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IMPACT OF ECONOMIC POLICY ON DEMOGRAPHICAL URBAN DEVELOPMENT

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Abstract

India has witnessed the similar pattern and the Indian cities are considered as engine of economic growth. India has the largest urban system in the world in terms of absolute population but it does not have any specific urban development policy for the reason that constitutionally urban management and governance is the state matter and centre can only issue the guidelines and directions. Unfortunately, nothing substantive has been done at the state level and whatever policy and programme is seen has come through different national plans. In this context the paper intends to trace the urban development policy which takes into account urbanisation policy as well as urban policy since the first FYP. Urbanisation policy focuses more on developing urban areas in regional context while urban policy takes into account internal issues like land use, housing and slums, basic amenities, transport and the urban governance mechanism. This research article to be discussed about Demographical Urban Development – Study of Economic Perspective.

Keywords: Good Governance, Socio-Economic Development, Urban Development Policy, National Plans, Governance, Paradigm Shift, Service Provider, Urbanization.

Introduction

Statement of the Problem

“Urbanization is not about simply increasing the number of urban residents or expanding the area of cities. More importantly, it’s about a complete change from rural to urban style in terms of industry structure, employment, living environment and social security.”

Prof. Li Keqiang

A familiar Chinese Economist, Philosopher & Leader

Urbanisation is a natural outgrowth of socio-economic development in general and industrialization in particular. Widespread urbanization is a twentieth century phenomenon. The total urban population of the world was not more than 250 million in 1900 i.e less than 15 per cent of the total population. It has grown rapidly from 746 million in 1950 to 2.9 billion in 2000 and 3.9 billion in 2014. Globally, more people live in urban areas than in rural areas, with 54 per cent of the world’s population residing in urban areas in 2014. In 1950, 30 per cent of the world’s population was urban and by 2050, 66 per cent of the world’s population is projected to be urban.

The 21st century is therefore an urban century and this sets it apart from the past centuries. India did not face an “urban explosion” as did many other regions of the world. India’s level of urbanization increased from roughly around 18 per cent in 1961 to only 23.34 per cent in 1981 and 31.16 per cent in 2011. Consistent with its low per capita income India ranks among the last thirty in the list of countries listed according to their urbanization levels. Despite its low level of urbanization as compared to other parts of the world in terms of magnitude, India’s absolute urban population has grown by more than fourfold increase in the last 50 years (1961-2011) with 377 million population residing in urban areas. Surprisingly, India is the largest urban system whose urban population is larger than the total population of all the countries except China and United States. According to Survey by United Nations in 2030 year 40.76% of country’s population is expected to reside in urban areas.

Table 1
India’s Population (1961-2011)

Table with 6 columns: Year, No. Of Towns/UA, Total Population (Mill.), Urban Population (Mill.), Level of Urbanisation (%), Exponential Urban Growth (%). Rows include years 1961, 1971, 1981, 1991, 2001, 2011.

(Source: Based on Census of India different volumes)



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Urbanisation is a spontaneous rather than induced phenomena and is usually seen as a byproduct of economic development hence it attains peripheral attention of planners and policy makers. This is reflected in the budget outlay earmarked for urban and housing sector in different five-year plans.

Table 2
Plan Outlay in Housing and Urban Development Sector (Rs. In Millions)

Table with 4 columns: Plan and Year, Total outlay, Housing and urban development, and Percentage share in the total. Rows include First Plan (1951-56) through Twelfth Year Plan (2013-2018).

(Source: Respective Plan Documents)

However, fact remains that cities have played significant role in country's economic development and are considered as engine of economic growth. Data on the urban share of the gross domestic product (GDP) for the Indian economy is not available on a regular and consistent basis but estimates by the Central Statistical Organisation (CSO) available for a few years, indicate that this share has increased over a period of time (Mohan-2004).

Urban Development Policy

Urban development policies are the government's response in understanding the urban problems, approach to the remedies, visualize the urban future and development of the society; and its assessment can reveal many related concerns related to this specific field.

