹⁸ The net increase in urban population due to addition\deletion of towns in the terminal year, $(N_1 - D_0)$, can be estimated through subtraction of the increment in population of towns that exist in both base and terminal year from the total increase in urban population over a decade. This may be expressed in the following equation:

$$N_1 - D_0 = (U_1 - U_0) - (C_1 - C_0)$$

where N and D denote the population of new and declassified towns and U is the total urban population; C is the population of towns existing in the initial and terminal years that have been denoted by the suffixes 0 and 1.

¹⁹ Unfortunately, the Census of 2001 does not report any increase in the number of urban agglomerations (UAs) due to the adoption of a definition of UA that is much more stringent than in the preceding Censuses.

was 221 in 2001, more than twice that in 1991. In the absence of the data on areal expansions, the population increase due to this factor has been taken to be in proportion to that of the merged towns as both reflect the dynamics of development around the existing agglomerations. Based on this, the share of the component during the 1990s is 13.0 per cent, compared to 7.6 per cent in the preceding decade. In the year 2001, the component of migration has then been estimated indirectly as the residual factor. This is because of doubts about the reliability of migration data obtained through direct questions, as discussed above. The following identity has been used to estimate the number of migrants in urban areas, using the methodology discussed in the notes of Table 7:

Increase in rural–urban migrants = total increase less natural increase in urban areas minus the population in new towns less that in declassified towns minus the population in the expanded area.

It is interesting that migration as a percentage of incremental urban population through this indirect method works out to be 21 in the 1990s, marginally less than noted in the previous decade. Further, the figure is almost the same as the percentage of lifetime intercensal rural–urban migrants reported in the 2001 Census. This suggests that, despite the erroneous reporting of the year of arrival in the urban areas, the data on total lifetime migrants can be taken as being temporally comparable. One may add that the percentage of lifetime migrants in 2001, which is slightly above that of 1991, is significantly below those of 1961 and 1971. There are thus reasons to believe that rural–urban migration of the Indian population has not increased, and that this type of mobility may have actually declined, in relative terms, over the years.

Data from the National Sample Survey (NSS) for the past two-and-a-half decades also confirm the declining trend of migration for males, in both rural and urban areas, although the fall is less than that reported in the Census (Table 5b). Importantly, the migration rates declined to their lowest levels in 1993, followed by a slight recovery. The fact that the percentages of migrants in 1993–94 are marginally below the figures for 1999–2000, similar to what was noted using the data from the Population Census, may be attributed to the more liberal definition of migrants adopted in the 55th round of the NSS (Kundu 2006). However, consideration of the period from 1983 to 2007–08, the latest year for which migration data are available from the 64th round, reconfirms that mobility has declined over the period. The percentage of adult male migrants in urban areas has gone down from 32 to 31 between 1999–2000 and 2007–08 (Table 5c). In the case of women, the percentage of migrants has gone up marginally, as this is determined by socio-cultural factors that change slowly over time. The general conclusion that emerges unmistakably is that the mobility of men, which is linked to the strategy of seeking livelihood, revealed by them as their primary ‘reason for migration’, has gone down over the past three or four decades.²⁰ These trends in migration further confirm the apprehension that projections of urban growth given by the UNPD for the next few decades are on the high side.

5. Urbanisation patterns across size class of urban centres

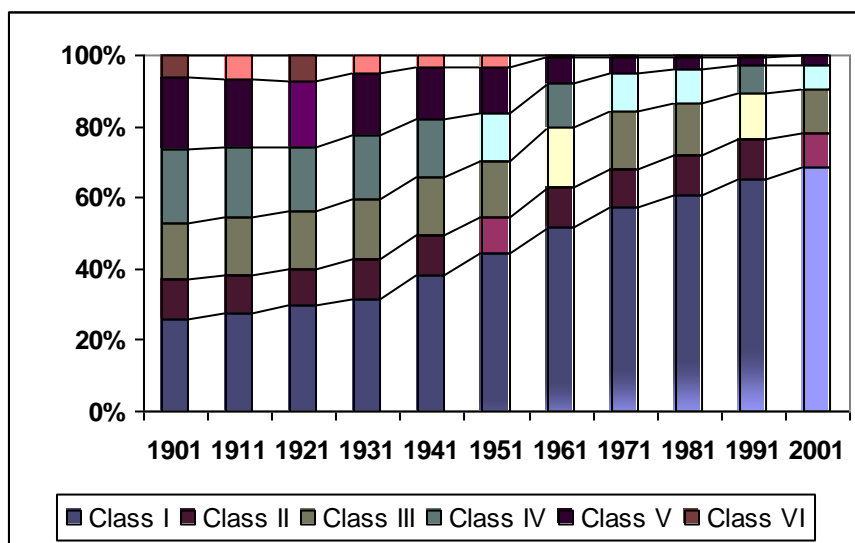
An analysis of the distribution of urban population across size categories of urban centres reveals that the process of urbanisation in India has been top heavy or oriented towards large cities.²¹ The percentage of the urban population in 5-million-plus or million-plus cities here is higher than in most other countries of the region and has gone up relatively faster in the last three decades (Kundu

²⁰ In order to focus attention on mobility of labour due to economic reasons, one may like to focus attention on the pattern of male migration, as it responds to labour market stimuli even in the short run while a large part of female migration in India is due to marriage and other social factors.

²¹ Analysis of the changing pattern of urban structure across the countries in Asia has highlighted that the maximum top-heaviness occurs in South-Central Asia where five-million-plus cities account for over 22 per cent of urban population. This is higher than all other regions of the world (Kundu 2009). This figure for the region basically reflects the situation in India because of the demographic weight, with over 70 per cent of the urban population in the region.

2009). An increasing concentration of urban population in Class I cities (those of population above 100,000) can also be observed over the past several decades (Figure 2). As noted also in Table 8, the percentage share of urban population in Class I cities has gone from 26.0 in 1901 to 68.7 in 2001. This has often been attributed to the faster growth of larger cities, without consideration of the fact that the number of these cities has also gone up over the years. Indeed, the primary factor in the increasing dominance of these cities is graduation of lower-order towns into the Class I category. In 1901, there were only 24 Class I cities, increasing to 393 in 2001. Concentration of urban population in metropolitan (or metro) cities – cities having population of a million or more – is even greater. There was just one city with over a million people in 1901, claiming just 6 per cent of the urban population. The number rose to 2 in 1911 and remained so until 1941, although their percentage share in urban population went up from 10.6 to 12.0. In 1981, the share became 26.4 which increased further to 32.5 in 1991 and 37.8 in 2001. This further corroborates the thesis of top-heavy urban development.

Figure 2: Proportion of urban population in different size categories, 1901–2001



Source: Table 8.

Table 8: Number of towns and percentage of urban population in different size categories

Census year	Number of towns						Percentage of urban population					
	Class I	Class II	Class III	Class IV	Class V	Class VI	Class I	Class II	Class III	Class IV	Class V	Class VI
1901	24	43	130	391	744	479	26.00	11.29	15.64	20.83	20.14	6.10
1911	23	40	135	364	707	485	27.48	10.51	16.40	19.73	19.31	6.57
1921	29	45	145	370	734	571	29.70	10.39	15.92	18.29	18.67	7.03
1931	35	56	183	434	800	509	31.20	11.65	16.80	18.00	17.14	5.21
1941	49	74	242	498	920	407	38.23	11.42	16.35	15.78	15.08	3.14
1951	76	91	327	608	1124	569	44.63	9.96	15.72	13.63	12.97	3.09
1961	102	129	437	719	711	172	51.42	11.23	16.94	12.77	6.87	0.77
1971	148	173	558	827	623	147	57.24	10.92	16.01	10.94	4.45	0.44
1981	218	270	743	1059	758	253	60.37	11.63	14.33	9.54	3.58	0.50
1991	300	345	947	1167	740	197	65.20	10.95	13.19	7.77	2.60	0.29
2001	393	401	1151	1344	888	191	68.67	9.67	12.23	6.84	2.36	0.23

Note: Size categories (Class) of towns by population:

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 5,000 to 9,999 Class VI: Below 5,000.

Source: Census of India for different years.

In addition to the factor of increase in the number of large cities, faster demographic growth in these has also contributed to the top-heaviness of urban structure. Importantly, Table 9 shows two growth rates during the 1970s and in subsequent decades, for different categories of towns, one computed by considering the population in each category as given in Census reports, the other (the adjusted rate), by classifying the towns in different size categories according to their base year population in both initial and terminal years (irrespective of their classification in the latter) and then re-computing the population of each category for the terminal year.²² The differences between the two growth rates are due to towns moving in and out of a category over time. This largely explains the increase in the share of population in Class I and metropolitan cities over the decades, as elaborated above. It may nonetheless be observed that the metro cities, on average, have grown by 3.25 per cent (adjusted rate, annual exponential) per annum, which is higher than the growth rate of Class I cities at 2.96 per cent, both of these being above that of all 'common towns' (that existed in the base and terminal year, excluding the new and declassified towns) of 2.8 per cent (Table 10) between 1981 and 1991. Between 1991 and 2001, the rates declined across all size categories. In the metro cities, the growth rate fell to 2.9 per cent, while that for the common towns dropped by a smaller margin to 2.6 per cent. Also, the difference between the growth rates of metro and Class I cities has gone down, reducing the difference between them.

²² For further details, see Census of India (1991). One set of figures represents the growth in the overall urban population in the designated settlement size class, and includes the effect of settlements moving into or out of that size class. The other represents the (weighted) average population growth for settlements within that size class. Thus, for Class I cities, the first growth rate is inevitably higher than the second (bracketed) rate, since settlements move in but not out of this category.

Table 9: Annual exponential growth rates of urban population in different size categories

Census year	Class I	Class II	Class III	Class IV	Class V	Class VI
1901–11	0.54	–0.73	0.46	–0.55	–0.43	0.72
1911–21	1.57	0.68	0.50	0.03	0.46	1.47
1921–31	2.24	2.89	2.28	1.59	0.89	–1.25
1931–41	4.81	2.59	2.51	1.47	1.50	–2.26
1941–51	5.02	2.10	3.07	2.01	1.97	3.31
1951–61	3.72	3.50	3.05	1.65	–4.05	–11.62
1961–71	4.29	2.93	2.65	1.67	–1.14	–2.32
1971–81	4.34 (3.46)	4.43 (3.09)	2.69 (3.33)	2.43 (3.00)	1.64 (3.15)	5.05 (3.90)
1981–91	3.84 (2.96)	2.38 (2.75)	2.26 (2.59)	1.02 (2.50)	–0.13 (2.62)	–2.45 (3.64)
1991–01	3.42 (2.76)	1.76 (2.37)	2.15 (2.27)	1.64 (2.19)	1.93 (2.22)	0.80 (3.26)

Notes:

- Size-class figures exclude Assam in 1981 and Jammu & Kashmir in 1991.
- All classes exclude six towns in 1941, four each in 1931 and 1921, and two each in 1911 and 1901 of Goa, which could not be assigned to any size class as their population for these years is not available.
- The growth rates for towns in each size category have been computed by taking the population in the category in the base and terminal years, without considering the change in the number of towns therein. The figures in brackets are computed by taking only the population of the towns that belonged to a category, for both base and terminal years.

Source: Population Census: Paper-2, Rural–urban Distribution, 1981, 1991; for 2001, unpublished data from website.

Despite the increasing concentration of urban population in larger cities over the years, several researchers and planners find no distortion in the system and talk of stable morphology in Indian urban structure (Mohan and Pant 1982). They hold that population growth is more or less uniform across the size classes. It can be argued based on the figures in Table 9 that this is not the case. The Class I cities, for example, show distinctly higher growth rates when compared to all lower-order towns, except those in Class VI. Importantly, the pattern has remained similar over the past three Census decades although there is a general deceleration in urban growth in all size categories. One can, nonetheless, note that the Class I cities maintain their edge over Class II, III, IV and Class V towns in terms of their adjusted growth rates (using base year classification), the gap widening a bit from 1991 to 2001. The annual exponential (adjusted) growth rates for Class I cities during the 1970s and 1980s are 3.46 and 2.96 respectively. The latest Census indicates a further decrease in their growth rate to 2.76 per cent during the 1990s. In comparison, the rate for Class II towns has gone down by a larger margin, from 2.75 per cent in the 1980s to 2.37 per cent in the 1990s. The same is the case of Class III towns, the corresponding percentage figures being 2.59 and 2.27. The smaller towns (IV, V and VI together), too, indicate a sharper decline in growth rate – from 2.57 per cent during 1981 to 1991 to 2.22 per cent during 1991 to 2001. Over the long term, therefore, the urban structure is becoming more and more top heavy due to the higher demographic growth in larger cities, and not just due to the general upward movement of towns, as discussed above.

The case of Class VI towns (population below 5000) needs special mention. These record a higher growth rate than even the metro cities and thereby do not conform to the general pattern. One must hasten to add that these constitute a special category, as many are part of an expanded city,

are pilgrimage centres, or have come into existence through establishment of public-sector units. Their growth dynamics, therefore, are outside the purview of the regional economy.

