



Growth of urbanization and its Effect on Economy in India

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Abstract: India has to improve its urban areas to achieve objectives of economic development. However, urban governance and management of the services is far from satisfactory. In this context, the Government has launched a reform-linked urban investment program, JNNURM. The paper has analyzed urban trends, projected population, service delivery, institutional arrangements, municipal finances, innovative financing, etc. It has also described status of JNNURM. As per population projection for 2026, level of urbanization would be different in various states. India’s future urban strategy should recognize these differences and plan accordingly. India’s future strategy should focus on: (a) Inter-government transfers with built-in incentives to improve performance; (b) Capacity building of ULBs; (c) Investments on asset creation as well as management; (d) Integrate urban transport with land use planning; (e) Integrate various urban development and related programs at local, state and national levels; (f) Strengthen urban institutions and clarify roles of different organizations; and (g) Second generation of urban reforms should further focus on regulation, innovative financing and PPP, and climate change initiatives; (h) Different approach of supporting reform-linked investments needed for different states based on level of urbanization. It has recommended constitutional amendments as well administrative actions to improve India’s urban areas.

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Keywords: Urban planning, capacity building, financial institution, investment, government plan.

Introduction: In 2001, about 286 million persons were living in urban areas of India and it was the second largest urban population in the world. The 74th Constitution Amendment Act (CAA) came into force in June, 19 93 which sought to improve strengthen urban governance and management of services. The urban population is expected to rise to around 38 percent by 2026. India has to improve its urban areas to achieve objectives of economic development. Huge investment is required in India’s urban sector. Since public funds for these services are inadequate, urban local bodies (ULBs) have to look for innovative approaches for financing and management of urban services. However, most critical factors for introducing these innovations are a healthy municipal revenue base and good urban governance. In response to urban problems, the Government of India launched a reform-linked urban infrastructure investment project, Jawaharlal Nehru Urban Renewal Mission (JNNURM). This paper briefly describes urban trends, institutional arrangements, finances and financing of ULBs in India. It identifies issues and suggests an approach for future urban strategy in India. It also makes certain recommendations in terms of constitutional amendments as well as administrative actions.

URBAN DEMOGRAPHIC TRENDS: In India out of the total population of 1027 million, in 2011, about 285 million persons lived in urban areas. The proportion of urban population has increased from 19.9% in the year 1971 to 32% in the year 2011. The decadal growth of urban population was 31.2% in 2001-2011. At the country level, natural increase has been principal source of urban population growth. The contribution of rural-urban migration ranges between 19 to 21 percent of the net increase in urban population.

PROJECTED URBAN POPULATION: The Registrar General of India has projected total and urban population for India and states. It is interesting to know that 67% of total population growth in India in next 25 years is expected to take place in urban areas. Urban population is expected to increase from 286 million in 2001 to 534 million in 2026 (38%).



Projected Urban and Total Population in India – 2011, 2021 and 2026

Item	2001	2011	2021	2026
Total Population (million)	1028.61	1192.50	1339.74	1399.83
Urban Population (million)	286.12	357.94	432.61	534.80
Urban (%)	27.82	30.02	32.29	38.21
Total AEGR (%)	1.48	1.32	1.23	1.16
Urban AEGR (%)	2.24	2.07	2.50	1.89

Source: Population Projections for India, 2001-26, Registrar General of India, 2006

AEGR- Annual Exponential Growth Rate

Of the total increase in population, 50% during the period is likely to occur in seven less developed states, namely, UP, MP, Rajasthan, Bihar, Chhattisgarh, and Jharkhand. But urban growth is going to take place in states of U.P., Maharashtra, Tamil Nadu, and Gujarat and these will contribute over 45% of urban growth over next 25 years.

STATUS OF URBAN INFRASTRUCTURE:

Water Supply, Sewerage and Solid Waste: There is a tremendous pressure on civic infrastructure systems like water supply, sewerage and drainage, solid waste management, etc. Recent data suggest that water supply is available for 2.9 hours per day across cities and towns. The non-revenue water that includes physical and revenue losses account for 40-60 percent of total water supply. About 30 to 50 percent households do not have sewerage connections and less than 20 percent of total waste water is treated. Solid waste systems are severally stressed. The state of services reflects the deterioration in the quality of city environments.

Urban Transport: Most of the cities in India have been facing urban transport problems for last many years, affecting the mobility of people and economic growth of the urban areas. These problems are due to prevailing imbalance in modal split; inadequate transport infrastructure and its sub-optimal use; no integration between land use and transport planning; and no improvement or little improvement in city bus service, which encourage a shift to personalized modes. In view of this, the Government of India approved the National Urban Transport Policy (NUTP) in April 2006. The Policy primarily focuses on the mobility of people not the mobility of vehicles. This will require the public transportation system to be more attractive to use. The public transport options vary between low cost buses to high cost rail metros. Moreover the shape of a city is very important for selecting the appropriate mode of transport and capacity building is a very important factor in introducing and implementing public transport system.

INSTITUTIONAL ARRANGEMENTS: The Institutional arrangement for municipal governance and urban service delivery mainly comprises the Constitutional provisions, State Municipal Laws, role of State Finance Commission (SFC) and Central Finance Commission (CFC), and status of ULBs and parastatals.

