CHAPTER - I

INTRODUCTION

The process of urbanisation, considered in the demographic sense as an increase in the proportion of people living in urban areas to the total population, has been associated with economic development. The growth of urban population involves the increase in the population of existing urban centres as well as the emergence of new urban centres. The growth of urban centres of different sizes, their distribution in space and their variations over time are explained by the patterns of urbanisation. Urban finance includes the financial resources involved in urban development by various agencies. The finances of local governments (municipalities) in terms of their revenue income and expenditure form an important component of urban finance involved in the provision of civic infrastructure facilities in urban areas.

1.1 BACKGROUND

1.1.1 The process of urbanisation gained momentum in Western countries after the Industrial Revolution. The pace of industrialisation and the consequent shift of workforce from the primary to the secondary and tertiary sectors resulted in the concentra-
tion of population in towns and cities. The migration of population from rural to urban areas was, therefore, looked upon as a horizontal response to the vertical shift of population from primary to the secondary and tertiary sectors. The "depopulation" of rural areas was, therefore, considered "a sign of economic modernisation" and "the growth of cities a boon to progress".

The pattern of the spatial organisation of the economy through a system of urban nodes and sub-nodes is considered a reflection of the sectoral interrelationships and the nature of economic development. The term "urbanisation" has acquired a definite developmental connotation. Hence the attainment of a minimum level of urbanisation is being increasingly regarded as an essential element for economic development and planning though the term conceptually has a mixed character.

It has been pointed out that the developed countries of today had a correspondingly greater proportion of their workforce engaged in non-agricultural activities than that in the underdeveloped countries at comparable levels of urbanisation. In this light the underdeveloped countries were described as experiencing

"over-urbanisation". The process of urbanisation in these countries was also termed as "pseudo-urbanisation" due to the existence of acute poverty, lack of adequate civic amenities and weak economies in their urban centres.

Over looking the nature of economic development, it has been argued that the patterns of urban industrial development in the West and in the underdeveloped countries are the same and that "the history of the West from nineteenth century onwards is being reiterated in the underdeveloped countries today". It has also been said that "the cities of the Third World are usually healthier than their rural hinterlands and are almost as healthy as cities in the most advanced countries".

1.1.2 The uncritical application of the Western theories, in relation to the urbanisation process in the Third World countries, has been seriously questioned by several scholars. The basic argument by these scholars has been that the very nature of


the economic development in the Third World countries is highly-
distorted due to centuries of colonial exploitation by imperial-

ist powers. The spatial organisation of urban centres in these
countries, including India, has often been articulated in accord-
ance with the exploitative requirements of the colonial powers.
Most of the cities of the Third World today grew as "enclaves"
integrated more closely with the economy of the colonial powers
than with their national economies.

1.1.3 In India, the colonial rule for almost two centuries
has thwarted the process of economic development and did not
permit the emergence of a self-reliant industrial sector. The
symbiotic links between agricultural and manufacturing sectors
were almost broken. One of the several results of that process
was the decay and destruction of the old populous and manufactur-
ing towns like Dacca (which was described by the British as the
"Manchester" of India), Murshidabad and Surat within a few
years.

The establishment of main railway lines by the British in India considering the "extent of political and commercial
advantages" has established the hegemony of the four large port
cities - Calcutta, Bombay, Madras and Karachi - in the system of

8. Chattopadhyay, B. and Moonis Raza. (1975): "Regional Devel-
opment: Analytical Framework and Indicators", Indian Jour-
nal of Regional Science, Vol.7, No.1, pp. 11-34, and

World - Explorations in Search of Theory, Bell & Sons Ltd, London.

territorial organisation of urban settlements. The large urban centres have retained extreme parasitism over the regional economy and the process of underdevelopment in the vast rural hinterlands has accentuated over the years in the country. The migration of people from rural to urban areas was, therefore, not mainly due to the vertical mobility of workforce from the primary to the secondary and tertiary sectors but was in the nature of out-migration from rural areas to urban centres which did not have the capacity to sustain them.

It has been observed that the rural-urban migration stream, which is an instrumental factor in the process of urbanisation, is highly desperate and polarised in the Indian context. It consists of one large stream of illiterate poor in search of livelihood and another of the rich, educated and elite in search of better opportunities. The poor are pushed out of the villages while the rich are pulled into the cities.