Higher demographic growth in the Class I cities, as noted above, is due to both areal expansion and in-migration. Many of these cities report the emergence of satellite towns in their vicinity that eventually become part of the city agglomeration. These also have outgrowths, resulting in the expansion of the municipal boundaries as these become parts of the city. Often large industrial units tend to get located or pushed out of the municipal limits due to environmental concerns incorporated in the City Master Plans. The poor migrants are able to build shelters in these 'degenerated peripheries' and find jobs in the industries located therein or commute to the central city for work (Kundu 1989; Kundu, Pradhan, Subramanian 2002). The entrepreneurs, engineers and executives associated with these industries, however, reside within the central city and travel to the periphery through rapid transport corridors. This segmented process of city expansion, variants of which are observable in all states, has been responsible for pushing out the squatter settlements and absorbing the new migrants in the rural peripheries in many large cities.

The national and state capitals in India have been growing differently from Class I cities or 'common towns' during the past two decades. Their demographic growth was equal to or even higher than that of the million-plus cities between 1981 and 1991, the rate being as high as 3.36 per cent per annum (Table 10). The percentage of urban population living in these capital cities, however, increased less rapidly from 25.7 to 25.9 between 1991 and 2001. This is simply because the number of capital cities remains stable over time while other classes of cities constantly expand the number of their constituent elements.

Table 10: Annual exponential growth rates of population in different categories of urban centre, 1981–2001

	1981–91	1991–2001
Class I cities	3.0	2.8
Metro cities	3.3	2.9
Capital cities	3.4	2.8
Common towns (excluding new and declassified towns)	2.8	2.6
Total urban growth	3.1	2.7

Note: The population growth rates in the first three rows have been computed using the base year population for classification of cities.

Source: Census of India for different years.

Given the new dynamics of urban industrial development associated with the strategy of globalisation, the small and medium towns, located away from the 'emerging global centres of growth', particularly those in backward regions, have failed to attract substantial private investment. They find it difficult to finance any development projects through internal resources or borrowings from capital markets. The fiscal discipline imposed by the government, HUDCO, credit rating agencies and other financial intermediaries, makes it impossible for them to undertake infrastructural investment of any kind, as discussed in the following sections (Kundu, Bagchi, Kundu 1999; High Powered Expert Committee 2011). This deficiency in basic amenities is a serious hurdle for smaller towns in attracting private investment from within or outside India. The declining governmental investment in infrastructure and basic amenities in smaller towns over the years has contributed to increasing disparities within the urban economy.

The weak economic base and deficiency in basic amenities in small and medium towns are reflected not merely in the deceleration in their population growth but also in the declassification of many during the 1990s. Thus, the number of 'census towns', identified on the basis of population size, density and share of workers outside the primary sector, as noted above, has gone down for

the first time, from 1693 to 1363, during the 1990s.²³ This is primarily because the number of settlements losing their urban status increased from 93 in 1991 to 445 in 2001. Besides, very few new towns have emerged, which should be a matter of anxiety for regional planners in the country. The Eleventh Five Year Plan recognises this problem as it observes that 'the growth of rural settlements which are acquiring urban characteristics is very slow'. These indeed are matters of serious concern as they reflect lack of growth dynamics in the rural economy and smaller towns. The total number of urban settlements in the country has, however, gone up, as the number of *statutory towns* has increased, through introduction of a system of decentralised governance through the 74th Constitutional Amendment Act of 1993 in a few states.

6. Trends and patterns of urbanisation: an interstate analysis

The variation in the urban share of total population across Indian states is high (Table 11). The pattern, however, has undergone significant changes over the past few decades. A large proportion of urban population is currently concentrated in the six most developed states, namely Maharashtra, Gujarat, Tamil Nadu, Karnataka, Punjab and West Bengal, accounting for about half of the country's urban population. This pattern is an inheritance from the colonial period and all these states report a percentage of urban population much higher than the national average of 27.8 in 2001. Several studies have shown that the levels of urbanisation in the states with high per capita income are generally high, the opposite being the case in less urbanised states (Sivaramakrishna, Kundu and Singh 2005).

²³ Kundu (2003).

Table 11: Level of urbanisation and growth of urban population across states and union territories

	States	Percentage urban population				Annual exponential growth rate		
		1971	1981	1991	2001	1971–81	1981–91	1991–01
1	Andhra Pradesh	19.3	23.3	26.8	27.1	3.9	3.6	1.4
2	Arunachal Pradesh	3.7	6.3	12.2	20.4	8.3	9.3	7.0
3	Assam	8.8	9.9	11.1	12.7	3.3	3.3	3.1
4	Bihar	10.0	12.5	13.2	10.5	4.3	2.7	2.6
5	Chattisgarh	NA	NA	NA	20.1	NA	NA	3.1
6	Delhi	89.7	92.8	89.9	93.0	4.6	3.8	4.1
7	Goa	26.4	32.5	41.0	49.8	4.4	4.0	3.3
8	Gujarat	28.1	31.1	34.4	37.4	3.4	2.9	2.8
9	Haryana	17.7	22.0	24.8	29.0	4.7	3.6	4.1
10	Himachal Pradesh	7.0	7.7	8.7	9.8	3.0	3.1	2.8
11	Jammu & Kashmir	18.6	21.1	22.8	24.9	3.8	3.4	3.4
12	Jharkhand	NA	NA	NA	22.3	NA	NA	2.6
13	Karnataka	24.3	28.9	30.9	34.0	4.1	2.6	2.5
14	Kerala	16.2	18.8	26.4	26.0	3.2	4.8	0.7
15	Madhya Pradesh	16.3	20.3	23.2	26.7	4.5	3.7	2.7
16	Maharashtra	31.2	35.0	38.7	42.4	3.4	3.3	3.0
17	Manipur	13.2	26.4	27.7	23.9	9.7	3.0	1.2
18	Meghalaya	14.6	18.0	18.7	19.6	4.9	3.1	3.2
19	Mizoram	11.4	25.2	46.2	49.5	11.8	9.6	3.3
20	Nagaland	10.0	15.5	17.3	17.7	8.5	5.6	5.3
21	Orissa	8.4	11.8	13.4	15.0	5.2	3.1	2.6
22	Punjab	23.7	27.7	29.7	34.0	3.6	2.6	3.2
23	Rajasthan	17.6	20.9	22.9	23.4	4.5	3.3	2.7
24	Sikkim	9.4	16.2	9.1	11.1	9.6	-3.2	4.8
25	Tamil Nadu	30.3	33.0	34.2	43.9	2.5	1.8	3.6
26	Tripura	10.4	11.0	15.3	17.0	3.3	6.2	2.5
27	Uttar Pradesh	14.0	18.0	19.9	20.8	4.8	3.3	2.8
28	Uttaranchal	NA	NA	NA	25.6	NA	NA	2.8
29	West Bengal	24.8	26.5	27.4	28.0	2.8	2.5	1.8
	Union Territories							
1	Andaman & Nico.	22.8	26.4	26.8	32.7	6.4	4.1	4.4
2	Chandigarh	90.6	93.6	89.7	89.8	5.9	3.1	3.4
3	Dadra & Nagar H.	0.0	6.7	8.5	22.9	—	5.3	14.6
4	Daman & Diu	—	—	46.9	36.3	—	4.9	1.9
5	Lakshadweep	0.0	46.3	56.3	44.5	—	4.5	-0.8
6	Pondicherry	42.0	52.3	64.1	66.6	4.7	4.9	2.3
	All India	20.2	23.7	25.7	27.8	3.8	3.1	2.7

Notes:

- The figures for the states of Uttar Pradesh, Bihar and Madhya Pradesh for the 1970s and 1980s pertain to the undivided states as existed during that time. The figures for the 1990s are, however, for the new states and hence these figures are not temporally comparable.
- In the absence of the Census data for total and urban population for the year 1981 in case of Assam, the urban and total population growth rates have been assumed to be constant during 1970s and 1980s. The same has been assumed for 1980s and 1990s for Jammu and Kashmir. The percentage of urban population has been arrived for Assam (1981) and Jammu and Kashmir (1991) based on these assumptions.
- Goa in 1971 and 1981 corresponds to Goa, Daman and Diu.

Source: Population Census, Paper 2, 1981, 1991 and 2001.

The pattern of urban growth across states is significantly different from that of the levels of urbanisation. From Independence until 1991, most of the developed states have shown medium or low growth of urban population. In contrast, high urban growth was registered in economically backward states, such as Assam, Bihar, Uttar Pradesh, Rajasthan, Himachal Pradesh and Madhya Pradesh, these states also having low percentages of urban population (Table 11). The small northeastern states deserve special mention as they too have recorded high urban growth through becoming economically integrated into the national economy. This, unfortunately, was not reflected in their levels of economic development. Overall, the relationship between level of urbanisation and urban growth works out to be negative. However, a couple of developed states like Maharashtra and Haryana may be considered as exceptions, as they have recorded urban growth slightly higher than that of the country.

In short, the urban scenario in the post-Independence period was characterised by dualism. The developed states attracted population in urban areas due to industrialisation and infrastructural investment but this was largely in and around large cities and upcoming industrial centres. Interestingly, the backward states too – particularly their backward districts and small and medium towns – experienced more rapid urban growth. This can be partly attributed to government investment in the district and taluka headquarters, programmes of urban industrial dispersal, and transfer of funds from the states to urban local bodies through a needs-based or what is popularly known as ‘gap-filling’ approach. A large part of rural–urban migration into smaller towns from their rural hinterland in backward states can, however, be explained in terms of push factors, owing to the lack of diversification in the agrarian economy.

The rate of urban growth has gone down significantly between 1991 and 2001, as mentioned in the preceding section. More important than the decline in the growth of urban population, however, is the change in the pattern of urban growth in the 1990s, which makes a significant departure from earlier decades. During the four census decades after Independence until 1991, urban growth was generally high in relatively backward states, as noted above. A few of the developed states also attracted reasonable numbers of migrants to their urban centres but the overall relationship between urban growth and economic development across states works out to be slightly negative. The 1990s, however, make a significant departure from this. Most of the developed states like Tamil Nadu, Punjab, Haryana, Maharashtra and Gujarat have registered urban growth above the national average (Table 11). Karnataka has remained slightly below the national average and West Bengal is an exception whose growth rate is low due to the rural-oriented strategy followed by the state government. The backward states, on the other hand, have experienced growth either below the national average or, at most, equal to that. Making a comparison over the past two decades, the growth rates for developed states have either gone up or remained the same as in the 1980s.²⁴ The backward states, however, have recorded either a decline or stability in their urban growth.

The urbanisation process has, thus, become concentrated in developed regions and larger cities in recent years, with backward areas and smaller towns tending to stagnate. This could, at least partly, be attributed to the measures of decentralisation rooted in the neoliberal policy paradigm whereby the responsibilities of resource mobilisation and launching infrastructural projects have been given to state agencies, para-statal bodies and local governments, as discussed below. Large municipal bodies, particularly those located in developed states, tend to have a strong economic base, an advantage which clearly manifest in their high economic and demographic growth. The smaller towns in the backward states, on the other hand, have languished economically and reported low or negative demographic growth, many of them even failing to meet the criteria for classification as urban centres.

²⁴ Given a significant fall in overall urban growth rate at macro level, the marginal decline in Maharashtra and Karnataka may be treated as fluctuation around the rate of the previous decade.

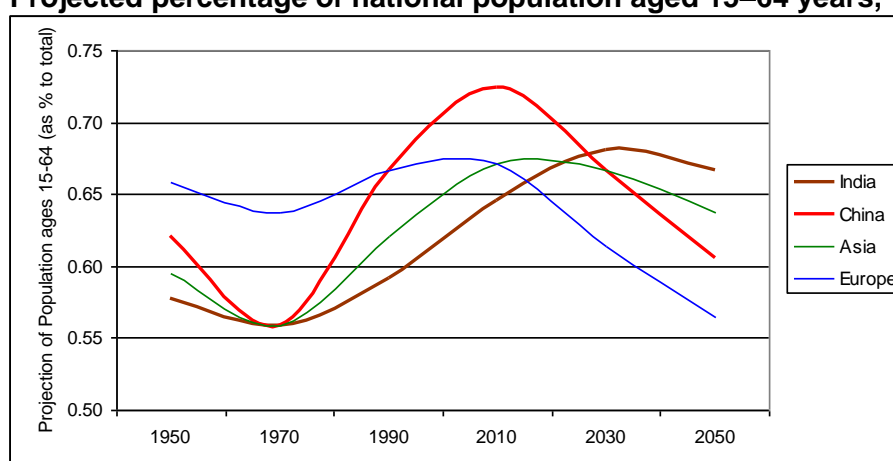
An analysis of the dynamics of regional development in the 1990s reveals that income growth has been uneven across states and so has the incidence of poverty. Despite significant growth in per capita income and the decline in poverty over the past the decades, regional inequality in both has been accentuated. Rapid income growth has occurred in developed regions as well as in and around Class I cities. Understandably, poverty has become concentrated in remote regions and problem areas in terms of their socio-economic characteristics.²⁵ While the developed regions have over time developed resistance to in-migration, the backward regions do not seem to have the capacity to export person-power with the skills required at the destination. Given this macro scenario, a slowdown in the rate of urbanisation and the concentration of urban growth in relatively developed states as well as around a few global centres seems to be the logical outcome.