74th Constitutional Amendment Act: Municipal institutions in India have a history of over 300 years. These refer to ULBs comprising municipal corporations, municipalities and nagar panchayats. In 2001, there were about 3636 ULBs in the country. However, the Constitution did not make local self-government in urban areas a clear-cut constitutional obligation. As a consequence of inadequate



Constitutional provision for Local Self Government, democracy in municipal governance was not stable. As a result, many urban local bodies became weak and were not able to perform effectively. In this context, 74th CAA came into force in June, 1993 which sought to strengthen decentralization. The main provisions include constitution and composition; constitution of wards committees; reservation of seats; duration of municipalities; powers and functions; finances; finance commission; elections; district and metropolitan planning committees, etc. The 74th CAA, expects that ULBs will assume responsibilities for urban planning, water supply, social and economic planning, slum up gradation, public health, etc. However, the CAA did not lay down revenue base for ULBs and the power to determine the revenue base continues to remain with state governments. Study of implementation of 74th CAA in various states showed that some states have performed better than others. An important observation is that while there has been full compliance in respect of provisions, such as constitution of three types of ULBs, reservation of seats, and constitution of SFC, the same cannot be said for other provisions, namely constitution of Wards Committees, District Planning Committees and Metropolitan Planning Committees. Many states have not transferred functions, funds and functionaries.. Implementation of 74th CAA needs strengthening.

State Municipal Laws: Municipal laws in India are very old and often do not enable ULBs to implement reforms. Therefore, the Government of India (GOI) has developed a Model Municipal Law (MML) in 2003 to guide States to enact municipal legislations. The basic objectives of the MML are to implement the provisions of the 74th CAA in totality for empowerment of the ULBs, and provide the legislative framework for implementation of the Ministry's urban sector reform agenda. This initiative is expected not only to enhance the capacities of ULBs to leverage public funds for development of urban sector but will also help in creating an environment in which ULBs can play their role more effectively and ensure better service delivery. Four states, namely Rajasthan, Bihar, Orissa and Sikkim have prepared their municipal laws on lines of MML and many others are in process of amending their laws. The Rajasthan Municipalities Ordinance 2008 has introduced some very innovative features that should help to empower ULBs in the State.

Wards Committees: The 74th CAA provides a framework to enable participation of citizens in urban governance. It contains an enabling mechanism to form wards committees for citizen's participation. However, it has remained on paper in most states. Out of 29 states, where wards committee were required to be set up as of June 2004, the enabling legislation was in place in only 19 and out of these, wards committees were constituted in only eight states (Sivaramkrishnan, 2006). A study of wards committees in West Bengal, Kerala, Maharashtra and Karnataka revealed that if wards committee is to function as mechanism for meaningful participation of all people within the wards, they ought to be smaller in size as smaller committees in West Bengal and Kerala. The committees in these two states are at ward level and are very participative. Whereas in Maharashtra and Karnataka these are envisaged for a group of wards and are not able to achieve effective proximity of citizens to elected representatives. While the provision of these committees has been a significant addition to decentralization process but they have yet to become an effective platform for accountability. Concept of Area Sabha (AS) was introduced to promote a sense of belongingness, inclusion and participation.

ULBs and Parastatals: Three broad institutional frameworks are discernible in states in India with regard to water supply and sewerage services. First are the states where the entire system is with a department or a parastatal of the State Government; second, where the ULBs themselves handle the entire activity and, third, as in some large cities, where exclusive water supply and sewerage boards have been set up for the city (Table 5). Irrespective of the institutional framework, the failure of the public sector to



provide adequate service delivery have been ascribed to public monopoly, organizational inefficiency, technical flaws in the form of high leakages, lack of preventive maintenance, unaccounted water as well as over staffing and lack of autonomy. City planning function has not been handed over to ULBs in many states. These state level organizations are often not accountable to ULBs. Though 74th CAA expects that major civic functions should be transferred to ULBs many small and medium sized ULBs are not in position to manage water supply, sanitation and town planning functions.

STRATEGY FOR URBAN DEVELOPMENT: The Second Administrative Commission Report (ARC) has looked into urban governance quite closely. It has revisited the ULB structure, functional devolution, executive system finances and the related aspects of delivery of services and suggested a number of measures to strengthen ULBs (India 2007). The Government has accepted a large number of its recommendations of the AEC. A National Commission of Urbanization (NCU) was set up in late 1980s and it brought a report in 1988. Since NCU Report is over two decades old, ARC recommended setting up of NCU-II and Government has also accepted this recommendation. As per population projection in 2026, level of urbanization will be different in various states (Table 9). In terms of urban population distribution in 2026, India will be mainly dominated by 11 states identified as first group and 11 Mega cities. India's future urban strategy should recognize these differences and plan accordingly.

Management Actions for Urban:

- **Governance**
- **Finances**
- **Planning**
- **Delivery of Services**
- **Encouraging PPP**
- **Urban Transport**
- **Market-Based Financing**

CONCLUSION: Great progress has been made in developing the framework for reform linked investment in urban infrastructure. As per population projection in 2026, level of urbanization will be different in various states. India's future urban strategy should recognize these differences and plan accordingly. To improve urban governance and delivery of services there should be constitutional amendments as well administrative actions. Most importantly, inter-government transfers should have built-in incentives to improve performance and capacity building should be an important component of the future urban program.

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