Despite the positive roles these cities have played in the socio-economic development, contrast is seen in incomes and amenities at inter urban, intra urban and rural urban level because of lack of any rational urban development policy keeping in mind the socio-economic and cultural fabric of the country keeping intact.



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India's urbanisation policy- Some basic issues

Ramachandran, a familiar scholar of Urban politics identifies three basic issues standing out prominently in the context of urbanisation policy. Firstly, there is the fundamental issue of the desirability of urbanisation on the macro scale and is often reflected in the form of extreme views on urbanisation like anti-urban and pro urban philosophy. From the very beginning there has been one group of thinkers/scholars who consider that cities are bad and city life is the embodiment of evils. Most of the brahmanical religious texts like Vedas and Upanishads opposed the urban way of life. On the other extreme are the scholars/thinkers like Kautilya and Vatsyayana who have defended the urban life in their texts and held the view that urban way of life is an attribute of civilised society. Basically, these two viewpoints are the reflections of the rivalry for power and influence in the Aryan society. Gandhian opposition to urbanisation reflects modern day anti urbanisation philosophy and even today there is a strong reluctance for any explicit urbanisation policy.

The second issue focuses on the choice between an ideal decentralisation of urban settlement system and the opposite scenario of a highly centralised urban system with few metropolitan cities forming the backbone of macro economy. Gandhian philosophy advocated for a decentralised society and economy based on self-sufficiency whereas Britishers promoted a highly centralised administration in the capital city leaving little scope for initiatives at lower level. In spatial context urban decentralisation means the encouragement of small and medium towns by creating infrastructure, amenities and employment opportunity and discouragement at metropolitan level. The philosophy was seen in the launching of Integrated Development of Small and Medium Towns (IDSMT) in the early eighties and Provision of Urban Amenities in Rural Areas(PURA) in the first decade of 21st century.

The third issue has to do with our federal political system, in which urbanisation is a state subject and only the state governments are empowered to enact on urban issues. Unfortunately, the state governments have hardly taken any initiatives in this direction and most of the initiatives and interventions in the urban sector in the last six decades have come from central government through different five-year plans framed by the Planning Commission (now NITI Aayog) and approved by the National Development Council consisting of Chief Ministers of the states.

Government Economic Initiatives

The government of India constituted a Task Force in October 1975 to study the problems of small and medium towns of India and the report clearly indicated that a multi-dimensional approach involving spatial, social and economic facets of development is required for balanced urban development. In the human settlement sphere, it visualised a system of settlements which is functionally different but woven into an integrated pattern of complementarity, each with its distinct personality and character. In compliance with the report, the Town and Country Planning Organisation (TCPO), Ministry of Urban Development, Government of India prepared a draft National Urbanisation Policy in 1975 with the following objectives:

- Evolving a spatial pattern of economic development and location of a hierarchy of settlements consistent with the utilisation of natural and human resources and ensuring functional linkages.
- Securing optimum distribution of population between rural and urban settlements and among the towns of various sizes within each region.
- Securing the distribution of economic activities in small and medium towns and in new growth centres in order to achieve maximum economic growth.
- Controlling/arresting further growth of metropolitan cities by dispersal of economic activities, legislative measures and setting up of new counter magnets in the region.
- Providing a minimum level of services for improving the quality of life and reducing the gaps between the rural and urban areas.

Following the policy statements, the class I cities (with population above 1 lakh) were to be developed industrially with adequate infrastructure so that they can act as counter magnet to the metropolitan cities; the medium sized towns (population between 50,000-1,00,000) to be developed as growth centres with agro-based industries and small towns (population below 50,000) to act as rural service centre serving the need of surrounding rural areas.