7. Changes in workforce structure and their impact on urbanisation

India has come to enjoy a distinct advantage in its labour market compared to some developed and less developed countries due to the fast-changing age distribution of its population. It is a late entrant in the process of demographic transition. Its annual population growth remained stable between 2.1 and 2.2 per cent during the first four decades after Independence, then reduced to below 2 per cent during the 1990s. Because of fertility decline, the country has a high percentage of population in the working age group (15–59 years) and this is likely to go up further in the next three or four decades. Further, the worker/population ratio in the adult age groups has been rising in recent years, as discussed below. Consequently, the country will enjoy significant demographic dividends during the next few decades.

India's age pyramid has the typical shape of a country that is starting to reduce its high levels of fertility and population growth. Currently, it has about 63 per cent of its population in the 15–64 age group. Rapid decrease in the percentage of children (aged less than 15) will continue during the next few decades, much more than in other Asian countries. The figure for people in the economically active age group is predicted to be 68 per cent for India in 2030 while that for China is expected to decrease from its current level of over 70 per cent to 67 per cent (Figure 3). India would thus be overtaking most of the developing countries in terms of its positive age structure (EIAS 2006). The low share of children and elderly people in India would imply that it will have a relatively low dependency burden. All these patterns are being viewed as positive factors from a developmental perspective.²⁶

Figure 3: Projected percentage of national population aged 15–64 years, 1950–2050



Source: Based on data from *World Population Prospects, 2006 Revision*.

²⁶ By 2050, the percentage of economically active population in India would be much above that of all European and Asian countries. The three other countries likely to have similar figures are Bangladesh, Nepal and Cambodia.

The health expenditures for the aged (as a percentage of income) is growing exponentially in per capita terms in many developed countries due to the increase in their aged population. This, however, may not accelerate soon in the case of India, due to the sluggish growth in life expectancy, enabling the country to make investments in water supply, sanitation and other infrastructure facilities where it is highly deficient.²⁷ A large part of the female adult labour force in many Indian states remains untapped and this should change in the next few decades. Stronger labour mobilisation among women – in line with what has been recorded in most Southeast Asian countries and also Bangladesh – is a distinct possibility.

The nature of economic growth in India, however, does not guarantee that the growth in job opportunities will equal the increase in the working-age population, and much less exceed it sufficiently to wipe out the backlog of unemployment. There may be a surplus in labour supply on the one hand and growing job expectations on the other. This can be explained in terms of the low employment elasticity of the industries experiencing high growth. The potential for further growth of human capital resources in India is very high. Its absorption in human-capital-intensive services sectors that are growing rapidly in recent decades can enhance India's demographic dividend. The actual benefit may, however, turn out to be less than projected or anticipated as the country's specific requirements for skilled personnel may not be met through expansion in university and technical education.

An attempt is made here to build an explanatory framework for urbanisation and migration trends by relating these to the changing employment structure in India. Rates of workforce participation (worker population ratio) by usual (principal) status in the 15–59 age group declined systematically for all categories – males and females, in rural and urban areas – from the late 1970s (Table 12) up to the late 1990s. It is difficult to explain this trend in terms of higher enrolment in schools as children (up to age 14) have been excluded from the calculations. Also, the numbers in the college and university system would not be large enough to affect the figures at the macro level by that margin. Even government interventions, such as drought-relief measures during 1987–88, have not affected the trend. As the growth in income was fairly high, around 4 per cent per annum, it is argued that the Indian economy during these decades experienced some sort of 'jobless growth'. In particular, the NSS employment and unemployment survey for the year 1999–2000 reveals a dramatic decline in employment growth, leading to a sharp fall in work participation rate by usual, weekly and daily status. Understandably, planners and policymakers became very alarmed and employment generation immediately entered the political agenda of the government and that of most political parties in the country. This led to the government launching constitutional and administrative measures for employment generation within or outside the macro level growth strategy.

²⁷ Europe has long enjoyed advantageous population structures as the child population has never exceeded one quarter of the entire population and the impact of increased longevity on age distributions was almost marginal. Unfortunately, this would no longer be so in the coming decades as the share of the elderly would rise steeply.

Table 12: Percentage of workers aged 15–59 years in different NSS quinquennial rounds by usual, weekly and daily status

Year/round	Rural male		Rural female		Urban male		Urban female	
	PS	PS+ SS	PS	PS+ SS	PS	PS+ SS	PS	PS+ SS
1977–78(32nd)	90.2	92.0	40.7	54.2	79.6	81	19.3	24.6
1983 (38th)	88.4	90.4	40.1	54.5	79.5	81	18.7	23.4
1987–88 (43rd)	86.2	88.7	39.8	51.6	77.9	79.3	18.3	23.5
1993–94 (50th)	86.5	88.4	36.7	51.6	78.8	79.7	18.4	23.4
1999–00 (55th)	85.5	86.7	33.4	48.2	77.9	78.5	17.6	20.9
2004–05 (61st)	85.5	87.1	38.0	51.5	74.5	75.5	18.7	23.0
	<i>Weekly status</i>	<i>Daily status</i>	<i>Weekly status</i>	<i>Daily status</i>	<i>Weekly status</i>	<i>Daily status</i>	<i>Weekly status</i>	<i>Daily status</i>
1977–78(32nd)	87.1	81.5	37.7	31.4	78.6	75.7	19.6	17.1
1983 (38th)	85.4	80.2	36.4	31.6	78.3	75.2	18.4	16.5
1987–88 (43rd)	84.0	83.5	35.3	33.2	77.3	75.1	18.5	17.0
1993–4 (50th)	85.1	80.9	42.0	34.3	78.2	76.0	20.9	18.1
1999–00 (55th)	83.4	78.1	40.8	32.9	77.1	74.4	19.1	16.7
2004–05 (61st)	83.8	78.1	43.2	33.9	78.5	76.0	22.3	19.4

Note: PS Principal Status, SS Subsidiary Status.

Source: NSSO rounds on 'Employment & Unemployment Situation in India', Ministry of Statistics and Programme Implementation, Government of India.

The NSS data from the 61st round for the year 2004–05 marks a significant departure from the past trend. It is argued that the decelerating trend in employment growth, particularly that of the 1990s, often attributed to the programmes of structural reform, has finally been stalled. One may, however, add that the improved employment opportunities have still not restored the workforce participation rate (WPR) by usual status to the level of 1993–94 for men in urban areas. By weekly and daily status of employment, however, one gets a more satisfying picture, largely due to growth in the informal sector. Male WPR by these concepts has gone up much more rapidly than by usual status and no single age group within 15–59 shows a decline (Kundu and Sarangi 2007). For women, the increase in WPR is sharper than for men in urban areas (Table 12), resulting in WPR in 2004–05 being much higher than that of 1993–94, by all the three concepts of employment.

The age-specific analysis reveals that urban employment for men had not been growing at a pace commensurate with that of the population in many of the age groups between 1993 and 2004, resulting in a fall in the figures over time (Table 13). This is surprising since the economy registered a reasonably high growth in income during this period. The WPR among children and young adults (in the age group of 5–19) declined only marginally, for both boys and girls.²⁸ Possibly, it is the employment opportunities opening up within the household sector and various informal activities which are responsible for this low decline. The increase in the rate for the age group of 20–24 (by usual principal status) for urban males could also be a matter of concern as one would expect this to decline due to boys going to colleges and other higher institutions of learning. This increase can also be attributed to the growth of employment opportunities in the urban informal sector.

²⁸ The corresponding decline in rural areas is much sharper (Kundu and Sarangi 2007).

Table 13: Age-specific work participation rates by usual (principal) status in urban areas

Age group	Men			Women		
	1993-94	1999-00	2004-05	1993-94	1999-00	2004-05
5-9	4	3	2	3	1	1
10-14	59	46	44	35	28	24
15-19	337	303	314	94	87	92
20-24	654	644	662	136	130	155
25-29	892	878	900	175	161	186
30-34	961	958	965	208	198	236
35-39	982	973	975	233	235	265
40-44	980	973	977	257	242	262
45-49	971	968	965	253	234	227
50-54	941	933	925	240	225	224
55-59	845	803	819	185	181	192
60+	429	386	355	91	82	86
All	513	513	541	121	117	135

Source: NSS.

It is distressing that among illiterate men the urban WPR has gone down. A significant increase has, nonetheless, been reported in the case of literates with primary and middle education. No corresponding increase is reported in the case of graduates. The urban labour market thus seems to have presented opportunities for semi-skilled men, most of them being absorbed in the informal sector. For women, the growth of employment in the case of semi-literates is much higher than that recorded for men. Most importantly, the growth rate for illiterate women is also exceptionally high (Table 14).

Table 14: Work participation rates by usual status and education level, for persons aged 15 years and above in urban areas

	Males						Females					
	1993-94		1999-00		2004-05		1993-94		1999-00		2004-05	
	PS	PS+ SS	PS	PS+ SS	PS	PS+ SS	PS	PS+ SS	PS	PS+ SS	PS	PS+ SS
Illiterates	86.6	87.0	83.6	83.9	82.4	83.1	23.3	30.0	22.9	27.1	25.0	30.4
Literate up to primary	84.4	85.0	82.4	83.0	85.1	85.5	15.0	20.3	14.6	17.7	18.6	23.4
Middle	71.3	72.3	72.5	73.2	75.0	76.0	9.1	13.1	9.9	12.9	11.7	16.1
Secondary	66.3	67.7	66.1	66.8	66.2	67.3	10.8	13.4	10.4	12.4	9.5	12.3
Higher secondary	58.9	60.7	59.9	60.8	59.1	60.8	12.6	14.7	11.1	12.4	10.3	12.9
Diploma					77.2	79.8					42.3	48.6
Graduate and above	80.7	81.8	79.7	80.6	78.5	79.5	28.2	30.1	25.2	27.3	26.5	29.0
All	75.8	76.8	74.5	75.2	75.2	76.3	17.5	22.3	16.6	19.7	18.5	22.7

Note: PS Principal Status, SS Subsidiary Status.

Source: National Sample Survey data for different rounds.

In short, the labour market, as assessed through trends in unemployment from 1999 to 2004, gives somewhat different signals. The employment situation may be considered to have worsened compared to the late 1990s, particularly for women; their unemployment rates have gone up by all three definitions of unemployment²⁹ (Table 15). What seems to be a matter of concern is that the daily status unemployment rates have gone up significantly for men and women during the period 1999–2004. Importantly, this kind of employment is expected to provide livelihood support to the poorest households and there is reason to be optimistic about poverty reduction, due to its higher growth rate during these five years. However, a sharp rise in daily status unemployment rate suggests that growth in employment is not matching the labour supply from these households.

Table 15: Percentage of unemployed persons/person days to labour force/labour days in urban areas

Year/round	Male			Female		
	<i>Usual principal + subsidiary status</i>	<i>Weekly status</i>	<i>Daily status</i>	<i>Usual Principal + subsidiary status</i>	<i>Weekly status</i>	<i>Daily status</i>
1977–78 (32nd)	5.4	7.1	9.4	12.4	10.9	14.5
Jan–Dec 1983 (38th)	5.1	6.7	9.2	4.9	7.5	11.0
1987–78 (43rd)	5.2	6.6	8.8	6.2	9.2	12.0
1989–90 (45th)	3.9	4.5	–	2.7	4	–
1990–91 (46th)	4.5	5.1	–	4.7	5.3	–
July–Dec 1991 (47th)	4.1	4.8	–	4.3	5.6	–
Jan–Dec 1992 (48th)	4.3	4.6	–	5.8	6.2	–
1993–94 (50th)	4.1	5.2	6.7	6.2	8.4	10.4
1994–95 (51st)	3.4	3.9	N/A	3.4	4	N/A
1995–96 (52nd)	3.8	4.1	N/A	3.1	3.5	N/A
1997 (53rd)	3.9	4.3	N/A	4.4	5.8	N/A
1998 (54th)	5.1	5.4	N/A	6.8	7.8	N/A
1999–2000 (55th)	4.5	5.6	7.3	5.7	7.3	9.4
2004–05 (61st)	3.8	5.2	7.5	6.9	9.0	11.6

Source: National Sample Survey data for different rounds.

Importantly, the growth in per capita consumption expenditure in urban areas has been higher compared to rural areas, a fact which needs to be examined against the sharper decline in poverty in the latter. One can argue with a fair degree of confidence that job opportunities requiring no or low levels of skills have grown in rural areas. Furthermore, employment has become available on a weekly or daily basis that benefits largely the poorest households. All this has reduced rural poverty. Also, inequality in the consumption expenditure, measured through the Gini coefficient in per capita consumption expenditure in rural areas from 1993 to 2004 has increased by 0.17 per cent only, which is significantly less than that in urban areas where the figure is 0.29 (Himanshu 2007). One would possibly argue that while there is a direct effect of growing consumption on poverty reduction in rural areas, this is not so in towns and

²⁹ Urban unemployment rates are generally much above the rural rates by all definitions, for both men and women; by some concepts, the former are more than double that of the latter.

cities. Poverty in urban areas can be attributed partly to lack of economic growth and partly to the inequality of the growth that has occurred.