1.1.4 The changes that have taken place in the economic structure of the country since Independence have not significantly altered the organisation of urban settlements in space. The assumption of diffusion of growth impulses through percolation from centre to the periphery has become totally invalid in the Indian context. The larger urban centres tend to attract towards them, benefiting from economies of agglomeration, more

industries, trade, transport and communications etc. In the
underdeveloped regions they appear like sparse monadnocks over a
flat peneplaned investment surface of India.

India has been experiencing a phenomenal growth of
urban population in recent years. Though less than one-fourth of
the total population is living in urban centres in the country,
it is the magnitude of urban population which is causing concern.
The urban population was 160 million in 1981 in the country. It
is estimated to have crossed 200 million mark in 1988. By the
turn of the century, the urban population is estimated to cross
the staggering figure of 340 million mark. The responsibility
for the provision of the civic amenities and infrastructure is
vested with the urban local bodies. Hence the provision of
adequate level of civic amenities to the growing urban population
depends, to a large extent, on the financial condition of urban
local bodies.

1.1.5 The Constitution of India recognises local government
as an essential part of the national government but there is no
separate List in the Constitution exclusively for local govern-
ments. They figure in the Entry No.5 of List II of the 7th
Schedule. Hence all units of local governments are creations of
state governments and derive their powers and functions from the
Acts passed by the State Legislatures. The Constitution also does
not make it obligatory for the states to hand over any particular

Regional Disparity, Peoples Publishing House, New Delhi,
p. 81.
source of revenue to local bodies. The state authorities can allot any resources at their discretion to the local bodies.

Despite various studies and recommendations by different enquiry commissions and expert bodies, the state governments have been encroaching upon the functions and powers of local bodies. The local government are made to depend on the mercy of the state governments. The local authorities are also characterised by inefficiency, corruption and lack of will to generate more resources or realise the existing tax potentials partly due to local pressures and lack of trained personnel. This is more so in the case of small and medium size urban local bodies.

The size and rapid growth of urban population are posing serious problems for local authorities in providing adequate civic amenities to the urban dwellers. Certain basic problems like population growth, the rising cost of the maintenance of the municipal services and a revenue base which does not correspond with rising expenditure etc. are common to all urban local governments in the country. The share of municipal sector in the total public sector expenditure of the country came down from around 8 per cent in 1960-61 to about 4.5 per cent in 1977-78. This is despite an increase in the proportion of urban to total population from about 18 per cent in 1961 to 23.73


per cent in 1981. Urban development in the country has not been integrated with state and national development planning. A mechanism has not been evolved for regular devolution of state funds to urban local governments thereby denying them access to capital funds for infrastructural development. The role of urban local bodies has been very limited in the overall process of urban development in the country.

1.1.6 After Independence, several committees/commissions were set up at the national level at different points of time to examine the financial problems of urban local bodies in the country. A number of recommendations were also made to remedy the problems. Apart from these, financial enquiry committees were set up to look into the problems of local finances and suggest remedial measures at state level in Andhra Pradesh (1971), Punjab (1971), Kerala (1975), Orissa (1975), Gujarat (1980), Uttar Pradesh (1980), Tamil Nadu (1980) and West Bengal (1982). Some of these commissions were also set up to review the issues involved in general taxation in some of the states.

15. Local Finance Enquiry Committee, 1951,

Taxation Enquiry Commission, 1953-54,

Committee of Ministers for Augmentation of the Financial Resources of Urban Local Bodies, 1963 (here after referred to as the Committee of Ministers),

Rural-Urban Relationship Committee, 1966, and

The Task Forces on Housing and Urban Development, 1983.
Several ad hoc measures have been proposed in different Five Year Plans for urban development but there has not been a national policy to guide the urbanisation process in the country. For the first time, a National Commission on Urbanisation (NCU) was set up in October, 1985 which submitted its final report in 1988. The grim urban scenario in the country has been described as akin to that of "house on fire" by the Commission. A number of recommendations were made including that of enhancing the share of urban development from the present 4 per cent to 8 per cent in the Plan allocations. It had identified 329 GEMs (Generators of Economic Momentum) and 49 SPURs (Special Priority Urban Regions) to direct the urban process by policy interventions in the country. Different views have been expressed on its recommendations. However, in the absence of any determination to implement at least some of the important recommendations, the report has not received any serious consideration by the Ministry of Urban Development. In view of the indifferent attitude of the

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concerned government departments, it was opined that the commissions report is almost a "dead" report.