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Five Year Plans – Policy Measures

The Partition in 1947–48 provides the backdrop for urban development policy in India. Millions of refugees crossed the borders in eastern and western sectors and sought shelter and livelihoods in various cities. The result was a phenomenal increase in sub-standard housing and slums in the cities “...containing insanitary mud-huts of flimsy construction, poorly ventilated, over-congested and often lacking in essential amenities such as water and light” in urban areas. It was noted that urban growth during the first five-year plan was haphazard caused by inadequate legal power to control use of land and construction of building. Hence more state/local authority control is needed over building activity, land uses and land prices. As a response to the problems created by the sudden increase in urban population, the 1st Five Year Plan (1951–56) was mainly concerned with housing and rehabilitation of refugees. A large number of rehabilitation colonies and sub-towns were set up in different parts of the country. Furthermore, the central government also set up the Town and Country Planning Organisation (TCPO) to provide guidance and assistance to central and state governments on urban problems and also to prepare the Delhi Master Plan which was conceived as the model plan for other cities. The Plan was categorical about the need for slum clearance considering it as a ‘national problem’ and a ‘disgrace to the country’.

Achieving balanced urban growth through dispersing economic activities to the smaller urban centres was the major thrust of the 4th Plan (1969–74). The Plan articulated the need for urban land policy at the state level and provided specific guidelines for the formulation of the same. In 1970, the Housing and Urban Development Corporation (HUDCO) was set up to provide loans to urban development authorities and state housing boards for housing and other development projects such as infrastructure development, land acquisition and essential services. However, the development of adequate housing stock, (which would resultantly discourage the growth of slums) through cheap loans from HUDCO was a strategy envisaged only for smaller and growing cities and towns. Cities which already had large slum populations were ineligible as per the guidelines of HUDCO so the strategy adopted for these big cities was improvement of the living conditions of slum dwellers through provision of basic services under the scheme of Environmental Improvement of Urban Slums (EIUS) scheme in 1972–73.

The **5th Plan (1974–79)** was mainly concerned with introducing measures to control land prices in cities; providing a framework for the development of small and medium towns; augmenting basic services in cities and towns; addressing the problems of metropolitan cities with a regional perspective and assist development projects having national significance in metropolitan cities. In order to evolve a framework for the development of small and medium towns the central government constituted a Task Force in 1975. In order to control spiraling land prices in cities, the Plan suggested several measures, including, “differential taxes on land based on its use, higher taxes on vacant lands to discourage speculation, conversion tax on change of land use and enhanced stamp duty on transfer of lands” (Batra-2009). One of the most important steps that were taken to check land prices and speculation in land during the fifth plan period was the promulgation of the Urban Land (Ceiling and Regulation) Act (ULCRA), 1976 to prevent the concentration of urban land in the hands of a few. The Act provided for fixing a ceiling on the possession and ownership of vacant land in urban areas and acquisition of excess land for creating housing stock for the poor.

The **6th Plan (1980–85)** was launched in the backdrop of Mrs. Gandhi’s return to power in 1980 January. The demolition of about 1.5 lakh slum houses during the emergency in which over 7 lakh people were uprooted from inner city and resettled on the outskirts of the city without employment opportunities and basic amenities proved to be one of the most brutal markers of totalitarian rule in the public imagination. So as a damage control device its focus was largely to improve environmental conditions in slums through improvement in drainage, sewerage, sanitation and promoting low-cost housing. Centrally sponsored scheme the Integrated Development of Small and Medium Towns (IDSMT) was launched with the objective of promoting growth in towns with less than 100,000 population through provision of infrastructure and basic services (GoI: 6th FYP). Initially the scheme included 231 towns from different states/UTs, selected on the basis of the ratio of urban population in the state to the total urban population in the country. There was also a lot of emphasis on containing the growth of metropolitan cities by dispersing industrial and economic activities in small and medium towns in general and satellite towns of large cities in particular. However, stagnation in agriculture and skewed investment policies coupled with favourable economies of agglomeration enjoyed by large cities thwarted all attempts of ‘balanced regional development’.