A landmark change in the urban labour market is that the percentage of casual workers, employed without any regular job contract and social security benefits, which increased steadily among men from 1972–73 to 1999–2000, then declined between 2000 and 2005 (Table 16). However, this reduction has been matched by the corresponding increase in the share of self-employed workers. It has been argued that many entrepreneurs are now offering jobs, not on a regular or daily basis, but on contract. As in many parts of the world, workers are taking the job to their households and delivering the product as per stipulated specifications. A large part of the employment growth in manufacturing is taking place through a process of subcontracting, using self-employed workers, many of them with incomes below the poverty line. Some of this employment is classified as tertiary sector, resulting in a statistical decline in the share of industrial employment. A part of the increase in self-employment can also be linked to the government policy of offering self-employment rather than wage-employment under its anti-poverty programmes. The evaluative studies for these governmental measures are however equivocal with regard to their success in enabling the ‘beneficiaries’ to move above the poverty line on a sustainable basis.

Table 16: Percentage of usually employed persons (PS+SS) by type of employment in urban areas

Year/round	Men			Women		
	<i>Self-employed</i>	<i>Regular employees</i>	<i>Casual labour</i>	<i>Self-employed</i>	<i>Regular employees</i>	<i>Casual labour</i>
1977–78 (32nd)	40.4	46.4	13.2	49.5	24.9	25.6
Jan–Dec 1983 (38th)	40.9	43.7	15.4	45.8	25.8	28.4
1987–98 (43rd)	41.7	43.7	14.6	47.1	27.5	25.4
1993–94 (50th)	41.7	42.1	16.2	45.4	28.6	26
1994–95 (51st)	40.4	43.1	16.5	42.6	30.1	27.3
1995–96 (52nd)	41.0	42.5	16.5	40.0	33.2	26.8
1997 (53rd)	40.0	41.5	18.5	39.7	31.3	29
1998 (54th)	42.5	39.5	18.1	38.4	32.7	28.8
1999–2000 (55th)	41.5	41.7	16.8	45.3	33.3	21.4
2004–05 (61st)	44.8	40.6	14.6	47.7	35.6	16.7

Source: National Sample Survey data for different rounds.

Among women, there was a much sharper decline in the share of casual workers from 1999 to 2004, compared to the previous three decades. The percentage of regular female workers increased during the previous two-and-a-half decades, as many who were employed as casual workers are now being engaged on a regular basis. The important question would be whether the change in work status has improved their working conditions and earnings. Many activities employing women on a regular basis, such as domestic help and other household-supporting service activities, offer working conditions only marginally better than those available for casual workers.

8. Changing labour relations and the 'formalisation' of informal activities

Given the nature of industries experiencing rapid growth after the launch of liberalisation programmes, it is not surprising that employment in the organised manufacturing (ASI data) and service (DGET data) sectors has shown negligible growth. Private industries within this sector, where growth in output has been significant during the past 15 years, have high capital intensity and a low potential for employment generation. The public units have also registered a negative growth in their workforce. Importantly, there has been a steady decline in the proportion of regular/salaried male workers, as reported by the NSSO survey (NSSO 2001).

It may be argued that the informal sector in recent years has experienced some formalisation, leading to regular employment of more people. This is easily understandable. Entrepreneurs seeking to take advantage of the emerging global market have come to recognise that they would fail in competition unless they standardise their products, meeting the specifications of the customers, respect delivery schedules and organise production and marketing activities on a somewhat formal basis. In order to take advantage of this global market, they have resorted to a model of 'informal formalisation' in the unorganised sector. Many of the rapidly growing sectors of the urban economy – in small-scale manufacturing, trade, commerce and entertainment activities – have tended to employ workers on a regular basis. Employment of domestic help and other supporting services too has followed a similar pattern, as the men and women working in global sectors need a regular support system at home in order to meet the time requirements of these sectors.

The increase in the rates of unemployment can be at least partially attributed to this process of 'informal formalisation'. Many of the non-literate rural migrants, such as dispossessed farmers, rural artisans and others without skills marketable in the urban environment are unable to get a foothold in the urban job market (Kundu and Sarangi 2007). This has reduced the possibility of disguised employment since work is regulated by contracts and specifications (albeit mostly unwritten and non-legal). This could be a reason why the growth in the demand for labour in the informal sector is not commensurate with the supply.

A disturbing development in the labour market is the reduction, between 1999 and 2004, in the real wages of regular and casual workers in urban areas, where the growth of informal employment has been very high (Table 17). The real wages of casual workers, both male and female, have gone down by 1 per cent per annum or more. This suggests that, despite the high growth of informal employment, they have become worse off over time, even in non-agricultural activities. It is more disconcerting that legal and institutional mechanisms have failed in protecting earnings and consequently real living conditions, even for those engaged on a regular basis. One would argue that employment for non-literate and semi-literate men and women has been possible only because of their low wages. This can be linked to a lower reduction in poverty in the urban areas when compared to rural areas. Persons in regular and self-employment are generally considered to be better placed than casual workers, a large majority among them being above the poverty line. The difference between these categories, however, is no longer so well-defined, given the recent developments in the labour market.

Table 17: Growth rate of real wages of regular and casual workers in urban areas (1999/2000 to 2004/2005)

	Women		Men	
	Agriculture	All	Agriculture	All
Regular				
Illiterates	-5.9	-5.2	-0.2	-1.7
Literate up to middle	-1.6	-3.9	-10.5	-2.9
Graduate and above	10.3	-1.4	-17.2	1.2
All casual	0.1	-2.4	-11.2	-0.5
All	-2.7	-1.4	-1.5	-0.7

Source: National Sample Survey data for different rounds.

It has been argued that the high growth of employment between 1983 and 1993 occurred in the informal sector, which was characterised by a large incidence of subsidiary or casual labourers, most of them non-literate and unskilled. One could argue that employment opportunities during this period came up in the lowest economic strata so their impact on poverty reduction was very high. The growth of the informal sector, thus, was a vehicle for bringing about a significant reduction in poverty. Informal sector employment also grew rapidly between 1999 and 2004. This was, however, mainly because there has been near stagnation in employment in public organisations and in the organised private sector, as noted above. The character of this informal sector is different as it has a low component of subsidiary employment compared to that of the 1980s. Although this component has been growing in recent years, the percentage of subsidiary to total (usual status) employment has not reached the level of 1993–94. The other related development is the growth in employment by weekly and daily status, with a stagnation or decline in employment by usual status. This has resulted in a peculiar situation of high unemployment rates despite a high growth in employment by daily status. One can argue that the poverty-reduction impact of this kind of employment generation is at best modest. Such observations raise the apprehension that the benefits of globalisation and the changes in the character of employment – moving from total informality to semi-formality – is not trickling down from the entrepreneurs to their workers in urban centres. In view of all these conditions, industrial growth in the coming decades, even if it persists at 7 to 8 per cent per annum, may not generate more employment.

The sluggish growth in manufacturing employment in urban areas can be attributed also to the location of large units outside the municipal limits, thanks to the emergence of the environmental lobby in big cities. This is facilitated by the easier availability of land and access to unorganised labour markets, as well as a lesser awareness or less stringent implementation of environmental regulations in rural settlements in the urban periphery.

9. Migration, employment and poverty linkages across size class of urban centres

Urban centres in India are characterised by extreme heterogeneity in terms of their socio-economic characteristics. Large cities exhibit distinctly lower poverty ratios³⁰ and higher demographic growth than lower-order towns, as discussed above. Poverty in million-plus cities dropped to around 14 per cent in 1999–2000, from the 18 per cent observed in 1993–94 (Table 18). The medium category cities/towns, with population between 50,000 and 1 million, reported poverty levels of 20 and 28 per cent at these two points in time. The corresponding percentage figures in small towns of population under 50,000 were as high as 24 and 33, becoming even slightly higher than those in rural areas. There are, thus, reasons to be concerned about the poverty situation in lower categories of urban settlements, as much as in rural areas. The low

³⁰ See Kundu and Thakur 2006, and Dubey, Gangopadhaya and Wadhwa, 2001.

incidence of poverty in larger cities is due to the expansion of economic opportunities and the availability of semi-skilled employment there. These cities also provide better social and physical infrastructure, including educational facilities, which results in higher productivity (Sviekauskas 1975).

Table 18: Percentage poor in different size class of cities/towns

City/town size	1987–88 URP	1993–94 URP	1993–94 MRP	1999–00 MRP
Large towns/cities	35.2	22.6	18.4	14.2
Medium cities/towns	40.5	32.2	27.6	20.4
Small towns	45.3	36.2	33.2	24.2
All urban centres	41.2	31.4	27.4	19.9
<i>Rural areas</i>	47.6	41.0	35.7	23.9

Source: Kundu and Sarangi 2007.

Analysis of the pattern of infrastructural investment and of the levels of basic amenities, including those pertaining to education, brings out the sharp disparity across size classes of urban centres (Kundu, Bagchi, Kundu1999). Class I cities have been able to attract private investment from the national as well as global capital markets, particularly during the past couple of decades, resulting in significantly higher levels and quality of infrastructural facilities. Indeed, the increased coverage of primary, secondary and other schooling and technical training facilities is reflected in a higher percentage of literate and educated persons in these cities. Also, large cities are able to attract educated migrants from all over the country seeking higher education or skilled employment in modern and capital-intensive activities that have grown significantly in recent years.

A macro overview of the mobility pattern reveals that economic deprivation is not the only motivation for migration decisions, even for seasonal migrants. People migrate out of both poor and rich households, although the reasons for migration and the nature of jobs sought by them are different. A cross-classification of migration data across consumption expenditure categories reveals that economic deprivation is less of a factor in the migration of men (female migration being determined largely by socio-cultural factors), in both rural and urban areas. The migration rate is as high as 43.3 per cent in the category with the highest monthly per capita expenditure (MPCE), and declines with decreasing levels of expenditure, to 10.5 per cent in the lowest expenditure class in urban areas (Table 19). This proposition has further been validated by tabulating the unit-level data across five expenditure quintiles, as presented in Table 20. This shows that the share of the highest quintile in the total number of migrants is above 26 per cent – much above its 20 per cent share of the population. Correspondingly, the share of each of the bottom two quintiles is significantly below 20 per cent, reflecting lesser mobility in lower expenditure categories.

Table 19: Migration rate for rural and urban males in different MPCE classes, 1999–2000

Rural		Urban	
MPCE classes (Rs)	Migrants (%)	MPCE classes (Rs)	Migrants (%)
0–225	4.3	0–300	10.5
225–255	3.7	300–350	13.0
255–300	4.0	350–425	13.4
300–340	4.6	425–500	19.7
340–380	4.9	500–575	21.1
380–420	5.8	575–665	23.9
420–470	6.3	665–775	27.8
470–525	7.3	775–915	30.7
525–615	8.6	915–1120	37.1
615–775	10.7	1120–1500	41.2
775–950	14.5	1500–1925	38.8
950 & above	23.3	1925 & above	43.3
All	6.9	All	25.7

Note: MPCE is monthly per capita expenditure.

Source: NSS report No. 470, *Migration in India, 1999–2000*.

Many of the migrants are ‘seasonal’: defined as those who have gone to any other place for 60 days or more during the last six months from the date of survey, and then returned. It is argued that many of these migrants adopt coping strategies for livelihood and survival by shifting from place to place. One would then stipulate a positive association of seasonal migrants with poverty. This short-duration movement, on the other hand, can be due to factors like periodic transfer of regular workers, or temporary posting of marketing and extension workers, for example. Interestingly, migration patterns in Table 20 reveal that poverty is not the key factor even for seasonal migration. Indeed, this mobility is not very high among the poor when compared to middle-class households. All this suggests that even such short-term migration opportunities in urban areas are being largely taken by the non-poor or better-off segments of the population.

Table 20: Distribution of urban migrants across quintiles of consumption expenditure in 1999/2000

Quintile group	In-migrants	Seasonal migrants
Lowest	14.2	13.9
2nd	17.5	15.1
3rd	19.2	29.0
4th	22.9	19.1
Highest	26.1	22.8
Total	100	100

Source: Calculated from unit record data pertaining to the 55th rounds of the Employment and Unemployment Survey of NSS.

Poverty among urban households classified by the number of members reporting mobility brings out yet another dimension of social dynamics (Table 21). The poorest households tend to be those with one or a few of their members being in-migrants. However, households in which all the members are in-migrants are observed to belong to economically better-off strata. These households are in fact more affluent than the non-migrant households, as the incidence of poverty here is the lowest.