1.1.7 Some national level professional bodies have conducted studies on the resource structure of urban local bodies. A comprehensive attempt at collecting the financial data for municipalities was made by the Committee of Ministers for the year 1960-61. It collected information for about 75 per cent of the urban local bodies (1508 out of 2023) that were in existence in 1960-61. The Town and Country Planning Organisation (TCPO) collected financial data on a sample of 344 local bodies for the year 1975-76 in order to assist the work of the Seventh Finance Commission in 1978. The National Council of Applied Economic Research (NCAER) conducted a study taking a small sample of 39 urban local bodies for 1976-77. The National Institute of Urban Affairs (NIUA) has done the most comprehensive work till date on the urban local bodies in India for the Eight Finance Commission. It has collected information for the years 1974-75 and 1979-80 regarding financial resources and standard of services for 1990 urban local bodies (76.16 per cent) out of a total of 2613 which existed in 1979-80 in the country.

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An analysis of municipal finances has been done at all-India level by Datta and Rao and by others at state level for Uttar Pradesh, Orissa, and Delhi in recent years. The present study is an attempt to examine the pattern of urbanisation with special reference to economic development and urban finance basing on a case study of the state of Andhra Pradesh.

1.2 THE STUDY AREA

1.2.1 The state of Andhra Pradesh was formed on 1st November, 1956 as a result of the struggle for the re-organisation of Indian states on linguistic basis. Prior to this in 1953, the Telugu speaking districts of Coastal Andhra and Rayalaseema were separated from the erstwhile Madras state to form Andhra state with 11 districts. The erstwhile princely state of Hyderabad was trifurcated into Telangana, Marathwada and Karnataka areas in.


1956 and the nine Telugu speaking districts of Telangana were merged with the Andhra state to constitute an enlarged Telugu linguistic state of Andhra Pradesh on 1st November, 1956. Three more districts were created within the state ever since. These are Ongole (later named as Prakasam) on 2nd February, 1970, Rangareddy on 15th August, 1978 and Vizianagaram on 1st June, 1979. There are at present 23 districts in the state with a combined area of about 274,814 sq.kms. and a population of about 535,92,605 (as per 1981 census). Accounting for about 8.37 per cent of the total geographical area and 7.82 per cent of the total population, Andhra Pradesh is the fifth largest state, in terms of both, in the country (Fig. 1.1).

The three distinct regions in the state viz. Coastal Andhra, Rayalaseema and Telangana consist of 9, 4 and 10 districts respectively. The districts of Srikakulam, Vizianagarm, Visakhapatnam, East Godavari, West Godavari, Krishna, Guntur, Prakasam and Nellore comprise the Coastal Andhra region; Chittoor, Cuddapah, Ananthapur and Kurnool constitute Rayalaseema; and Mahabubnagar, Rangareddy, Hyderabad, Medak, Nizamabad, Adilabad, Karimnagar, Warangal, Khammam and Nalgonda form the Telangana region. The basic information regarding area, population, density, sex ratio and literacy rate as per 1981 census at the district level is presented in the Table 1.1.

The state has a density of less than 200 persons per square kilometre. The very high density for Hyderabad district is due to the fact that it comprises solely of the metropolitan city of Hyderabad which is also the capital city. In terms of literacy, 13 out of 23 districts in the state have figures below
ANDHRA PRADESH
ADMINISTRATIVE DIVISIONS
1981
STATE BOUNDARY
DISTRICT