Eighth Five Year Plan (1992-1997) witnessed two major changes in the field of urban development. Firstly, the Town and Country Planning Organisation prepared a draft National Urban Policy (1992). The major objectives of the national urbanisation policy identified in the report is as follows:

- ❖ evolve a spatial pattern of economic activities and population distribution based on regional development and planning considerations;



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- ❖ secure a balanced distribution of population among the urban centres of various sizes, so as to maximize economic gain and minimize social costs of urbanization;
- ❖ control further growth of metropolitan cities by dispersal of economic activities in the new growth centres to prevent them from being becoming national liabilities;
- ❖ prioritise development of those urban centres which have been identified as prime economic movers in national economic development, such as the National Priority Cities (NPCs), State Priority Cities (SPCs) and Spatial priority Urbanisation Regions (SPURs);
- ❖ secure the distribution of economic activities in small and medium towns and in new growth centres in order to induce the desired population distribution;
- ❖ improve the efficiency of the urbanisation process by removing bottlenecks and breakdowns in the supply of urban services which impose costs on on workers, businessman and consumers and
- ❖ the process of urbanisation can be used to improve agricultural performance and create local employment opportunities.

Secondly the 74th Constitutional Amendment Act was promulgated. It was a landmark Act which sought to decentralize decision making process at ULB level as institutions of democratic self-governance through devolution of essential functions (political, functional and financial) related to city planning and service provision to these bodies. Salient features of the Act are: introduction of the Twelfth Schedule which lists the functions of the ULBs, establishment of ward committees in areas having a population of over 3 lakhs, periodic and timely elections of ULBs, and devolution of finances to ULBs as per the suggestions of the State Finance Commissions (SFSs). One of the highlights of the 8th Plan period was the publication of the India Infrastructure Report whose imprint can be seen in various policy and legislative measures that central and state governments have adopted in urban sectors.

The Ninth Five Year Plan (1997-2002) recognized the skewed nature of urban process in India with urbanization and economic growth mainly concentrated in certain pockets. It also admitted that the IDSMT had largely been a failure in serving as a counter magnet, checking the rural-urban influx and has mainly been involved in constructing some public toilets, parks, market place or community halls. The Plan sought to make ULBs and parastatal agencies accountable and financially viable by cutting down on budgetary allocations for urban infrastructural development. The Plan also recognized that while larger municipalities may be in a position to raise funds from capital market and financial institutions directly, the smaller ULBs simply do not have the financial and technical capability to do so. It thus proposed to create an 'Urban Development Fund' based on the principle of 'pooled finance' to help smaller towns realize commercial borrowings. The sectoral objectives of the Ninth Plan were:

- development of urban areas as economically efficient, socially equitable and environmentally sustainable entities;
- accelerated development of housing, particularly for the low-income groups and other disadvantaged groups;
- development and up gradation of urban infrastructure services to meet the needs of a growing population;
- alleviation of urban poverty and unemployment;
- promoting accessibility and affordability of the poor to housing and basic services;
- improvement of urban environment;

12th Five Year Plan of the Government of India (2012–17) was India's last Five-Year Plan. With the deteriorating global situation, the Deputy Chairman of the Planning Commission MrMontek Singh Ahluwalia has said that achieving an average growth rate of 8 per cent in the next five years is not possible. The final growth target has been set at 8% by the endorsement of plan at the National Development Council (NDC) meeting held in New Delhi.

"It is not possible to think of an average of 9 per cent (in 12th Plan). I think somewhere between 8 and 8.5 per cent is feasible", Mr Ahluwalia said on the sidelines of a conference of State Planning Boards and departments. The approached paper for the 12th Plan, approved last year, talked about an annual average growth rate of 9 per cent. "When I say feasible...that will require major effort. If you don't do that, there is no God given right to grow at 8 per cent. I think given that the world economy deteriorated very sharply over the last year...the growth rate in the first year of the 12th Plan (2012-13) is 6.5 to 7 per cent." He also indicated that soon he would share his views with other members of the commission to choose a final number (economic growth target) to put before the country's NDC for its approval. Though the 12th Plan has taken off, it is yet to be formally approved. The Planning Commission set a deadline of September for taking the approval of the NDC. The council is expected to meet after July, subject to the convenience of the Prime Minister. It is mainly focused on health. The status of the 12th Plan is in question due to the dissolution of the Planning Commission.