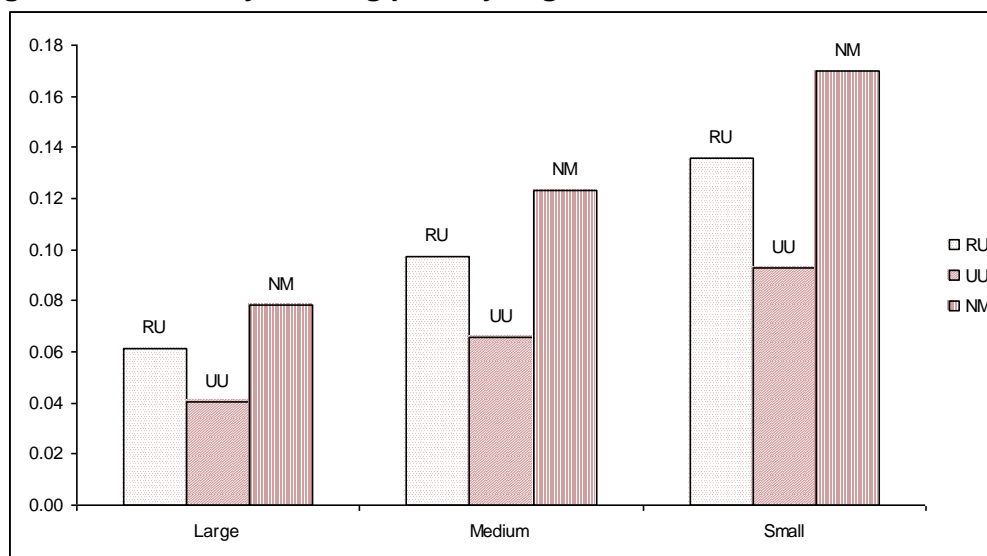
Table 21: Households classified by all or a few migrant members and incidence of poverty

	Sample households (percentage of total)	Percentage of households below poverty line
Non-migrants	30.7	14.0
Household having migrant Members	50.4	19.3
All household members being migrants	18.9	5.6
<i>Total</i>	<i>100</i>	<i>15.1</i>

Source: Calculated from unit record data pertaining to the 55th rounds of the Employment and Unemployment Survey of NSS.

For identifying the key determinants of poverty for individuals and households residing in different size class of urban centres, a logit regression model has been employed for the NSS data for the year 1999–2000, taking consumption expenditure, employment status, level of education, migration status and so on as explanatory factors. The results confirm that migration is an effective mechanism for improving economic wellbeing and escaping poverty for the adult population, the probability of being poor being much less among migrants when compared to the local population in all size classes of urban centres.³¹ The urban–urban migrants have lesser risk of being below the poverty line than the rural–urban migrants. Further, the probability value is less in a large city compared to smaller towns, irrespective of migration status, nature of employment, level of education, age and other variables³² (Figure 4). The million-plus cities have a further edge over the other towns in this context.

Figure 4: Probability of being poor by migration status across size class of towns



Note: RU rural–urban migrant, UU urban–urban migrant, NM non-migrant. Probabilities are computed based on unit level data from the 55th round of the National Sample Survey.

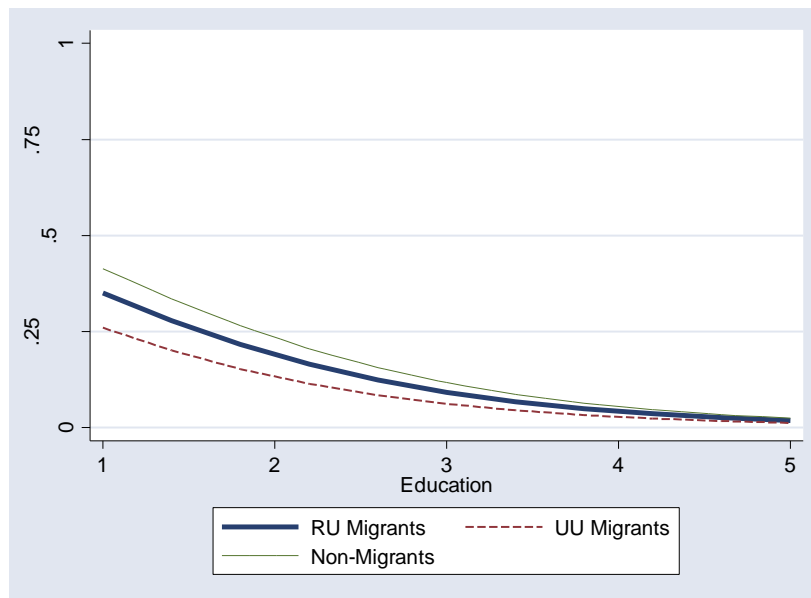
Educational attainment emerges as the single most significant factor affecting poverty for different types of migrants and non-migrants and all size classes of urban centres (Kundu and Sarangi 2007). At the aggregate level, with increasing levels of education, the probability of being poor is reduced by a factor of 0.855. Figure 5 shows that this probability declines

³¹ Probabilities of individuals falling below the poverty line have been calculated through the logit model. All the results discussed in the text are for the regression coefficients significant at 1 per cent.

³² The coefficients of the city size dummies emerge as negative and significant at the 1 per cent level, even after controlling for all other explanatory variables (Table 8).

monotonically with increasing levels of education for all three migration categories. However, there is a higher incidence of poverty among non-migrants than among rural–urban migrants, and the lowest incidence of poverty among urban–urban migrants, for all levels of education. Understandably, the possibility of moving above the poverty line is smaller in the case of unemployed persons and casual labourers. Similarly, greater household size increases the risk of its members falling into poverty, the coefficient being 0.223 for all persons. The pattern remains similar across all employment categories, with some change in the value of the coefficient.

Figure 5: Probability of being poor by migration status across levels of education



Source: As in Graph 4.

The strong and negative coefficients of the indicator of rural–urban migration for the aggregate sample, as well as for regular/salaried persons, support the proposition that this mobility is a factor in poverty reduction, thereby questioning the commonly held proposition that urban poverty is the spill-over of rural poverty.³³ The percentage of poor people among rural migrants into urban areas is less than among non-migrants. One can argue that migration itself is the factor responsible for increasing the earnings of the individuals, enabling them to get out of poverty. A stronger explanation, one that concurs with the findings of the international literature, would be that it is the relatively better-off sections of population who are able to migrate to urban centres since this requires an initial staying capacity and certain levels of skill. With modernisation, technological upgrading and formalisation of the informal sector, the absorption of unskilled rural poor has become increasingly difficult. Migration, particularly to large cities both from rural and urban areas, is thus highly selective. It is, therefore, not at all surprising that the poverty levels among migrants are less than those of the local population.

Seasonal migration does not show any impact, in either increasing or reducing the probability of falling below the poverty line. This supports the hypothesis that seasonal (short-duration) migration is not restricted to the rural poor struggling for survival, but also common among better-off households, shifting temporarily for better opportunities or posting to another village or a town for a short time.

³³ Dandekar and Rath 1971.

10. Empowerment of local bodies through a new system of urban governance and spatial inequality

A change in perspective for urban development in favour of a liberal system of governance and management of cities has been clearly discernable in India, and several other developing countries, since the mid-1980s. The problems of infrastructural deficiency, and the incapacity of state and local governments to make adequate investments to reduce these, seen to be at the root of an impending urban crisis, has been responsible for this high-profile policy shift. Empowering urban local bodies (ULBs) to take up some of the developmental responsibilities, along with management of infrastructure and civic amenities, is perceived as the most crucial element in this new perspective. Decentralisation is also being promoted within cities up to locality levels, by engaging civil society and community groups in city management and decision-making regarding future growth and in meeting the challenge of this crisis. An attempt is made here to examine empirically the validity of the stipulations scaffolding this perspective, and to analyse its impact on the availability of infrastructure and basic amenities in urban centres across different size categories, and across wards within cities.

It was envisaged at the time of Independence that the government would assume the major responsibility for designing the settlement structure and morphology of cities. The central government was responsible for designing the broad policy framework while the state governments were expected to promote the emergence of the appropriate settlement structure through disbursement of funds and devolution of the powers of taxation. The role of the former came under criticism for the promulgation of various Acts at national level that adversely affected the internal-growth dynamics of the cities. Similarly, the state governments were criticised for adopting a gap-filling approach for financial devolution to local bodies, which promoted inefficiency and lax resource mobilisation. Moreover, investments made for developing urban infrastructure through government departments or para-statal agencies, such as development authorities, housing boards, and water supply and sewerage boards, did not select the towns or cities based on their performance or economic efficiency.

The planning controls and devolution of funds through administrative procedures by government departments had limited impact in restricting and directing the growth pattern of cities. The para-statal agencies that had taken over many of the functions of local bodies also came in for sharp criticism on grounds of inefficiency, lack of cost-effectiveness and continued dependence on grants. Such criticisms notwithstanding, the state governments and para-statal institutions did exhibit some sensitivity in favour of small and medium-sized towns in their resource allocation, although this was not enough to stabilise their economic base. Consequently, a strong lobby emerged rooted in the interests of large cities, pleading for disbanding of most of the zoning restrictions and making the cities relatively independent of state- and central-level controls in financial and planning matters. It was stipulated that decisions regarding location of industries, change in land use, and other issues should be taken expeditiously at the local level and be made more responsive to the market-based indicators. A strong case was made for improving urban governance by giving the ULBs the responsibility of managing and developing their infrastructural facilities and transferring the commensurate financial powers to them.³⁴

The decentralisation of development planning responsibilities has been ushered in through the 74th Constitutional Amendment Act, which led to the empowerment of local governments, particularly in large cities with a relatively high tax and non-tax revenue base, although the willingness and initiatives of state governments to devolve the powers have varied significantly across states. The allocations for para-statal agencies have been cut drastically, along with those for government departments, allowing them only limited scope to undertake capital projects. The responsibility of resource mobilisation for meeting current and capital costs has, to

³⁴ Planning Commission 2008.

an extent, been passed on to the local bodies. Unfortunately, this has been done without examining the economic base and resource-raising capacity of these bodies on the one hand, and their requirements on the other. As a result, the disparity in the income of local bodies in per capita terms has gone up.

The basic objective of the new system of governance is to create an institutional and legal structure that would enable the 'deserving cities' to access resources, from both public and private agencies, based on a set of indicators. Unfortunately, serious operational problems exist for the central and state governments in building up indicators reflecting performance, potential, and so on, using the budgetary figures of municipal bodies and other local agencies. Consequently, devolution has often been linked to resource mobilisation by the municipal bodies, but this is dependent on the economic base of the bodies and delegation of functions and powers by the state governments. Understandably, the metro and Class I cities that can generate large tax and non-tax earnings have been able to obtain greater resources from government and other sources.

The per capita municipal revenue for large cities (population above 500,000) was more than three-and-a-half times that of small towns (population below 100,000) in the early 1990s. The tax and non-tax revenue together constituted 90 per cent of the total revenue of large cities, and 70 per cent for small towns. Correspondingly, the percentage share of grants in total revenue for large cities was only 5 per cent, while that for small towns was as high as 18 per cent. This high dependence on external grants is a major restriction for smaller towns on undertaking development responsibilities on their own. The capacity of the smaller towns is further restricted because about 20 per cent of their expenditure is for general administration, compared to only 12 per cent in the large cities.

Understandably, the large cities in a stronger financial position have been able to take up public works and infrastructure-development projects on their own more than smaller towns. This has accentuated inequities in the provision of basic services across the states and size categories of urban centres. Similarly, the moves to make the para-statal agencies increasingly dependent on their internal resources and institutional finances have accentuated disparity. The large cities have a relatively strong economic base that is helpful in acquiring larger investments from institutional sources and in attracting private entrepreneurs. Consequently, these cities can offer enhanced livelihood opportunities, thereby recording higher demographic growth, as noted in the preceding section.

With the decline in central or state assistance in the era of decentralised governance, it is not surprising that small and medium towns, particularly those in less developed states, are not able to make any investment for improving infrastructure and basic services. The new system of governance has adversely affected the level of basic services, which in turn has reduced their capacity to attract new economic activities and absorb the future stream of migrants.

Understandably, the towns located at a large distance from the 'emerging global centres of growth', particularly those in backward regions, have benefited even less from the new system. Given their weak economic base, they have failed to attract private corporate actors from within or outside the country, and banking institutions, to partake in their development projects. Given their incapacity to finance capital expenditures through internal resources or borrowings from the capital market and the governmental investment in infrastructure, and in view of the decline in basic amenities over time, the economic disparity across urban centres has increased. A vicious circle has set in, as the infrastructural deficiency has been a serious hurdle in attracting private investment, which is reflected in low demographic growth in smaller towns in the 1990s.

Reductions in government grants and loans to the para-statal agencies have eroded the latter's capacity to invest in smaller-order towns, particularly in backward states. Withdrawal of government support, making these agencies depend on market borrowing with stringent

financial stipulations, have created serious problems of inequality across regions and across size classes of urban centres.

Decentralised governance has been ushered in, to a limited extent, to levels below the city. The Amendment stipulates that ward-level committees are to be constituted in all cities having more than 0.3 million people, with the power to take decisions regarding the level and nature of amenities, based on the capability and willingness of the residents to pay. The slum populations in the heart of the large cities or their peripheries, with low affordability or willingness to pay, would understandably accept a low level of civic amenities. The elite colonies, on the other hand, would be able to attract private entrepreneurs and even the subsidised government programmes for improving quality of services, based on their capacity to pay higher user charges and on their political connections. There was, thus, an apprehension that the active engagement of ward committees would accentuate intra-urban and city–periphery inequality in the availability of basic amenities.