Fig 1.1
TABLE 1.1
SOME SELECTED DEMOGRAPHIC INDICATORS OF ANDHRA PRADESH-DISTRICT WISE: 1981

<table>
<thead>
<tr>
<th>Name of the Districts</th>
<th>Area in sq. kms.</th>
<th>Total Population</th>
<th>Density of Population</th>
<th>Sex Ratio</th>
<th>Literacy rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Srikakulam</td>
<td>5,637</td>
<td>1,902,941</td>
<td>326</td>
<td>1032</td>
<td>24.64</td>
</tr>
<tr>
<td>2. Vizianagaram</td>
<td>6,539</td>
<td>1,809,688</td>
<td>277</td>
<td>966</td>
<td>23.13</td>
</tr>
<tr>
<td>3. Visakhapatnam</td>
<td>11,161</td>
<td>2,522,313</td>
<td>226</td>
<td>990</td>
<td>27.72</td>
</tr>
<tr>
<td>4. East Godavari</td>
<td>10,807</td>
<td>3,701,714</td>
<td>343</td>
<td>993</td>
<td>35.12</td>
</tr>
<tr>
<td>5. West Godavari</td>
<td>7,742</td>
<td>2,856,999</td>
<td>369</td>
<td>992</td>
<td>37.65</td>
</tr>
<tr>
<td>6. Krishna</td>
<td>8,727</td>
<td>3,041,949</td>
<td>349</td>
<td>976</td>
<td>41.43</td>
</tr>
<tr>
<td>7. Guntur</td>
<td>11,391</td>
<td>3,427,081</td>
<td>301</td>
<td>973</td>
<td>36.25</td>
</tr>
<tr>
<td>8. Prakasam</td>
<td>17,626</td>
<td>2,456,543</td>
<td>139</td>
<td>994</td>
<td>27.39</td>
</tr>
<tr>
<td>9. Nellore</td>
<td>13,076</td>
<td>2,006,447</td>
<td>153</td>
<td>977</td>
<td>31.89</td>
</tr>
<tr>
<td>10. Chittoor</td>
<td>15,152</td>
<td>2,746,847</td>
<td>181</td>
<td>966</td>
<td>31.60</td>
</tr>
<tr>
<td>11. Cudapah</td>
<td>15,359</td>
<td>1,927,682</td>
<td>126</td>
<td>960</td>
<td>30.99</td>
</tr>
<tr>
<td>12. Ananthapur</td>
<td>19,130</td>
<td>2,618,239</td>
<td>137</td>
<td>935</td>
<td>27.08</td>
</tr>
<tr>
<td>13. Kurnool</td>
<td>17,658</td>
<td>2,404,358</td>
<td>136</td>
<td>963</td>
<td>28.42</td>
</tr>
<tr>
<td>14. Mahbubnagar</td>
<td>18,432</td>
<td>2,446,548</td>
<td>133</td>
<td>984</td>
<td>18.95</td>
</tr>
<tr>
<td>15. Rangareddy</td>
<td>7,493</td>
<td>1,579,862</td>
<td>211</td>
<td>956</td>
<td>29.96</td>
</tr>
<tr>
<td>16. Hyderabad</td>
<td>217</td>
<td>2,440,508</td>
<td>10,325</td>
<td>922</td>
<td>55.95</td>
</tr>
<tr>
<td>17. Medak</td>
<td>9,699</td>
<td>1,827,588</td>
<td>188</td>
<td>980</td>
<td>21.36</td>
</tr>
<tr>
<td>18. Nizamabad</td>
<td>7,956</td>
<td>1,679,277</td>
<td>211</td>
<td>1031</td>
<td>21.91</td>
</tr>
<tr>
<td>19. Adilabad</td>
<td>16,128</td>
<td>1,638,130</td>
<td>102</td>
<td>980</td>
<td>18.97</td>
</tr>
<tr>
<td>21. Warangal</td>
<td>12,846</td>
<td>2,301,374</td>
<td>179</td>
<td>967</td>
<td>23.84</td>
</tr>
<tr>
<td>22. Khammam</td>
<td>16,029</td>
<td>1,744,966</td>
<td>109</td>
<td>952</td>
<td>24.79</td>
</tr>
<tr>
<td>23. Nalgonda</td>
<td>14,240</td>
<td>2,275,476</td>
<td>160</td>
<td>970</td>
<td>21.81</td>
</tr>
</tbody>
</table>

ANDHRA PRADESH 2,75,068 53,592,605 195 976 29.72
the state average. Only two districts in Telangana viz, Hyderabad and Rangareddy have a literacy rate above the state average. Incidentally, Rangareddy district was carved out of the erstwhile Hyderabad district and consists of the suburban areas of Hyderabad city. The districts of Kurnool and Ananthapur in Rayalaseema and Srikakulam, Vizianagaram, Visakhapatnam and Prakasam in Coastal Andhra have literacy rates of less than state average.