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SMART city initiatives

With the new regime in Delhi, India’s urban development agenda is now focused on the creation of “Smart Cities” in industrial corridors (Delhi-Mumbai Industrial Corridor, the Chennai-Bangalore Industrial Corridor and the Bangalore-Mumbai Economic Corridor) with a note that these urban centres are ‘High Growth Centres’ inextricably linked to the economic vision of creating centres of investment for private capital. The Govt. states “Our cities should no longer remain a reflection of poverty and bottlenecks. Rather they should become symbols of efficiency, speed and scale.” The government of India intends to develop 100 such cities enabled with the latest technology and infrastructure. The Union Budget of 2019-2020 made provision of Rs. 120 billion (around \$2.2 billion) to fulfil the vision of “developing ‘one hundred Smart Cities’, as satellite towns of larger cities and by modernizing the existing mid-sized cities.” The idea of Smart Cities seems to be based on the assumption that there are technocratic solutions for the routine problems that citizen face and technology is heralded as the “apolitical” means by which governance can be fixed and saved from the operation of “politics”. To what extent the vision for SMART city will fulfil the need of common people is in the womb of future and one has to wait and watch.

Summing Up

Urbanisation is a natural outgrowth of socio-economic development. Widespread urbanisation in the last century was so pervasive that the total urban population of the world in the last 115 years increased by more than 15 times claiming more than half(54 per cent) of the global population is living in urban areas. India’s level of urbanisation (31.16 per cent in 2011) is not that impressive as compared with other parts of the world. But at the same time in terms of absolute urban population India has the largest urban system with 377 million with an increase of more than four times in the last 60 years (1961-2020). Urbanisation is usually seen as a byproduct of economic development hence it hardly attains any focused attention of planners and policy makers. However, fact remains that cities have played significant role in country’s economic development and is considered as the ‘Engine of Economic Growth’ with roughly around two third of the Gross Domestic Product (GDP) coming from this sector. India’s urban vision advocates for the promotion of sustainable, efficient, well managed and regionally balanced urban development. Constitutionally legislation, planning and management of urban areas fall in the domain of state governments but unfortunately in the last six decades hardly any initiatives have been taken and most of the interventions in the urban sector have come from central government through different five-year plans. These plans have reflected the intention of the state towards urban development and accordingly have made a shift in focus over a period of time. In the formative phase the government was more concerned towards providing houses, developing new colonies and creating institutional infrastructures like SPA, TCPO etc for training of the professionals. This was followed by involvement of private sector in the housing sector, provision of funds for housing and urban development and ceiling on the urban land for individuals.

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INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY EDUCATIONAL RESEARCH

ISSN:2277-7881; IMPACT FACTOR :7.816(2021); IC VALUE:5.16; ISI VALUE:2.286

Peer Reviewed and Refereed Journal: VOLUME:10, ISSUE:5(1), May:2021

Online Copy of Article Publication Available: www.ijmer.in

Digital certificate of publication:<http://ijmer.in/pdf/e-Certificate%20of%20Publication-IJMER.pdf>

DOI: <http://ijmer.in.doi./2021/10.05.65>

Scopus Review ID: A2B96D3ACF3FEA2A

Article Received: 10th May- Publication Date:30th May 2021

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Last Saved By: Windows User
Total Editing Time: 31 Minutes
Last Printed On: 6/16/2021 7:16:00 AM
As of Last Complete Printing
Number of Pages: 7
Number of Words: 4,479 (approx.)
Number of Characters: 25,531 (approx.)