Interestingly, participatory governance in the large cities has not been implemented through ward committees, as these have turned out to be extensions of city-level government. Instead, residents' associations, formed largely by upper- and middle-income groups and supported by non-government organisations in many large cities, have taken centre-stage. The past couple of decades have seen considerable change in urban governance and planning through engagement of civil society organisations. This, to a certain extent, has made the public agencies accountable to the 'citizens' and brought in transparency and accountability in their functioning. However, at the same time, it has made it possible to provide differential levels of amenities across colonies based on their affordability or collective willingness to pay, leading to institutionalisation of disparities in the availability of civic amenities and strengthening the process of socio-economic segmentation in large cities. This process, effected through government programmes and backed up by judicial interventions in favour of non-government and community organisations of the upper and middle class, has adversely affected the inflow of population into these cities. In-migration of the poor into towns and cities has declined as their access to basic amenities has become increasingly difficult due to the reduction in public expenditure (particularly capital expenditure) on slum improvement and social sectors. Policing by citizens' organisations against encroachment has proved far more effective than that of the police and bureaucracy. The low growth in density and of slum populations in high-income colonies (Kundu, Bagchi, Kundu 1999) is a clear manifestation of this.

The major concerns of the residents' associations in large cities are the safety of their residents, better delivery of public amenities and more efficient management of development projects. They have tried to sanitise their neighbourhoods by removing encroachments, slums, squatters and petty commercial establishments that pose a threat to local security and hygiene. Many of these associations have taken legal actions against vendors, encroachment by squatters, and so on. Courts have taken a serious view of their petitions and often directed the local authorities to remove squatters.

Given this perspective, urbanisation is likely to continue to exhibit the same sluggish trend as in the past couple of decades, the annual growth rate remaining below 2.4 per cent, unless there is a paradigm shift in spatial development strategy. The developed states and large cities are likely to receive most of the migrants, a large part of these being absorbed in the degenerated peripheries.

11. Institutions and programmes for funding and reform

Under the new system of urban governance, the central government and Reserve Bank of India have tried to impose some kind of 'financial discipline' on state government departments and urban local bodies, to ensure that their programmes and projects rely increasingly on internal resource mobilisation, loans from development-cum-banking institutions and capital markets at

non-subsidised interest rates. They have also launched measures for reforming land and capital markets and stipulated conditionalities for resource mobilisation for the state governments and local bodies. After failing to persuade the lower tiers of governance towards compliance through policy declarations and administrative measures, programmes have been launched and new institutions set up to provide special grants and subsidised funds, linked with the adoption of the required measures. Attempts are also being made to get greater engagement of private agencies in the management and future development of city infrastructure and civic amenities.

It is nonetheless clear that the private sector will not be able to bring about the required changes in urban land and capital markets and ensure the desired level of infrastructural investment unless the state becomes a partner. Public agencies are therefore being restructured and new institutions are being created to help the cities take on development responsibilities, although the democratic structure and bureaucratic inertia have made the process somewhat slow. The major institutional reforms pertaining to financing of urban development are discussed below.

The major players linked to financing the urban sector have been given the mandate and autonomy to leverage a large part of their funds from the market. The Housing and Urban Development Corporation (HUDCO), the major player in the public sector, was established in 1970 to provide loans for urban development projects and associated institutional support, and opened a new window in 1989 to provide funds for infrastructure projects. The availability of loans from this window, generally at less than the market rate, has made state- and city-level agencies increasingly dependent on it. This is more so in the case of cities and towns of less than a million population, since their capacity to mobilise internal resources is limited. HUDCO is also the main financial institution for disbursing loans under government schemes such as that for Integrated Low Cost Sanitation, which had a major subsidy component for different beneficiary categories. Also, HUDCO charges lower interest rates to local bodies in smaller cities.³⁵ Its loans for upgrading and improving basic services in slums are available at a much lower rate than under other similar schemes such as those of the World Bank.

The stipulations for these subsidised loans have, however, been modified to improve performance and accountability; consequently, the volume of social sector loans has been reduced. HUDCO was financing up to 90 per cent of the project cost in infrastructural schemes for 'economically weaker sections', but this has declined over the years. The cost of borrowing for all social sector projects has increased, resulting in a reduction of the interest rate differentiation. Furthermore, the bias in favour of smaller cities that had enabled a few of them to borrow funds in the past has been diluted. Significantly, HUDCO was upgraded as a 'mini-ratna (small gem) company' in August 2004, and consequently is not entitled to any equity support from the government, which has reduced its capacity to direct funds to social sectors at low interest rates. The cities with a strong economic base that are attracting private-sector investments from both within and outside India are mostly able to get a disproportionate share of the subsidised HUDCO funds.

Infrastructure Leasing and Financial Services (ILFS), established in 1989, has emerged as an important financial institution in recent years. Its activities have more or less remained confined to the development of industrial townships and roads and highways, where risks are comparatively less. With the increasing dependence on funds from the private sector and capital markets, the importance of the ILFS has grown over time for ensuring projects' financial viability and safeguarding the interests of investors. Its contribution to the total infrastructural

³⁵ For urban centres with less than half a million population, the rate was 14.5 per cent; for cities with population of 0.5–1.0 million, it was 17 per cent; and for million-plus cities, it was 18 per cent. No special concessional rate was charged, however, for the towns with less than 100,000 or 50,000 population that are in dire need of infrastructural improvement, as discussed above. These provisions no longer exist in HUDCO, which has adopted a needs-based approach and a uniform policy.

finance in India, however, is not high and its role is being recognised more as a merchant banker than a loan provider.

ILFS has helped local bodies, para-statal agencies and private organisations in preparing feasibility reports for infrastructure projects, detailing pricing and cost-recovery mechanisms and establishing joint venture companies called Special Purpose Vehicles (SPVs). It has become an equity holder in these companies along with other public and private agencies, including the operator of the BOT (Build Operate Transfer) project. Given the shortfall in the contracting capacity of the private sector and that large players in infrastructure industry have not yet taken up municipal infrastructure development because of uncertainty in the enabling environment, ILFS has become 'a promoter of a new perspective of development'. A major criticism of ILFS, however, is that projects for the provision of basic amenities in slums or low-income areas not having clear stipulations for total cost recovery, and therefore not attractive to private or joint-sector companies, are also unlikely to find favour in this organisation.

The funds made available to local bodies under the Financial Institutions Reform and Expansion (FIRE) Programme, and currently provided through ILFS and even HUDCO, are expected to be matched by an equal amount raised from the domestic debt market. Further, a mandatory agenda for policy reform pertaining to urban governance, land management and pricing of services has been proposed for the participating institutions. Similarly, for obtaining World Bank loans under International Development Assistance (IDA), the ULBs are required to maintain a separate account for the facilities created under the credit scheme, outside the overall municipal budget, as a pre-condition of the loan. Proposals have been put forward for revising the user charges for these facilities and making a group of sectors independent of the general municipal budget. All this, it is argued, would limit the authority of the local bodies in undertaking capital and even current expenditure out of their own revenues.

Despite these limitations, the new system of governance has enhanced the resources of several large cities,³⁶ as these could guarantee compliance with the reform measures. They have been able to obtain a larger share of not only government and other domestic resources but also those from international agencies urging them to push the reform agenda. A mechanism is now being developed to provide access to institutional funds for small local bodies by mobilising resources through infrastructure bonds at the state level. This requires the local bodies to route their revenue earnings through an escrow account in a bank. The states of Tamil Nadu and Karnataka have tried this mode of resource mobilisation. The federal Ministry of Urban Development has proposed guidelines on the pattern of the two states for the reform agenda in other states under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). Unfortunately, mobilisation of resources for pooled funds for capital investment in small towns has been meagre. Consequently, a new initiative has been launched to set up a Pooled Finance Development Fund in the Eleventh Plan for credit enhancement for the smaller ULBs.

The Life Insurance Corporation (LIC) of India also provides loans directly to municipalities and other local and state-level agencies, and indirectly through financial organisations like HUDCO, for infrastructure development. Unfortunately, the LIC format of funding the local bodies has not been very popular since it entails substantial contributions from the borrowing organisations. Besides, there have been problems in recovery of dues (Rao 1999).

The establishment of Infrastructure Development Finance Corporations at the state level has been hailed as a landmark initiative. These are expected to play an important role in channelling the central government and HUDCO funds to local bodies, and augmenting their infrastructural investment. Attempts have been made to provide subsidised funds to local bodies through the

³⁶ Mohanty, Misra, Goyal and Jeromi (2007).

Urban Reform Incentive Fund (URIF) as an incentive to adopt the reform measures. This scheme has now been subsumed in the major JNNURM programme (discussed further in Section 13 below). Additionally, a national Urban Infrastructure Fund is being set up in the Eleventh Plan as a trust to provide a source of funding to the ULBs for their bankable projects. The Fund will serve as a Special Purpose Vehicle for ensuring a 'necessary comfort level' for the financial institutions to lend to the local bodies.

Another important development in the context of investment in infrastructure and amenities is the emergence of credit-rating institutions in India. With the financial markets becoming global and competitive and the borrowers' base getting diversified, investors and regulators prefer to rely on the opinion of the credit-rating institutions or other intermediaries for their decisions. The rating of the debt instruments of the corporate bodies including ULBs, financial agencies and banks is currently done by institutions such as the Information and Credit Rating Agency of India (ICRA), Credit Analysis and Research (CARE) and Credit Rating Information Services of India Limited (CRISIL).

A few of the large cities, such as Ahmedabad and Hyderabad, have been able to mobilise resources through tax-free bonds. Most of the ULBs, however, find it extremely difficult to approach the institutions mentioned above, or other banks, due to their weak financial position, cumbersome procedures, conditionalities and ceilings imposed on the loan amount. A few ULBs have, therefore, sought to tap the capital market through financial instruments like bonds, debentures and structured debt obligations, with assistance from credit-rating agencies. The instruments are issued with the understanding that the borrowing agency would pledge or escrow their physical assets and/or certain buoyant sources of revenue (such as the octroi tax, or grants from the state) for debt servicing. This is a mechanism by which the debt repayment obligations are given priority and kept independent of the overall financial position of the borrowing agency. It ensures that a trustee monitors the debt servicing and that the borrowing agency does not have access to the pledged resources until the loan is repaid.

It is not easy for any rating agency to assess the strength of the local bodies through a select set of indicators and an overview of their legal and administrative jurisdiction. The rating institutions often process the information and compute the relevant ratios in their own way after obtaining the raw data from the concerned local bodies. They also bring their own qualitative assessment to the rating system. This approach can be advocated as a safeguard against the local bodies manipulating their accounts and other data, since the municipal budgets in India are not prepared within a standard format. However, once the rating institution decides to process the data for building 'appropriate indicators' on their own, and to use a procedure for their aggregation for the composite rating which is not widely publicised, they may be accused of lack of transparency and biased judgement.

The projects likely to be financed through such arrangements are commercially viable, to ensure profitability for the investors and other stakeholders. This can lead to a situation whereby the finances generated from the common people get escrowed as security for projects likely to benefit better-off segments of the population or upper-class colonies. Similarly, the assignment of certain revenue channels to a separate fund, whose management is controlled by an outside financial institution or trustee, could be seen as an infringement of the rights of the local bodies. It may jeopardise their overall financial situation, if the project fails to generate profits for paying back the investors. The policy of liberating local governments from the regulatory and legislative controls of the state has sometimes brought the local bodies under stringent control of financial institutions. This would undoubtedly be desirable for development of the capital market and the financial viability of the project, but may not meet the needs for basic amenities of the majority of urban poor and migrant workers. Furthermore, the central government and Reserve Bank of India have proposed restrictions on the states for giving guarantees to local bodies and para-statal agencies, in an attempt to ensure greater fiscal discipline. Consequently, in many states, only the para-statal agencies and municipal

corporations have been able to get the state guarantee, with the total exclusion of smaller municipal bodies. Further, getting a bank guarantee is even more difficult for the smaller bodies.

Given the effects of the recent economic crisis on government agencies, future urban development could be dictated by financial institutions, international donors and credit-rating agencies that can develop innovative arrangements for resource mobilisation. Privatisation, partnership arrangements and the promotion of community-based projects have become easier options for supplementing the budget. The projects subcontracted to private agencies or being launched with public/private partnerships mostly have stipulations of cost recovery that make these financially self-sustaining. However, the poor are finding it difficult to meet the stipulations. The same would be the case with public sector projects becoming increasingly dependent on institutional borrowings and the capital market. All these accentuate the gaps between rich and poor localities within cities, particularly in the context of water and sanitation facilities, resulting in serious problems of health and hygiene. A growing disparity in the quality of the micro-environment has also been responsible for problems of law and order, resulting in individual and group violence.