1.2.2 Municipal administration began in the state in 1860 when Bheemunipatnam in Visakhapatnam district was constituted into a municipality in the erstwhile Madras state. The municipalities in Andhra Pradesh are constituted and governed by the Andhra Pradesh Municipalities Act, 1965. Till then, the municipalities in the Andhra region (comprising Coastal Andhra and Rayalaseema) were governed by Madras District Municipalities Act, 1920 and in the Telangana region by the Hyderabad District Municipalities Act, 1956. The Act of 1965 was enacted to secure uniformity in the state. The number of urban local bodies i.e. corporations, municipalities and notified area committees together has increased from 35 in 1953 to 68 in 1960-61, to 84 in 1975-76 and to 86 in 1980 in the state. However, most of these are municipalities as corporations and notified area committees are very few in number. There are 112 municipalities (including two notified area committees) in the state as on June, 1988.

The municipalities in the state are categorised as Selection


27. District-wise distribution of the municipalities by their category are given in the Appendix I.
Grade, Special Grade, First Grade, Second Grade and Third Grade in the descending order according to their incomes.

According to section 3(1) of the Andhra Pradesh Municipalities Act, 1965, the government may constitute any local area with a population of not less than 25,000 as a municipality. However, there are a large number of urban centres in the state with a population of 25,000 and above but are yet to be constituted as municipalities.

1.3 OBJECTIVES OF THE STUDY

The main objective of the present study has been to investigate the pattern of urban growth during 1971-81 with special reference to economic development and civic infrastructural facilities in seventies in Andhra Pradesh. In this direction, the study has focussed on the following aspects:

- to examine the level of economic development of the state in relation to other major states in the country in terms of agricultural and industrial development and measure the regional disparities within the state at district level based on aggregative composite index for various dimensions of development;
- to analyse the patterns of urbanisation in terms of levels of development, fast growing and stagnating urban centres and identify areas of rapid urban growth;
- to analyse the interrelationships of urban growth and urban population size with different indicators of economic and infrastructural development especially the indicators of civic finance;
to examine the structure of municipal finance at macro level in terms of revenue income and expenditure patterns, important sources of revenue, important components of expenditure and the problems faced by the local bodies regarding municipal taxation, receipt of grants and provision of civic amenities; and
to investigate the problems of local bodies at micro level basing on a sample of local bodies of different sizes spread over the three regions in the state and identify problems that are common to all the local bodies in the state.

1.4 HYPOTHESES

The following hypotheses have been tested in the study:

(a) The rapid urban growth during seventies in Andhra Pradesh has been caused due to structural backwardness in the economy of the state.

(b) The development of civic infrastructure facilities will influence urban growth.

(c) The urban local bodies in the bigger size categories are financially in a stronger position and are able to provide a higher level of civic amenities when compared to those in the smaller size categories.

(d) The smaller size local bodies are financially more dependent on the devolutions from the state government and are unable to maintain an adequate level of civic amenities due to their rapid demographic expansion.
1.5 METHODOLOGY

1.5.1 The indicators selected and the methodology followed have been discussed in the beginning of each chapter. However, some aspects of the methodology applicable to the entire study are discussed here. The analysis covers the period of sixties and seventies and also upto mid eighties in some cases. However, the emphasis has been placed on explaining the urban growth during 1971-81 in terms of economic development at district level and civic infrastructural development at city/town level.

1.5.2 While examining the structure of workforce and agricultural productivity per worker, only males were considered. This has been done to make the data of 1961 comparable with that of 1971 and 1981, since a more rigorous definition of worker was adopted in the census of 1971 which excluded a person participating in economic activities not as his/her "main activity" from the category of workers. This led to the decline in the number of workers from 1961 to 1971. The decline was more significant in respect of female workers especially in agriculture, since it had a higher share of part-time workers.

1.5.3 The district and individual urban local bodies have been taken as the basic units of analysis. Choropleth techniques and graphs have been used, wherever felt necessary, in representing the data. The census method of size classification of urban centres has been adopted to classify urban local bodies also. Correlation coefficients have been worked out for examining the
inter-relationships of urban growth with various indicators of socio-economic development. Aggregative composite index of development has been computed for 1970s and 1980s by using the method of modified principal component analysis to measure levels of development at district level.

