



Growth of urbanization and its Effect on Economy in India

Neetu Singh “Net Qualified June 2012” (Economics)

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.

ISSN : 2348-5612 © URR



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%).