12. City planning and land-use controls within a participatory framework

The pattern of demographic and economic growth, particularly in large cities, in the Post-Independence period was to be determined by master plans, often prepared by para-statal agencies with the support of the state government. This brought in physical planning controls on the location of economic activities and urban land use. In effect, this approach tried to limit the absorptive capacity of different areas. To an extent, it helped in diverting population growth, low-valued activities and squatters towards marginalised areas within large cities or their peripheries, creating select high-quality residential areas. The system of control, nonetheless, resulted in the contraction of land supply in the market, enormous corruption and a large number of court cases that ultimately constrained investments in infrastructure and housing. Master plans have thus come to be seen as deterministic and rigid, inhibiting the dynamics of city growth through land-use controls.

The Constitutional Amendment Act envisages assignment of the responsibility of preparing and implementing development plans to ULBs. A large majority of these are, however, not equipped to take up the responsibility of planning, and especially of launching capital projects. Considerable expertise is required to identify the infrastructural and industrial projects appropriate for the growth of a city in the context of its resource base, assess environmental implications and mobilise corresponding resources. Given the difficult financial situation of the local bodies, it is unlikely that they will be able to strengthen their planning departments by recruiting technical and professional personnel in the immediate future. This assistance is unlikely to come from the state government departments since they too lack adequate professional staff or the resources to employ them. The only choice for the local bodies has, therefore, been to resort to financial intermediaries, credit-rating agencies and private consultants. A large number of such agencies have developed in recent years, a few with assistance from international organisations.

The metropolitan cities with a strong economic base, state capitals and a few other globally linked cities have been able to take advantage of the new environment and prepared city development plans (CDPs). The days of city master plans that required the engagement of teams of researchers, analyzing land-use patterns, population distribution and location of economic activities going to zonal- or even ward-level information, analysing equity and environmental dimensions, however, seem to be over. These procedures delayed finalisation of the plan and produced documents that were mostly inflexible, impracticable and non-implementable. Furthermore, the organisations implementing the plans have no control or mandate over the socio-economic parameters and consequently need not bring these within the ambit of policy.

Consequently, several metropolitan cities have prepared quick-fix CDPs or even vision documents, in place of master plans. Such documents have been praised because their preparation is less time consuming, and they provide only a framework, leaving the task of detailing to stakeholders. The responsibility has often been assigned to national and global research agencies that bring in the perspective of other cities and countries. Once such a document is accepted and the stakeholders identified, it is up to the stakeholders to decide the detail of the schemes, projects and modalities for implementation through formal or informal consultation with interested companies and financial intermediaries and also to deal with the socio-economic consequences. The Eleventh Plan document reposes the responsibility of preparing CDPs under JNNURM and the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) to local and state governments 'as a vision document'. It holds that the CDP should also provide scope for community participation in the planning process and its implementation.

Many of the vision documents represent a 'manufactured consensus', having plenty of rhetoric and stipulations concerning environment, equity, social justice and so on. But they delineate only the broad contours of development strategy and the stakeholders are expected to work out the details within a participatory mode of governance. Vision documents give no specific detail on, for example, the shifting of slums, access to basic amenities by the poor, or affordability. No definite indicator is worked out by which the fulfilment of the broad objectives or stipulations can be monitored. This undoubtedly opens the way for vested interests that get identified as stakeholders. The slum dwellers inducted into the exercise of preparing the vision document often play a decorative role, largely because of their inability to understand the implications of the macro vision.

The local governments are currently facing two other problems in launching their development plans and attracting foreign and Indian business houses and industrialists to invest in their cities. These problems are the scarcity of land at prime locations, and the lack of capital. An ingenious method has been worked out in a number of cities to solve these twin problems. The local agencies have increased the Floor Space Index (FSI), as recommended by the federal government and by several international organisations. This has allowed multi-storied structures, providing space for business houses, commercial activities and high-income residential units in areas with high land values. The strategy has immediately enabled local bodies to generate resources, directly or indirectly, for infrastructural development by selling the extra FSI. Often, there is an additional incentive for adopting this strategy, as sanctioning of loans by a few of the international agencies has been contingent on the acceptance of higher FSI by local authorities (Kundu, Bagchi, Kundu1999).

The gradient of land values around the centre of many large Indian cities reflects a departure from the global pattern due to inefficient land use and failure of the market to push out low-valued activities into the periphery.³⁷ Accepting this perspective, the land market has been opened up through government initiatives, making land available at preferred sites to upcoming business activities. This is being facilitated by simplifying the legal and administrative procedures for changing land use and by pushing out 'low-valued' activities from these sites. The low-income and slum colonies are the obvious candidates for relocation in city peripheries. This shift is being realised sometimes directly through eviction of slum dwellers and banning the hawkers, pavement dwellers and rickshaw pullers. Mostly, however, it is done indirectly and discreetly through slum improvement schemes and 'rehabilitating' them out in the peripheries. This, in a way, has strengthened the process of degenerated peripheralisation. Despite resistance from the Organisations of Urban Poor (OUPs), relocations that uproot slum dwellers from the local economic base by disrupting their livelihoods have taken place in most of the metropolises during the last couple of decades on a massive scale. This has reduced the cities' percentages of poor residents to half the level of smaller urban centres. Some of the

³⁷ Bertraud 2002.

government schemes do have provision for giving the evicted slum dwellers plots or flats in the building being constructed at the original site. However, due to rising land values, relaxation in the legal and administrative environments³⁸ and financial exigencies of poor households, most of the beneficiaries have been unable to hold on to the plots or flats for long. The system of allowing extra FSI to be traded in the land market has further supported the process of reorganisation of population and economic segmentation. Although the basic idea underlying the strategy is to promote greater efficiency in the use of land, this approach has impeded a significant increase in the density of population and discouraged in-migration.

13. Programmes and policies: an overview of the proactive role of state agencies

A review of the evolution of policies and programmes in the urban sector at different levels of governance indicates that these have undergone significant changes during the past two-and-a-half decades. Until the Sixth Plan (1980–85), these basically addressed the problems of housing, slums and provision of civic amenities. They did not put forward a vision of urban or regional development by proposing a hierarchy of urban settlements and of their interactions with the global and regional economy, excepting the limited vision available from the master plans prepared for select cities. No programme was proposed to reflect an ‘urban vision’ at national or state levels. The Seventh Plan explicitly recognised the problems of the urban poor but the issues of employment generation, pro-poor growth strategy, infrastructural requirement and so forth did not figure in the strategy for this sector.

A National Commission on Urbanisation³⁹ was set up at the highest level, which, for the first time, tried to put forward a vision linking urban processes with economic growth by proposing a large number of Generators of Economic Momentum and Spatial Priority Urbanization Regions. This is reflected in the Eighth Plan (1992–97), which mentions urban policies that could directly contribute to the goals of employment generation and poverty reduction. The major emphasis nonetheless was on the delivery of basic services within a market-based perspective, and building cost-recovery mechanisms into the municipal finance system. The basic concern of public agencies in the urban sector during the 1980s and 1990s was to address the deficiencies in water supply, sanitation, solid waste management and urban transport. The focus was often on large cities, as may be inferred from the stipulated institutional structure and schemes of resource mobilisation, as discussed above. The launching of a Mega City programme for four metro cities and the strengthening of the National Capital Region Plan in the 1990s, with massive central assistance, indicates continuance of this perspective.

A perspective of macro-economic growth is brought into the urban sector in the Ninth Plan (1997–2002), which proposed a strategy based on the principle of market efficiency wherein the cities would act as engines of growth. It also put forward a vision of infrastructural development through mobilisation of resources from financial institutions and the private corporate sector,⁴⁰

³⁸ The major concern in the scheme for Rehabilitation of Slum and Hutment Dwellers, currently being implemented in Brihan Mumbai, for example, is not to ensure that the poor hold on to their land but to prevent future encroachment in central areas. The Study Group (1995) set up for this purpose observes that ‘(e)ncroachment of any land need to be firmly and quickly removed. For this purpose action needs to be taken as the first signs of unauthorised construction surface. Machinery needs to be established and strengthened ward-wise with police force which should be well equipped.’

³⁹ Government of India 1988.

⁴⁰ Privatisation of activities in the social service sector as well as projects with long gestation period should be stimulated through the fiscal route rather than through direct subsidy’ (Planning Commission 1997).

with substantial reduction in budgetary allocations. The Tenth Plan (2002–07) further reinforced this perspective by underlining the need for broad-based reforms and stipulating that conformity to the reform agenda will be obligatory for the central assistance under most of its programmes. External assistance became a major feature in the urban sector during the Ninth and Tenth Plans, with multilateral lending agencies like the World Bank and Asian Development Bank (ADB), and several bilateral agencies becoming the key players. Here again the thrust was in favour of metropolitan and other Class I cities.

The Tenth Plan (2002–2007) expressed concern about the declining rate of urban population growth during the 1990s but failed to mention that this was primarily due to a decline in the number of census towns (as opposed to administrative towns) and to a significantly higher decline in the demographic growth of small and medium towns compared to the average urban growth in the country. It recognised the need to address the disparity in the availability of infrastructure and services across different size class of urban centres, underlining the fact that larger cities have the capacity to raise resources from domestic as well as international sources while ‘very small towns with extremely limited resources rarely see any improvement’. Unfortunately, the Plan proposed very little in terms of initiatives to address the problems of serious deficiencies in infrastructure and basic amenities in small towns.

The only programme addressing the problems of deficit in infrastructure and basic amenities in these towns is the centrally assisted Integrated Development of Small and Medium Towns programme launched in 1979–80. The programme covered 1854 towns and cities up to March 2007. The total disbursement under this scheme in per capita terms was low, and declined in the 1990s. Furthermore, there was regional concentration of the central funds, with only eight states receiving 70 per cent of the funds. These states were Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, West Bengal and Uttar Pradesh (all except the last being relatively developed). The programme has now been subsumed within JNNURM as the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). Yet another programme, the Accelerated Urban Water Supply Programme, with a focus on towns of population under 20,000, launched in the 1990s, has been subsumed under JNNURM.

In the context of promoting livelihoods for the poor, the Tenth Plan launched Swarna Jayanti Shahari Rozgar Yojna (SJSRY), which basically subsumed Nehru Rozgar Yojna (the Prime Minister’s Integrated Urban Poverty Eradication Programme and Urban Basic Services for Poor), following the recommendations of the Hashim Committee. Evaluation reports for SJSRY noted serious problems in its design and implementation, including the identification of poor beneficiaries. The self-help enterprises set up under the scheme have not been economically viable. Bankability of the projects has also emerged as an area of concern due to the lack of marketing support to the enterprises and difficulties in passing on the risk of running the enterprises from an individual to a group of asset-less persons under ‘the system of peer group monitoring’.

Analysis of the Integrated Low Cost Sanitation (ILCS) programme indicates that only one-sixth of the towns and cities located in 23 states of the country have opted for this approach, designed to provide a clean environment, especially for the poor. This reflects a basic flaw in the programme’s design: it is being taken up in only 864 places, despite its substantial subsidy component. Almost all cities and towns in India report deficiencies of coverage of sanitation facilities. The funds under ILCS have been distributed in a highly uneven manner, with four states – Andhra Pradesh, Rajasthan, Uttar Pradesh and West Bengal – receiving over three-quarters of the allocated funds.

The Eleventh Plan posits planned urbanisation in the country and the creation of new growth centres around existing small and medium-sized towns as its major challenge. Like its predecessor, it expresses concern regarding the concentration of demographic and economic

growth in and around a few cities, emphasising the need to bring about spatially balanced urbanization by promoting small towns and new townships. Further, it highlights the problem of deteriorating infrastructure in large cities that 'provide large economies of agglomeration' and holds that urbanization is 'a key' and 'positive factor for overall development'. It stipulates that 'the realisation of an ambitious goal of 9%–10% growth in GDP depends fundamentally on making Indian cities much more liveable, inclusive, bankable, and competitive'. The thrust is on 'increasing the efficiency and productivity of cities by deregulation and development of land'. It proposes 'dismantling public sector monopoly over urban infrastructure and creating a conducive atmosphere for the private sector to invest'. JNNURM, launched in the fourth year of the Tenth plan in a mission mode, has been conceived 'to achieve these objectives'.

Large cities have received unprecedentedly large per capita allocations for infrastructural investment through Additional Central Assistance, coming as grants as under JNNURM. Further, JNNURM is making a serious effort to get the state and city governments to commit themselves to structural reforms, which the central government had failed to do, despite adopting several carrot-and-stick measures and incentive schemes. Sanctioning of funds under the mission is contingent on the preparation of City Development Plans (CDPs), working out a long-term vision for the cities and having detailed project reports approved by the central government. Large parts of the resources for the implementation of CDPs are to be mobilised from non-government channels. JNNURM thus envisages creation of ground conditions for market-based macro-economic growth through reform measures and select infrastructural investment (in 63 selected mission cities) and an appropriate enabling framework to enhance the creditworthiness of the municipal bodies.