1.6 SOURCES OF DATA AND MAPS

1.6.1 The census of 1961, 1971 and 1981 have been the principal sources for maps and the information relating to urbanisation, male workers in industrial categories and for several indicators of economic and infrastructural development. The figures of agricultural productivity for 1970-73 have been taken from the project study by the Jawaharlal Nehru University - Planning Commission (JNU - PC) on the 'Performance of Indian Agriculture - A District Level Study'. Similar figures for 1980-83 have been computed at the average prices of 1970-73 for 17 important crops. The data for area, yield and productivity of different crops were collected from Agricultural Situation in India, published monthly by the Ministry of Agriculture, New Delhi. The figures for industrial output and value added by manufacture at district level have been collected from the Annual Survey of Industries, 1982-83 published by the Bureau of Economics and Statistics, Government of Andhra Pradesh. Similar figures for different states for the years 1960, 1971 and 1981-82 have been obtained from Annual Survey of Industries, published by the Central Statistical Organisation. The indicators relating to agricultural implements, power consumption, rural electrification, transport and communications and availability of health and
banking facilities have been worked out by taking the data from Statistical Abstracts.

1.6.2 Indicators of civic finance at town level have been constructed for 1968-69 and 1978-79 by taking the data from the census Town Directories of 1971 and 1981 respectively. The data on municipal finances at the state level for 1981-82 and 1986-87 were collected from the Regional Centre for Urban and Environmental Studies, Osmania University, Hyderabad. The relevant figures for the state from the studies of the Committee of Ministers (1963) for 1960-61 and the National Institute of Urban Affairs (1983) for 1974-75 and 1979-80 have been used for comparability. The information regarding the sample local bodies has been collected from their respective annual accounts and administrative reports through personal visits.

1.7 PLAN OF THE STUDY

The study has been organised into seven chapters. In chapter I, an attempt has been made to analyse the process of urbanisation in the historical context in relation to the Western experience and the realities in the Third World countries with special reference to India. Issues relating to financing urban development particularly the role of urban local bodies in providing civic amenities to growing urban population have also been discussed.

In chapter II, the economic development of Andhra Pradesh vis-a-vis all-India and its position in relation to the
major states has been analysed. This is based on indicators relating to per capita income, agricultural and industrial development for sixties and seventies. The changes in the structure of male workforce and the growth and composition of National and State Incomes have been examined. The levels of development within the state has been examined at district level based on 22 indicators for early seventies and 24 indicators for early eithties.

Chapter III analyses the spatial patterns of urbanisation during sixties and seventies. The growth of urban population and its percentage to total population has been analysed from 1901 to 1981 for the state as well as the country. An analysis of correlations of urban growth during 1971-81 with indicators of economic development has been done for backward and developed districts in this chapter. An analysis of the spatial distribution of urban centres growing by more than fifty per cent and less than ten per cent during 1961-71 and 1971-81, density of urban centres and the spatial distribution of declassified and new towns in terms of levels of development in the state has been done.

In chapter IV, an attempt has been made to find out the interrelationships of urban population size and growth with various indicators of socio-economic and infrastructural development at city/town level. This has been done for 28 indicators for 1971 and 1981. Emphasis has been placed on the level of civic finance vis-a-vis population size and growth of urban centres.
Chapter V gives a macro level analysis of the structure of municipal finance in the state. The important items of revenue income/expenditure, the problems of property tax, entertainment tax, surcharge on stamp duty, profession tax, non-taxes, grants-in-aid etc. and important civic amenities like public health, water supply and education etc. have been discussed.

An indepth analysis of the financial problems at micro level has been presented in chapter VI based on a sample of 11 municipal towns and 2 rural local bodies (census towns). The focus of the analysis in this chapter has been on the details of the budgetary incomes and expenditures and the level of civic amenities the information for which has been obtained through field visits.

Finally in chapter VII, conclusions emerging in the light of the study and their implications in the context of planning have been discussed. Recommendations are made to improve the finances of urban local bodies that would bring about balanced urban development in the state.