The mission has an Infrastructure Development (ID) component and a component of Basic Services for Urban Poor (BSUP), the former accounting for over 60 per cent of the total stipulated funds. Interestingly, the ID component is being looked after by the Ministry of Urban Development, while BSUP is being administered by the Ministry of Housing and Urban Poverty Alleviation. An overview of the projects and schemes launched under the ID component in different cities reveals that water supply, sewerage, sanitation and storm water drainage are the priority areas, besides of course roads and flyovers. Most of these have been designed to increase the total capacity of the services – basically water supply, sanitation and sewer treatment – at city level. There is no explicit provision to improve the delivery of facilities in the deficient areas within the cities or to improve the access of the poor to these. Given the emphasis on reform, financial efficiency and cost recovery for each of the facilities, and promotion of public–private partnership, there is a risk that much of the benefit from this augmented system will be restricted to the better off.

The milestones for implementation of a reform agenda are unambiguous and easy to monitor, as they can be ascertained based on an overview of the legislative changes, administrative orders, and similar. On the other hand, indicators reflecting the pro-poor character of CDPs, or realisation of the goals of providing access to basic amenities and land to slum dwellers, are far too complicated and difficult to construct based on official information. Unfortunately, the CDPs have not even tried to propose a framework or an institutional structure for fulfilling these goals, and the sanctioning authorities have failed to take note of this lacuna. Particular mention must be made of the thrust on housing activities (sometimes integrated with basic services) under the BSUP component. Instead of proposing investment under this component to make the city-level infrastructure and basic services accessible to the poor, the scheme attempts to provide subsidised and even free dwelling units in multi-storied complexes.

Provision of a fixed and limited space in which to rehabilitate slum households, and permission to use the residual area and higher FSI at the same location, allows the builder (whether public, private or NGO) to create space for commercial activities, increasing the profitability of the venture. The real estate lobby has shown keen interest: social housing has never been so profitable, particularly due to the financial and administrative support from the government

under the scheme. However, issues concerning displacement of original residents, the nature of their space requirements for carrying on their activities, their capacity to meet the monthly instalment for the house and maintenance costs, and the interests of the tenants remain unresolved. The programme is likely to be considered successful, as there will be massive demand for these subsidised dwelling units. However, it is unlikely that households who could afford these homes would be below the poverty line. The capacity of public agencies to ensure that the units are allocated to, and retained by, those 'deserving' of them is extremely limited. Critics have argued that BSUP would provide subsidised dwelling units to a few administratively or politically connected people. This would help in 'sanitizing' the city, saving it from the threat of epidemics and violence often associated with slum conditions, in order to protect commercial interests of national and global actors in the city.

Countering the criticism that the major Eleventh Plan initiative has limited itself to a few large cities, the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and the Integrated Housing and Slum Development Programme (IHSDP) have been envisaged as a part of JNNURM for small and medium towns. The spatial disparity under the UIDSSMT, covering 321 towns, can be inferred from the fact that 65 per cent of the resources under the scheme have been utilised by four states (Andhra Pradesh, Maharashtra, Tamil Nadu and Uttar Pradesh). A disaggregated analysis of the disbursement of project funds clearly shows that much of the resources are going to relatively large towns and cities. IHSDP, a counterpart of BSUP for the non-mission cities, is replacing the National Slum Development Programme and Valmiki Ambedkar Awas Yojana. However, the resources available for these towns amount to less than 20 per cent of the total. In per capita terms, the funds represent 18 per cent of what is assigned to select mission cities. This is too meagre to stall the alarming trend of urban deceleration (particularly in less developed regions) and the polarisation of urban growth in a few cities.

14. A summary of conclusions and their development implications

An overview of the urbanization process in India reveals that the pre-existing system of settlements, based on interactions between a large number of handicraft-, service- and commerce-based towns and their hinterland of primary production, as well as between large cities and smaller towns, was disrupted during the colonial period. The country was gradually drawn into the orbit of the capitalistic system during two centuries of colonial rule, but the political economy of the regime became an impediment to technological advancement in different sectors of the economy and led to a top-heavy urban structure.

In the past few decades, growth in the urban population in India has been at best modest and fluctuating. This casts serious doubt on the assumption that Asia will be the epicentre of future urbanisation in the world, with India playing a key role because of its sheer demographic weight. It is argued that the high-growth perspective on urbanization is largely due to the methodology adopted by the UNPD and, ultimately, to the negative or ambivalent attitude of policymakers towards rural-urban migration. The latter provides justification for imposing restrictions on population mobility and also strengthens the demand of the urban elites for larger infrastructural investment. High urban growth, as projected by various expert committees of the government as well as by statistical divisions of international agencies, can indeed occur if there is a change in the strategy of regional development, encouraging the emergence of new urban centres and their rapid growth. Given the demographic pressure on the agrarian system, this shift in policy should be imminent.

The process of urbanisation in India has continued to be top-heavy, oriented towards large cities. This is because of higher demographic growth in larger cities, attributable to both natural increase in the resident population (which, though based on lower fertility than in rural areas and smaller towns, still brings huge increments because of the size of the base population) and higher net in-migration. In turn, this is consistent with the fact that larger cities are generally more efficient in

generating growth and attracting investments, thus attracting more population. Given the new dynamics of urban industrial development associated with the strategy of globalisation, the small and medium towns, located away from the 'emerging global centres of growth', particularly those in backward regions, have not attracted much private investment. Moreover, many of these towns were declassified during the 1990s.

This declassification and economic stagnation could be attributed, at least partly, to the measures of decentralisation whereby responsibility for management of civic amenities and investment in infrastructural projects has partly shifted from the central and state governments to local bodies. Urban growth has been concentrated in developed states, regions and cities that could attract national as well as global investment. Larger cities have benefited from this and are in a stronger position financially to take up public works and infrastructure development projects on their own. They can offer enhanced livelihood opportunities, and so record higher demographic growth. By contrast, smaller towns cannot attract investments in a competitive globalised context. Coupled with a decline in central or state assistance, this has made it extremely difficult for towns, particularly those in less developed states, to invest in improving infrastructure and basic services. All this has led to the accentuation of inequity in the provision of basic services between states and between size categories of urban centres.

The growth of employment during the 1990s was low; this is often attributed to programmes of structural reform. The subsequent decade, however, saw a reasonably high growth in employment by usual status. By weekly and daily status, there is an even more satisfying picture of employment creation for both for men and women. This can, however, be attributed to the phenomenal growth of the informal sector. The character of this sector appears to be somewhat different from that which it had in the 1980s. The informal sector in recent years has exhibited some amount of formalisation, leading to more rapid growth in regular and self-employment. This can be attributed to entrepreneurs working to standardise their products, maintain quality control and follow schedules of delivery and so forth, in order to get linked to the global market. Employment in the area of domestic help and other supporting services has followed a similar pattern, as the men and women working in global sectors must have a regular household support system. The recent increase in the rates of unemployment, along with high growth in employment, can be explained in terms of this process of informal formalisation. Many of the non-literate rural migrants, such as dispossessed farmers and rural artisans, are unable to get started in the urban job market since work there is increasingly regulated by contracts and specifications.

An overview of migration trends suggests that net migration into urban areas has gone down over the decades. In particular, the mobility of men, which is linked to the strategy of seeking livelihood (as opposed to female migration, which often occurs for family reasons), has decreased over the past three to four decades. Further, economic deprivation does not emerge as the most critical factor for migration decisions. While both poor and rich households report migration, this 'window of opportunity' is more available to the non-poor than the poor. Poor households in urban areas send out one or more of their adult members to other locations, while economically better-off families more often migrate as a whole.

A logit regression model applied to the NSS data confirms the proposition that migration is an effective mechanism for improving economic wellbeing and escaping poverty for the adult population. This model finds that the probability of being poor is much less among migrants compared to the local population in all size classes of urban centres. The urban-urban migrants have lesser risk of being below the poverty line than rural-urban migrants. Further, the probability of poverty is lower in a large city compared to smaller towns, irrespective of migration status, nature of employment, level of education or age. The million-plus cities have a further edge over the other towns in this context. The percentage of the poor in Class I and metropolitan cities declined significantly during the 1990s, reflecting the growth of high-income jobs there, as well as the exclusion of unskilled and non-literate migrants. Educational

attainment emerges as the single most significant factor affecting poverty in all size classes of urban centres, for different categories of labour force. A key intervention in increasing rural–urban migration and providing labour support to modern and growing industries and business would be the expansion of formal and informal systems for education and skills development.

In the new system of urban governance, civil society organisations have become very active and vocal in recent years, particularly in large cities, with the objective of ensuring the safety of their residents, better delivery of public amenities and more efficient management of development projects. In the process, the more powerful organisations, mostly from better-off social groups in formal colonies, have tried to sanitise their neighbourhoods by removing encroachments, slums, squatter settlements and petty commercial establishments that, in their view, pose a threat to local security and hygiene. Courts have taken a serious view of the public interest litigations filed by such organisations and by other concerned individuals, and often directed local authorities to remove these undesirable forms of urban growth. Such measures have led to an improvement in the quality of life in many formal colonies but, at the same time, have accentuated disparities in the level of amenities available to different groups within cities. In brief, traditional class differences and power structures are being reinforced in the process of urban growth, making life very difficult for poorer new urbanites and contributing to low rural–urban movement.

Given the resource constraints in government agencies, financial institutions, international donors and credit-rating agencies have come up with various innovative arrangements for resource mobilisation, with significant impact on urban development. The system of allowing extra floor area (FSI) to be traded in the land market has been a convenient method of resource mobilisation and has enabled the participation of public agencies starved of funds. Although the basic idea is to promote greater land-use efficiency, the process has in fact promoted the spatial reorganisation of the urban population, often leading to further separation of rich and poor.

A large number of Urban Local Bodies (ULBs) have adopted policies of privatisation, partnership arrangements and promotion of community-based projects to lessen the pressure on their budgetary resources. Projects sub-contracted to private agencies or launched with public–private partnership mostly have stipulations of cost recovery aiming to make the projects financially self-sustaining. However, low-income neighbourhoods find it difficult to meet the stipulations. The same occurs in relation to public sector projects that are becoming increasingly dependent on institutional borrowings and capital markets. All these accentuate the gaps between rich and poor localities within the cities, particularly in the context of water and sanitation facilities, resulting in serious problems of health and hygiene for the entire city. Growing disparities in the quality of the micro-environment have also contributed to problems of law and order resulting in violence.

Several metropolitan cities have chosen to prepare vision documents, in place of master plans. Vision documents are much quicker to prepare, providing only a framework. The task of detailing schemes and modalities for implementation is left to stakeholders, including private builders and financial intermediaries. The responsibility of preparing the vision document has often been assigned to national or global research agencies that bring in the perspective of other cities and countries. The Eleventh Plan document reposes the responsibility for preparing City Development Plans (CDPs) under JNNURM and UIDSSMT to local and state governments 'as a Vision Document'. It holds that the CDP should also provide scope for community participation in the planning process and in its implementation.

A review of the evolution of policies and programmes in India's urban sector at different levels of governance indicates that these have undergone significant changes during the past two-and-a-half decades. A perspective of macro-economic growth was brought into the urban sector for the first time in the Ninth Plan (1997–2002). This proposed a strategy based on the principle

of market efficiency, wherein cities would act as engines of growth. It also puts forward a vision of infrastructural development through mobilisation of resources from financial institutions and the private corporate sector, but with a substantial reduction in budgetary allocations.

The massive programme for infrastructural investment through Additional Central Assistance, coming to state/city governments as grants, was launched in the Eleventh Plan under JNNURM. The key objective is to get the governments to commit themselves to structural reforms, following the failure of the central government to achieve this, despite several carrot-and-stick measures and incentive schemes. An overview of projects and schemes launched in different cities reveals that most of the projects have been designed to increase the total capacity services such as water supply, sanitation and sewer treatment, as well as roads and flyovers at city level. There is no explicit provision to improve delivery of such facilities in the deficient areas that have a low level of income and affordability. The apprehension that much of the benefits from this augmented system will be restricted to better-off groups cannot be ruled out.

The system of mission plans proposes to improve the living conditions of the poor through integrated housing projects, implemented through state governments and local bodies and with the engagement of private agencies. The capacity of state institutions to ensure that dwelling units are allocated to, and retained by, those in the 'deserving category' is extremely limited. Critics have argued that the mission will provide subsidised dwelling units to a few administratively or politically connected people in select cities, and contribute to urban 'sanitisation' in protection of commercial interests. In such a framework, the diminished inflow of rural poor into large cities and the deceleration of overall urban growth in smaller towns can be expected to persist in India.

By any conservative estimate, India will have about 400 million additional persons in the labour force by the year 2050. Agriculture and related activities that provide subsistence to about 220 million of the current workforce of 500 million cannot absorb additional labour without further reducing levels of earnings. There has to be, therefore, a massive transfer of people from primary to secondary and tertiary sectors, and from rural to urban areas.

One means of enabling this transfer would be to adopt more inclusive policies in the Class I cities, ensuring that they can absorb a large part of the rural–urban transfer. Unfortunately, there is likely to be political resistance to this. A complementary approach, particularly important if the larger cities remain exclusionary, would be to provide more support to potentially successful small and medium-sized urban settlements, so that they can provide employment at a reasonable level of productivity and earnings for the growing labour force. Unfortunately, this is likely to be economically challenging for planners working under a very different paradigm. Some combination of these approaches is likely to be necessary, however, to prevent serious economic and social disturbances.

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